Quarterly Report to Shareholders

American AgCredit

Your future grows here

as of March 31, 2024

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the first quarter of 2024. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2023 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.agloan.com, or can be obtained free of charge by calling our corporate headquarters at (800) 800-4865. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, the voting stock of American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, and Colorado, as well as the states of Nevada, Hawaii, and New Mexico.

Forward Looking Statements

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Economic Overview

The United States economy has moderated slightly as real gross domestic product slowed to an annualized growth rate of 1.6% in the first quarter, but the labor market remains resilient which encourages consumer spending. The U.S. labor market added 303,000 new jobs in March, representing an acceleration in the pace of hiring and a decline in the unemployment rate, from 3.9% in February to 3.8% in March. Although more people are employed, consumer credit card debt and delinquency have risen. According to the Federal Reserve, as of December 2023, American's collectively held $1.13 trillion in credit card debt, with delinquency rates steadily increasing.

The Consumer Price Index (CPI), a common metric of inflation, increased 3.80% in March, compared to 3.75% in February, and 3.86% in January, when factoring out food and energy. The recent readings are higher than the long-term average of 3.68%. Headline CPI, which includes food and energy, increased to a rate of 3.5% for the 12 months ending March 2024, as compared to the 3.2% rate in February 2024. According to the U.S. Bureau of Labor Statistics, prices for shelter and gas contributed to more than half of the overall increase in the CPI. The disappointingly strong first quarter inflation data weakened the Federal Reserve's case for the much-anticipated rate cuts during the first half of the year, resulting in the Federal Open Market Committee (FOMC) holding rates steady between 5.25%-5.5% and likely delaying cuts until later in the year.

The S&P 500 climbed more than 10% in March, posting its biggest first-quarter gain since 2019, when it rallied 13.1%. The U.S. Treasury debt is the benchmark used to price other domestic debt and is an influential factor in setting consumer interest rates, such as mortgage rates. The market yield on the 10-year U.S. Treasury security in March increased to 4.2%, from 3.88% in December 2023, and 3.48% during the same period last year. According to the Freddie Mac Primary Mortgage Market Survey report, mortgage rates have drifted higher due to sustained inflation and the reevaluation of the Federal Reserve's monetary policy path. The average 30-year fixed rate mortgage reached 6.94% at the end of February and is hovering just below 7% to start the second quarter.

In June 2023, the National Weather Service declared an El Nino weather pattern, which brings a range of impacts, such as an increased risk of heavy rainfall and droughts in certain locations around the world. During the quarter, rainfall in California was well above average for 3-month precipitation with portions of the south coast, western mountains and high desert receiving upwards of 150% of the 3-month average precipitation. The California Department of Water Resources announced an increase in the State Water Project allocation forecast for 2024 due to the increase in supply. Drought continues to impact areas such as southern New Mexico, Kansas, and parts of the U.S. Corn Belt. The drought status improved in central and western New Mexico due to winter precipitation and mountain snowpack. The Rio Grande headwater snowpack remains above climate normal, which aided early release from the Caballo Dam. Colorado experienced several significant storms delivering above normal precipitation to all major basins across the state, boosting snowpack and streamflow forecasts for the upcoming snowmelt-runoff season. During the quarter, below-normal rainfall prevailed in the northwestern Hawaiian Islands despite wetter-than-normal conditions observed on the island of Maui. La Nina weather conditions generally follow strong El Nino events, which bring drier conditions across the southern U.S. while the Pacific Northwest and Canada tend to be colder and wetter. The National Weather Service Climate Prediction Center reported a 60% likelihood of the development of La Nina weather conditions between June-August 2024.

On November 19, 2023, Congress enacted a one-year extension of the current farm bill, also known as the Agriculture Improvement Act of 2018. The bill provides an opportunity for policymakers to address a broad range of agricultural and food issues approximately every five years. The 2018 farm bill expired on September 30, 2023, which coincided with the 2023 crop year (crops harvested in 2023). The extension continues authorizations until September 30, 2024, and for the 2024 crop year. The timing and consequences of the farm bill expiring vary by program within the bill. Congress is in session mid-March through late June, which means there's essentially a late-spring window to pass the next bill, unless delayed until after the 2024 presidential election.

Commodity Review and Outlook

The Association's commodity portfolio remains well-diversified. Vineyards/wineries and tree fruits/nuts lead our commodity portfolio at 14.57% and 13.41%, respectively, followed by beef at 12.68%, field crops at 12.14%, dairies at 11.92%, and forest products at 7.36%. The top six commodities make up 72.06% of the total portfolio with the remaining 27.94% spread over sixteen additional categories.

Following is a summary of economic conditions among the Association's significant commodities:

- **Vineyards and wineries:** The wine grape market is likely to remain under some pressure in 2024. The California Department of Food and Agriculture's preliminary California Grape Crush Report recorded the 2023 crush at just under 3.7 million tons, the largest total since 2019. Nonetheless, it was still a below-average crush by historical standards. All segments of wine, excluding the premium sector, had a year-over-year decline in retail sales, but exports trended up from 2023 lows. Demand for interior grapes has weakened steadily because of declining case sales in the under-$11 segment of the wine market and stiff competition with imports, which is likely to remain high in 2024 because of the global demand and strong dollar. The strong dollar will also weigh on U.S. wine exports. If the growth in the U.S. economy slows and interest rates begin to fall later in the year, the dollar may soften, which should help alleviate some of the pressure. Headwinds are still expected from evolving consumers' alcoholic beverage preferences, heightened competition with emerging categories such as ready-to-drink cocktails, and the growing popularity to moderate alcohol consumption. Despite these headwinds, performance of this portfolio has remained reasonably stable.

- **Tree fruits and nuts:** The almond sector continues to face challenges from increased operating costs and low almond prices. The Almond Board of California reported record high exports for the month of January 2024, at 173.03 million pounds, 6.1% higher than the previous year. Uncommitted inventory for February 2024 was 928 million pounds as compared to 1 billion pounds at the same time last year. With the inventory position and macroeconomic environment, prices have the potential to demonstrate some improvement over recent history, however, break-even prices are undoubtedly higher for most growers because of increased costs, therefore, profitability is likely to remain challenged in the near-term. Almond acreage is also likely to decline due to poor profitability and ground water availability. Land values for almond acreage have the potential to trend downward, particularly in areas with lesser water availability or poor production history, although quality orchards in good water districts would be expected to see significantly less pressure. Pistachios remained profitable during the first quarter of 2024 and continue to be on an upward trajectory heading into the second quarter. Thus far, the 2023/2024 marketing year produced over 600 million pounds of shipments, a 68% increase compared to this time last year. If shipments through August can keep up with last year's numbers, the industry will ship a record 1.15 billion pounds. This would be a 30% increase from last year's approximately 902 million pounds. Walnuts experienced slow domestic growth, increased international competition, and increasing costs along with a stronger U.S. dollar. Over the last few years, walnut pricing has been below breakeven leading growers to consider crop removal. The United States Department of Agriculture (USDA) reported walnut acreage declined approximately 6% from 400,000 acres in 2022 to 375,000 in 2023. Overall, the tree nut sector has experienced a pull back after several decades of steady-to-strong growth. Established producers remain well situated to weather, or expand during, the downturn; whereas, newer market entrants may need to reposition.

- **Beef:** The beef sector has strung together multiple quarters of excellent profitability. Slaughter cow prices continue to move higher with declining cow inventories and reduced cow slaughter. According to the USDA, beef exports are expected to be about 8.3% lower than those of 2023 due to lower 2024 beef production from tightening cattle supplies, as well as from tougher global competition from such beef exporting countries like Australia. Dairy cow slaughter is also declining, with March 2024 slaughter down about 12% from last year. The tough winter season led to poor feeding conditions and poor cattle performance, dramatically reducing fed cattle carcass weights by more than 25 lbs./head. Cattle feeders, in turn, reduced market offerings as they tried to feed some of the lost weight back into the herd. On the upside, declining grain costs offset some of the lost weight with somewhat cheaper gains. The National Weather Service reported El Nino conditions are being observed across the central/eastern Pacific but will likely transition into a La Nina weather pattern by June-August. This would mean drier conditions and poorer cattle pasture conditions. However, higher calf prices and tighter supplies of cattle are likely to be the overwhelming profitability factor even if drought occurs.

- **Field crops:** In March 2024, the USDA reported total corn demand for the current year increased more than 6% as compared to the previous year. The increase was primarily due to strong exports, animal feed and food consumption, and ethanol demand. Ethanol production since September is up about 4.3% from year-ago levels, fueling demand, although large corn inventories, or stocks, are driving a decline in corn prices. Corn stored on-farm came in at 7.83 billion bushels on December 1, 2023, the highest on record. Corn prices, both cash and new 2024 crop, have followed a bearish sentiment and are expected to stay below the highs seen in 2023. Soybean prices have slipped due to weak export demand, a strong U.S. dollar, and increased South American production. According to the USDA, as of March 2024, all-wheat exports decreased 15 million bushels to 710 million from the February forecast and remain the lowest on record since 1971/72. Hard Red Winter (HRW) exports are forecast at 135 million bushels, the lowest ever (by-class records extend back to 1973/74) most likely due to reduced crop performance over consecutive seasons and competitor supplies remaining much lower priced. The grain market continues to experience uncertainties due to the ongoing Russia-Ukraine war, poor planting conditions due to persistent drought in the U.S., and demand headwinds largely attributed to the strong U.S. dollar and shrinking U.S. cattle herd. Land values have appreciated modestly alongside generally healthy balance sheets despite profitability concerns for the 2024 crop year.

- **Dairies:** The number of milk cows in the U.S. fell by 28,000 head in January 2024 compared with December 2023. Cow numbers increased slightly from January to February by 10,000 head but remained 89,000 head below last year. Profit margins are slightly improving with lower feed costs, and new cheese plant construction which has increased some demand for milk. However, high expansion costs, expensive replacement heifers, and enticing beef-on-dairy cross revenues continue to hold back production growth at the national level. Domestic consumer demand has remained stable, but some large food companies and restaurant chains are mentioning signs of pushback against higher prices. There's also a wider than normal spread between Class III and Class IV milk prices. Class III has been historically higher than Class IV, but since 2022, the inverse has been true in all but two months. Milk production in the United States during February 2024 totaled 18.1 billion pounds, up 2.2% from February 2023. However, adjusting production for the additional day due to leap year causes February milk production to be down 1.1% on a per day basis. Cheese prices will likely remain rangebound, barring any major export developments. Butter prices have been climbing since the start of the year, but cream availability is plentiful for churning. Nonfat dry milk prices have been steady, and whey prices have fallen from recent highs after climbing since the beginning of the year. Many dairies have benefited from strong beef prices as cull cow and calf values, particularly those crossed to beef bulls, have helped to offset some of the losses from poorer milk prices.

- **Forest products:** The price of lumber in the United States has fluctuated widely over the last ten years, from a low of $240 per 1,000 board feet in 2016 to a peak of over $1,500 in April 2021. Lumber and other wood product prices have remained higher than

Management's Discussion and Analysis

pre-pandemic prices but have decreased compared to the historic highs seen during 2021-2022. Prices for pulp, paper, prefinished particle board and medium density fiberboard have also decreased from pandemic highs and continued the downward trend into the first quarter of 2024. According to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, building permits issued in February were at a seasonally adjusted annual rate of 1,518,000. This is 1.9% above the January rate of 1,489,000 and 2.4% above the same time last year. Some volatility still exists for certain forest commodities, but prices are normalizing overall. The industry remains well positioned to manage through the volatility.

Loan Portfolio

The total loan and lease balance was $20.4 billion at March 31, 2024, a decrease of $141.3 million from $20.5 billion at December 31, 2023. On a year-over-year basis, loans increased by $2.8 billion when compared to March 31, 2023, resulting in a growth rate of 16.57%. The merger with Farm Credit of New Mexico in October 2023 added $1.9 billion in loan volume. Credit quality was 95.56% as of March 31, 2024, compared to 96.14% as of December 31, 2023. The decrease was primarily driven by the negative impact of ongoing inflationary influences (i.e. elevated input costs and interest rates, etc.), along with the market headwinds being experienced within the tree fruit and nut portion of the portfolio. Credit quality is a measurement of loans classified as either "Acceptable" or "Other Assets Especially Mentioned" divided by total loans under Farm Credit Administration's Uniform Classification System.

In addition to the $20.4 billion of loans and leases reported on our balance sheet, we serviced an additional $9.2 billion of loans and syndicated balances for other institutions as of March 31, 2024, as compared to $8.0 billion at March 31, 2023. The increase was partially due to the merger with Farm Credit of New Mexico in the fourth quarter of 2023.

Nonearning Assets

Nonaccrual loans increased by $70.1 million to $326.5 million at March 31, 2024, compared to $256.4 million at December 31, 2023. The change in nonaccrual loans was primarily due to transfers to nonaccrual status and disbursements on nonaccrual loans of $120.6 million. Much of this increase was driven by the profitability challenges and resulting elevated adversity, as noted above, within the Tree Fruit & Nut segment of the portfolio, primarily that which is located within the San Joaquin Valley. This was offset by $17.7 million year-to-date repayments on nonaccrual loans, charge-offs of nonaccrual loans of $27.5 million related to certain corporate loan complexes, and loans reinstated to accrual status of $5.3 million. Nonaccrual loans represented 1.60% of total loan volume at the end of March 31, 2024, compared to 1.17% at March 31, 2023, and 1.25% at December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments. The allowance for credit losses on loans is an estimate of expected credit losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current economic and environmental conditions. Total allowance for credit losses was $17.9 million at March 31, 2024, which included a $17.0 million allowance for loan losses and a $0.9 million reserve for unfunded commitments. Total allowance for credit losses at December 31, 2023 was $22.3 million.

Financial Condition and Results of Operations

Net income for the three months ended March 31, 2024, was $92.3 million compared to $98.3 million for the same period last year, a decrease of $6.0 million. The change in net income was primarily due to the following reasons:

- Net interest income increased by $10.0 million year-over-year due to growth in accrual loan volume. The Association's weighted average interest rate on interest-bearing liabilities was 4.23% and 3.66% as of March 31, 2024 and 2023, respectively.

Management's Discussion and Analysis

- The Association recorded a provision for credit losses of $20.8 million through March 31, 2024, as compared to $8.3 million a year ago. This overall $12.5 million increase is primarily the result of credit quality decline and an increase in charge-offs during the first quarter of 2024.
- Non-interest income increased by $9.8 million year-over-year. The increase was primarily due to a $6.2 million increase in patronage income from Farm Credit institutions, a $1.4 million increase in loan servicing and late fees, and a $1.0 million increase from the sale of the Ukiah, CA office building, which was partially offset by a decrease in financially-related services.
- Overall, non-interest operating expenses increased by $13.4 million compared to the same period last year, primarily caused by a $13.0 million increase in salaries and benefits due to the merger with Farm Credit of New Mexico, and higher travel and lodging expenses from increased travel, which was partially offset by a decrease in FCSIC insurance fund premiums.
- FCSIC insurance, a component of noninterest operating expense, decreased by $1.9 million when compared to March 2023. The FCSIC board voted to set the insurance premium assessment rate on adjusted insured debt to 10 basis points for 2024, as compared to 18 basis points for 2023.

The major components of change in net income are summarized as follows (dollars in thousands):

	For the Three Months Ended		Increase (Decrease) in
	March 31, 2024	**March 31, 2023**	**Net Income**
Net interest income	$142,636	$132,592	$10,044
Provision for credit losses	(20,761)	(8,269)	(12,492)
Patronage income	35,903	29,732	6,171
Other income, net	8,531	4,867	3,664
Non-interest expenses	(74,049)	(60,668)	(13,381)
Net income	**$92,260**	**$98,254**	**$(5,994)**

The following table shows the Association's year-to-date annualized return on average assets, return on equity, and net interest margin:

	March 31,	
	2024	**2023**
Return on average assets	1.71%	2.14%
Return on common equity	11.38%	15.11%
Return on total equity	10.42%	13.55%
Net interest margin	2.79%	3.05%

Liquidity and Funding

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low-cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. The Association also received funding from preferred stock, subordinated debt, and funds held accounts. The direct note with CoBank is governed by a General Financing Agreement which was renewed June 1, 2023, for an additional five-year term.

Management's Discussion and Analysis

Shareholders' Equity

The Association's capital position remains strong. Total shareholders' equity was $3.6 billion at the end of the first quarter, an increase of $89.7 million from $3.5 billion at December 31, 2023. The increase in capital is primarily the result of the Association's year-to-date net income. The Association was in compliance with all capital ratio requirements at March 31, 2024. The Association's strong earnings and capital position enable us to effectively serve our mission and our customers and support our ability to maintain our cash patronage distribution program and pay preferred stock dividends.

Other Matters

The Association reached an agreement with the County of Sonoma to lease our current headquarters in Santa Rosa, beginning in fall of 2024, as disclosed in our 2023 Annual Report. We believe this decision is best for our shareholders, customers and employees, considering what is the most efficient use of our resources. Remaining committed to agriculture across Sonoma County, the Association is in the process of purchasing a new headquarters building located in the vicinity of Santa Rosa, California.

On May 31, 2024, American AgCredit's Chief Strategy and Financial Officer, Jerry Rose, will retire from the Association after 35-years of service to the Farm Credit System. Maryam Ghazi will succeed Jerry as Chief Financial Officer.

Certification

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

Gary Harshberger Chairman	Curt Hudnutt Chief Executive Officer	Jerry Rose Chief Strategy and Financial Officer

May 10, 2024

Consolidated Statements of Condition *(dollars in thousands)*

	March 31, 2024	December 31, 2023
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$20,358,129	$20,499,416
Less: allowance for credit losses on loans	(16,974)	(21,227)
Net loans	20,341,156	20,478,189
Cash	15,279	106,756
Accrued interest receivable	227,345	272,057
Investment in CoBank	550,325	547,062
Investment in AgDirect	30,301	29,744
Premises and equipment, net	121,495	122,643
Other property owned	7,501	-
Other assets	184,377	315,363
Total assets	**$21,477,778**	**$21,871,814**
LIABILITIES		
Notes payable to CoBank	$17,096,621	$17,436,357
Subordinated debt	197,965	197,923
Funds Held accounts	281,935	244,314
Accrued interest payable	104,590	100,413
Cash patronage and preferred stock dividends payable	82,002	215,426
Reserve for unfunded commitments	872	1,036
Other liabilities	134,480	186,689
Total liabilities	**17,898,465**	**18,382,158**
SHAREHOLDERS' EQUITY		
Preferred stock	300,000	300,000
Common stock and participation certificates	11,665	11,707
Additional paid-in capital	935,386	935,386
Unallocated retained surplus	2,347,451	2,259,128
Accumulated other comprehensive loss	(15,189)	(16,565)
Total shareholders' equity	**3,579,313**	**3,489,656**
Total liabilities and shareholders' equity	**$21,477,778**	**$21,871,814**

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

Consolidated Statements of Comprehensive Income *(dollars in thousands)*

(Unaudited)	For the Three Months Ended March 31,	
	2024	**2023**
INTEREST INCOME		
Loans	$350,651	$273,561
Total interest income	**350,651**	**273,561**
INTEREST EXPENSE		
Notes payable to CoBank	203,286	136,585
Subordinated notes	1,729	1,729
Funds Held and other interest	3,000	2,655
Total interest expense	**208,015**	**140,969**
Net interest income	**142,636**	**132,592**
Provision for credit losses	(20,761)	(8,269)
Net interest income after provision for credit losses	**121,875**	**124,323**
NON-INTEREST INCOME		
Patronage income from CoBank	23,149	19,421
Patronage income from other Farm Credit institutions	11,609	9,638
Patronage income from AgDirect	1,145	673
Loan origination fees	3,094	1,800
Servicing fees and late charges	834	772
Financially-related services	865	1,095
Miscellaneous	3,738	1,200
Total non-interest income	**44,434**	**34,599**
NON-INTEREST EXPENSES		
Salaries and employee benefits	50,076	37,110
Occupancy and equipment expense	2,356	2,495
Insurance fund premiums	4,509	6,402
Supervisory and examination expense	918	923
Other operating expenses	16,190	13,738
Total non-interest expenses	**74,049**	**60,668**
Income before income taxes	92,260	98,254
Net income	**$92,260**	**$98,254**
COMPREHENSIVE INCOME		
Actuarial gain in retirement obligation	1,376	1,378
Total comprehensive income	**$93,636**	**$99,632**

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

Consolidated Statements of Changes in Shareholders' Equity *(dollars in thousands)*

(Unaudited)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2022	**$10,604**	**$300,000**	**$677,110**	**$1,850,386**	**$(16,796)**	**$2,821,304**
Comprehensive income				98,254	1,378	99,632
Stock/participation certificates issued	190					190
Stock/participation certificates retired	(221)					(221)
Preferred stock dividends				(3,937)		(3,937)
Cumulative Effect Adjustment				31,646		31,646
Balance at March 31, 2023	**$10,573**	**$300,000**	**$677,110**	**$1,976,349**	**$(15,418)**	**$2,948,614**
Balance at December 31, 2023	**$11,707**	**$300,000**	**$935,386**	**$2,259,128**	**$(16,565)**	**$3,489,656**
Comprehensive income				92,260	1,376	93,636
Stock/participation certificates issued	191					191
Stock/participation certificates retired	(233)					(233)
Preferred stock dividends				(3,937)		(3,937)
Balance at March 31, 2024	**$11,665**	**$300,000**	**$935,386**	**$2,347,451**	**$(15,189)**	**$3,579,313**

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

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders (2023 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited first quarter 2024 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.

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

Recently Adopted or Issued 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 5% 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 5% 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 but could result in additional disclosures.

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.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

	March 31, 2024		December 31, 2023	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$10,663,153	52.4%	$10,799,663	52.7%
Production and intermediate-term	4,361,745	21.4%	4,595,789	22.4%
Agribusiness	4,403,730	21.6%	4,197,597	20.5%
Rural infrastructure	848,391	4.2%	828,029	4.0%
Rural residential real estate	1,971	0.0%	2,014	0.0%
Agricultural export finance	79,139	0.4%	76,324	0.4%
Total loans	**$20,358,129**	**100.0%**	**$20,499,416**	**100.0%**

PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at March 31, 2024.

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$675,533	$2,061,426	$ -	$ -	$675,533	$2,061,426
Production and intermediate-term	1,075,001	1,581,883	15,170	-	1,090,171	1,581,883
Agribusiness	2,524,051	3,750,918	-	-	2,524,051	3,750,918
Rural infrastructure	819,131	161,682	-	-	819,131	161,682
Agricultural export finance	79,139	-	-	-	79,139	-
Total	**$5,172,855**	**$7,555,909**	**$15,170**	**$ -**	**$5,188,025**	**$7,555,909**

CREDIT QUALITY

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

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance and actual Association loss history that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs over the next 12 months. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken, the probability of default category.

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

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

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. The extent to which collateral secures certain loans is primarily based on the calculated Loan-to-Value ratio.

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of March 31, 2024:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior			
Real Estate Mortgage:									
Acceptable	$195,929	$885,973	$1,451,750	$1,668,710	$1,343,723	$3,590,074	$529,787	$70,661	$9,736,607
OAEM	1,429	19,234	40,483	37,246	70,330	138,304	24,542	6,072	337,640
Substandard/Doubtful	14,864	61,187	87,186	70,815	62,348	262,208	26,148	4,150	588,906
Total	**$212,222**	**$966,394**	**$1,579,419**	**$1,776,771**	**$1,476,401**	**$3,990,586**	**$580,477**	**$80,883**	**$10,663,153**
Gross charge-offs	$-	$-	$3,704	$-	$-	$78	$-	$-	$3,782
Production and intermediate-term:									
Acceptable	$133,819	$480,119	$359,431	$263,745	$260,026	$258,894	$2,160,671	$6,705	$3,923,410
OAEM	2,535	36,722	25,245	9,679	11,392	24,953	157,036	50	267,612
Substandard/Doubtful	2,038	15,542	17,974	15,051	7,852	34,352	68,780	9,135	170,724
Total	**$138,392**	**$532,383**	**$402,650**	**$288,475**	**$279,270**	**$318,199**	**$2,386,487**	**$15,890**	**$4,361,746**
Gross charge-offs	$624	$69	$813	$183	$-	$330	$2,098	$-	$4,117

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

Agribusiness:									
Acceptable	$172,683	$1,122,772	$938,167	$652,623	$317,891	$508,933	$480,604	$25,364	$4,219,037
OAEM	-	4,305	7,601	9,023	3,491	400	5,266	-	30,086
Substandard/Doubtful	2,264	35,078	585	29,013	58,445	13,456	15,955	(189)	154,607
Total	**$174,947**	**$1,162,155**	**$946,353**	**$690,659**	**$379,827**	**$522,789**	**$501,825**	**$25,175**	**$4,403,730**
Gross charge-offs	$302	$927	$-	$8,710	$-	$-	$9	$9,651	$19,599
Rural infrastructure:									
Acceptable	$38,719	$334,582	$153,689	$176,831	$55,116	$55,463	$5,513	$(3)	$819,910
OAEM	-	-	7,036	-	15,843	5,516	86	-	28,481
Total	**$38,719**	**$334,582**	**$160,725**	**$176,831**	**$70,959**	**$60,979**	**$5,599**	**$(3)**	**$848,391**
Rural residential real estate:									
Acceptable	$52	$-	$-	$203	$248	$1,375	$-	$-	$1,878
OAEM	-	-	-	-	-	34	-	-	34
Substandard/Doubtful	-	-	-	-	-	58	-	-	58
Total	**$52**	**$-**	**$-**	**$203**	**$248**	**$1,467**	**$-**	**$-**	**$1,970**
Agricultural export finance:									
Acceptable	**$-**	$29,991	**$-**	$12,031	$-	$15,000	$2,768	$19,349	$79,139
Total	**$-**	**$29,991**	**$-**	**$12,031**	**$-**	**$15,000**	**$2,768**	**$19,349**	**$79,139**
Total loans:									
Acceptable	$541,202	$2,853,437	$2,903,037	$2,774,143	$1,977,004	$4,429,739	$3,179,343	$122,076	$18,779,981
OAEM	3,964	60,261	80,365	55,948	101,056	169,207	186,930	6,122	663,853
Substandard/Doubtful	19,166	111,807	105,745	114,879	128,645	310,074	110,883	13,096	914,295
Total Loans	**$564,332**	**$3,025,505**	**$3,089,147**	**$2,944,970**	**$2,206,705**	**$4,909,020**	**$3,477,156**	**$141,294**	**$20,358,129**
Total gross charge-offs:	**$926**	**$996**	**$4,517**	**$8,893**	**$-**	**$408**	**$2,107**	**$9,651**	**$27,498**

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year						**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost Basis**	**Total**
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**			
Real Estate Mortgage:									
Acceptable	$972,608	$1,529,047	$1,706,076	$1,375,339	$995,121	$2,786,628	$552,567	$76,126	$9,993,513
OAEM	14,454	46,158	41,079	77,301	29,305	112,319	29,716	6,786	357,118
Substandard/Doubtful	11,857	93,167	51,529	62,736	89,022	121,671	18,676	374	449,032
Total	**$998,920**	**$1,668,372**	**$1,798,684**	**$1,515,376**	**$1,113,448**	**$3,020,618**	**$600,959**	**$83,286**	**$10,799,663**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

Gross charge-offs	$-	$-	$-	$76	$(3)	$-	$-	$-	$73
Production and intermediate-term:									
Acceptable	$530,420	$376,693	$278,988	$269,071	$114,276	$175,695	$2,435,362	$6,962	$4,187,467
OAEM	12,160	20,794	11,135	11,683	27,699	295	136,588	143	220,498
Substandard/Doubtful	13,702	54,671	15,036	8,050	27,277	6,455	52,858	9,775	187,824
Total	**$556,282**	**$452,158**	**$305,159**	**$288,804**	**$169,252**	**$182,446**	**$2,624,808**	**$16,880**	**$4,595,789**
Gross charge-offs	$2,491	$1,580	$304	$660	$10,468	$116	$1,344	$41	$17,005
Agribusiness:									
Acceptable	$1,003,167	$945,667	$621,039	$325,354	$169,533	$385,602	$527,522	$24,372	$4,002,256
OAEM	4,738	6,919	9,120	3,539	-	478	7,959	-	32,753
Substandard/Doubtful	41,719	844	17,191	63,132	6,780	11,672	14,680	6,570	162,588
Total	**$1,049,624**	**$953,430**	**$647,350**	**$392,025**	**$176,313**	**$397,752**	**$550,161**	**$30,942**	**$4,197,597**
Gross charge-offs	$3,590	$-	$1,568	$1,143	$7	$179	$3,796	$-	$10,284
Rural infrastructure:									
Acceptable	$343,335	$158,306	$176,214	$58,726	$25,051	$31,535	$6,842	$-	$800,009
OAEM	-	6,562	-	15,842	-	5,530	86	-	28,020
Total	**$343,335**	**$164,868**	**$176,214**	**$74,568**	**$25,051**	**$37,065**	**$6,928**	**$-**	**$828,029**
Rural residential real estate:									
Acceptable	$-	$-	$227	$253	$41	$1,434	$-	$-	$1,955
Substandard/Doubtful	-	-	-	-	-	59	-	-	59
Total	**$-**	**$-**	**$227**	**$253**	**$41**	**$1,493**	**$-**	**$-**	**$2,014**
Agricultural export finance:									
Acceptable	$29,988	$-	$12,022	$-	$-	$15,001	$-	$19,313	$76,324
Total	**$29,988**	**$-**	**$12,022**	**$-**	**$-**	**$15,001**	**$-**	**$19,313**	**$76,324**
Total loans:									
Acceptable	$2,879,519	$3,009,713	$2,794,566	$2,028,743	$1,304,022	$3,395,895	$3,522,293	$126,773	$19,061,524
OAEM	31,352	80,433	61,334	108,365	57,004	118,623	174,349	6,929	638,389
Substandard/Doubtful	67,278	148,682	83,756	133,918	123,079	139,857	86,214	16,719	799,503
Total Loans	**$2,978,149**	**$3,238,828**	**$2,939,656**	**$2,271,026**	**$1,484,105**	**$3,654,375**	**$3,782,856**	**$150,421**	**$20,499,416**
Total gross charge-offs for the year ended December 31, 2023:	**$6,082**	**$1,580**	**$1,873**	**$1,879**	**$10,472**	**$295**	**$5,140**	**$41**	**$27,362**

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

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	91.31%	92.55%
OAEM	3.17	3.32
Substandard/Doubtful	5.52	4.13
	100.00%	**100.00%**
Production and intermediate-term:		
Acceptable	89.95%	91.21%
OAEM	6.14	4.80
Substandard/Doubtful	3.91	3.99
	100.00%	**100.00%**
Agribusiness:		
Acceptable	95.81%	95.34%
OAEM	0.68	0.79
Substandard/Doubtful	3.51	3.87
	100.00%	**100.00%**
Rural infrastructure:		
Acceptable	96.64%	96.62%
OAEM	3.36	3.38
	100.00%	**100.00%**
Rural residential real estate:		
Acceptable	95.33%	97.11%
OAEM	1.73	0.00
Substandard/Doubtful	2.94	2.89
	100.00%	**100.00%**
Agricultural export finance:		
Acceptable	100.00%	100.00%
	100.00%	**100.00%**
Total loans:		
Acceptable	92.25%	93.01%
OAEM	3.26	3.13
Substandard/Doubtful	4.49	3.86
	100.00%	**100.00%**

Accrued interest receivable on loans of $227.3 million and $272.0 million at March 31, 2024 and December 31, 2023 have been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition. The Association wrote off accrued interest receivable of $9.5 million and $734 thousand for the three months ended March 31, 2024 and 2023.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

NONPERFORMING ASSETS

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

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	$220,127	$145,493
Production and intermediate-term	77,614	65,806
Agribusiness	28,745	45,053
Rural residential real estate	58	59
Total nonaccrual loans	**326,544**	**256,411**
Accruing loans 90 days or more past due:		
Real estate mortgage	43,533	-
Production and intermediate-term	1,161	1,034
Total accruing loans 90 days or more past due	**44,694**	**1,034**
Total nonperforming loans	**371,238**	**257,445**
Other property owned	7,501	-
Total nonperforming assets	**$378,739**	**$257,445**

Nonaccrual loans as a percentage of total loans	1.60%	1.25%
Nonperforming assets as a percentage of total loans and other property owned	1.86%	1.26%
Nonperforming assets as a percentage of capital	10.58%	7.38%

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

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 loans during the period:

	At March 31, 2024			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended March 31, 2024
Nonaccrual loans:				
Real estate mortgage	$1,399	$218,728	$220,127	$280
Production and intermediate-term	5,658	71,956	77,614	1,821
Agribusiness	535	28,210	28,745	220
Rural residential real estate	-	58	58	-
Total nonaccrual loans	**$7,592**	**$318,952**	**$326,544**	**$2,321**

	At December 31, 2023			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	$1,608	$143,886	$145,494	$3,107
Production and intermediate-term	5,943	59,862	65,805	3,628
Agribusiness	12,065	32,988	45,053	495
Rural residential real estate	-	59	59	-
Total nonaccrual loans	**$19,616**	**$236,795**	**$256,411**	**$7,230**

DELINQUENCY

The following tables provide an age 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$79,135	$104,301	$183,436	$10,479,717	$10,663,153	$43,533
Production and intermediate-term	26,645	43,098	69,743	4,292,003	4,361,746	1,161
Agribusiness	14,892	24,244	39,136	4,364,594	4,403,730	-
Rural infrastructure	-	-	-	848,391	848,391	-
Rural residential real estate	81	58	139	1,831	1,970	-
Agricultural export finance	-	-	-	79,139	79,139	-
Total	**$120,753**	**$171,701**	**$292,454**	**$20,065,675**	**$20,358,129**	**$44,694**

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$8,510	$31,491	$40,001	$10,759,662	$10,799,663	$-
Production and intermediate-term	44,816	14,725	59,541	4,536,248	4,595,789	1,034
Agribusiness	5,250	34,290	39,540	4,158,057	4,197,597	-
Rural infrastructure	-	-	-	828,029	828,029	-
Rural residential real estate	1	6	7	2,007	2,014	-
Agricultural export finance	-	-	-	76,324	76,324	-
Total	**$58,577**	**$80,512**	**$139,089**	**$20,360,327**	**$20,499,416**	**$1,034**

LOAN MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTIES

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, forbearance, or term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Also included in the following disclosures are other-than-insignificant payment deferrals that may provide the borrower with a temporary payment deferral, which has been defined as cumulative or individual forbearance or payment delay greater than or equal to 6 months. These deferred payments may be capitalized into the principal balance of the loan and amortized with no extension of maturity or with the deferred payment due at the time of original maturity.

The following table shows the amortized cost basis at March 31, 2024, for loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and March 31, 2023, disaggregated by loan type and type of modification granted.

	For the Three Months Ended March 31, 2024						
	Interest Rate Reduction	Term or Payment Extension	Payment Deferral	Combination – Interest Rate Reduction & Term or Payment Extension	Combination – Interest Rate Reduction & Payment Deferral	Combination – Term or Payment Extension & Payment Deferral	Percentage of Total Loans by Loan Type
Real estate mortgage	$8,195	$2,467	$99,291	$-	$1,559	$-	0.55%
Production and intermediate-term	8,715	6,183	1,692	60	197	5,266	0.11
Agribusiness	9,611	-	8,489	-	-	-	0.09
Rural residential real estate	52	-	-	-	-	-	0.00
Total	**$26,573**	**$8,650**	**$109,472**	**$60**	**$1,756**	**$5,266**	**0.75%**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	For the Three Months Ended March 31, 2023			
	Interest Rate Reduction	Term or Payment Extension	Combination – Interest Rate Reduction & Term or Payment Extension	Percentage of Total by Loan Type
Real estate mortgage	$989	$54,053	$7,500	0.31%
Production and intermediate-term	7,977	61,773	9,127	0.39
Agribusiness	-	29,758	-	0.15
Rural residential real estate	-	65	-	0.00
Total	**$8,966**	**$145,649**	**$16,627**	**0.85%**

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2024 and March 31, 2023 were $2.71 million and $1.18 million.

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

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 9.28% to 8.35%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 9.34% to 8.68%
Agribusiness	Reduced weighted average contractual interest rate on loans from 9.96% to 9.73%
Rural Home Loans	Reduced weighted average contractual interest rate on loans from 13.78% to 8.78%

	Term or Payment Extension
	Financial Effect
Real estate mortgage	Increased weighted-average maturities on loans by 6.5 years
Production and intermediate-term	Increased weighted-average maturities on loans by 2.9 years

	Payment Deferral
	Financial Effect
Real estate mortgage	Provided a weighted average 1.0 year payment deferral
Production and intermediate-term	Provided a weighted average 230 days payment deferral
Agribusiness	Provided a weighted average 3.1 years payment deferral

	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 14.47% to 9.54%
Production and intermediate-term	Increased weighted-average maturities on loans by 186 Days

	Combination - Interest Rate Reduction and Payment Deferral
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 14.74% to 9.74%
Real estate mortgage	Provided a weighted average 1.0 year payment deferral
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 17.25% to 12.25%
Production and intermediate-term	Provided a weighted average 1.0 year payment deferral

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Combination - Term or Payment Extension and Payment Deferral
	Financial Effect
Production and intermediate-term	Increased weighted-average maturities on loans by 1.1 years
Production and intermediate-term	Provided a weighted average 2.0 years payment deferral

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

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 14.81% to 9.81%.
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 8.27% to 7.65%.

	Term or Payment Extension
	Financial Effect
Production and intermediate-term	Increased weighted-average maturities on loans by 1.5 years

	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 11.32% to 6.32%.
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 10.09% to 7.98% and increased weighted-average maturities on loans by 0.5 years

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2024 and received a modification in the twelve months before default:

	Modified Loans that Subsequently Defaulted During the Three Months Ended March 31, 2024		
	Interest Rate Reduction	**Payment Deferral**	**Combination - Interest Rate Reduction & Term or Payment Extension**
Real estate mortgage	$548	$4,298	$-
Production and intermediate-term	958	171	49
Rural residential real estate	53	-	-
Total	**$1,559**	**$4,469**	**$49**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of CECL, through March 31, 2023 and that defaulted in the period presented:

	Modified Loans that Subsequently Defaulted During the Three Months Ended March 31, 2023	
	Interest Rate Reduction	**Term or Payment Extension**
Real estate mortgage	$535	$2,712
Production and intermediate-term	121	1,725
Agribusiness	-	813
Total	**$656**	**$5,250**

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:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$75,570	$30,106	$5,837
Production and intermediate-term	20,402	532	1,178
Agribusiness	18,289	-	(189)
Rural residential real estate	-	-	53
Total	**$114,261**	**$30,638**	**$6,879**

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

	Payment Status of Loans Modified in the Past 3 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$39,074	$14,458	$9,009
Production and intermediate-term	63,719	11,947	3,212
Agribusiness	28,945	813	-
Rural residential real estate	65	-	-
Total	**$131,803**	**$27,218**	**$12,221**

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024, were $31.0 million and during the year ended December 31, 2023, were $34.6 million.

ALLOWANCE FOR CREDIT LOSSES

The credit risk rating methodology is a key component of the allowance for credit losses evaluation and is incorporated into loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base but the board of directors has established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities, and to the Banks' (other than CoBank) loan participations.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

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

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at December 31, 2023	$5,599	$7,839	$7,788	$1	$-	$21,227
Charge-offs	(3,782)	(4,117)	(19,599)	-	-	(27,498)
Recoveries	3	849	1,468	-	-	2,320
Provision for credit losses	5,437	2,923	12,562	3	-	20,925
Balance at March 31, 2024	**$7,257**	**$7,494**	**$2,219**	**$4**	**$-**	**$16,974**
Allowance for unfunded commitments:						
Balance at December 31, 2023	$136	$396	$504	$-	$-	$1,036
Provision for unfunded commitments	(20)	24	(168)	-	-	(164)
Balance at March 31, 2024	**$116**	**$420**	**$336**	**$-**	**$-**	**$872**
Total allowance for credit losses	**$7,373**	**$7,914**	**$2,555**	**$4**	**$-**	**$17,846**

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at December 31, 2022	$11,115	$15,672	$22,122	$457	$82	$49,448
Cumulative effect of change in accounting principle	(8,004)	(9,422)	(10,459)	(457)	(82)	(28,424)
Balance at January 1, 2023	**3,111**	**6,250**	**11,663**	**-**	**-**	**21,024**
Charge-offs	-	(6,390)	(654)	-	-	(7,044)
Recoveries	4	345	70	-	-	419
Provision for/(Reversal of) credit losses	362	9,136	(1,607)	-	-	7,891
Balance at March 31, 2023	**$3,477**	**$9,341**	**$9,472**	**$-**	**$-**	**$22,290**
Allowance for unfunded commitments:						
Balance at December 31, 2022	$200	$2,267	$1,375	$52	$6	$3,900
Cumulative effect of change in accounting principle	(108)	(2,017)	(1,039)	(52)	(6)	(3,222)
Balance at January 1, 2023	**92**	**250**	**336**	**-**	**-**	**678**
Provision for unfunded commitments	(8)	195	191	-	-	378
Balance at March 31, 2023	**$84**	**$445**	**$527**	**$-**	**$-**	**$1,056**
Total allowance for credit losses	**$3,561**	**$9,786**	**$9,999**	**$-**	**$-**	**$23,346**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

DISCUSSION OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES

The ACL decreased $4.5 million to $17.8 million at March 31, 2024, as compared to $22.3 million at December 31, 2023. This is largely due to changes in PD/LGD ratings, offset by an increase in net charge-offs, resulting in decreased reserves.

The Association's CECL framework is significantly shaped by the internally assigned risk rating of each loan. By integrating the risk profile for each individual credit within the Association's portfolio, along with the key MEV's listed below, the Association's CECL framework provides an estimate of expected losses. This estimate is grounded in both the characteristics of each individual loan and broader economic factors. The below table provides the forecast variables for the first three years of the 10-year forecast period for the two most influential MEV's for the Association's five largest industry segments, which represent 64.87% of the portfolio at March 31, 2024.

Industry	Significant Macroeconomic Variable and Source	Forecast Period		
		Year 1	Year 2	Year 3
Beef	Total livestock & cash receipts	0.31	0.76	0.01
	Dow Jones total stock market index	16.63%	2.49%	3.32%
Dairies	Total livestock & cash receipts	0.31	0.76	0.01
	Japan bilateral dollar exchange rate YEN-USD	137.59	127.68	120.81
Field crops	Net farm income	-12.03%	0.72%	0.83%
	1-Year treasury yield	4.07%	3.38%	2.73%
Tree fruits and nuts	Walnut price received	93.7	244.9	486.7
	World lead price, constant exchange rates	2,086.40	2,126.30	2,169.10
Vineyards and wineries	White wine grape price	0.20%	-0.05%	0.22%
	Net interest receipts	1.78	1.63	1.53

NOTE 3 – LEASES

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

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

	Operating Leases	Finance Leases	Total
2024 (excluding the three months ended 3/31/24)	$2,708	$2,076	$4,784
2025	2,990	2,240	5,230
2026	1,045	634	1,679
2027	323	136	459
2028	177	-	177
Thereafter	1,195	-	1,195
Total lease payments	**8,438**	**5,086**	**13,524**
Less: interest	-	(796)	(796)
Total	**$8,438**	**$4,290**	**$12,728**

Right-of-use assets, net of accumulated amortization, amounted to $6.6 million for the period ended March 31, 2024.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

NOTE 4 – SHAREHOLDERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of March 31, 2024. The Association exceeded all regulatory minimum capital requirements as of March 31, 2024, and December 31, 2023.

	Regulatory Minimums	Capital Conservation Buffer	Total	Mar. 31, 2024	Dec. 31, 2023
Risk-adjusted:					
Common Equity Tier 1 capital	4.5%	2.5%	7.0%	**11.19%**	**11.14%**
Tier 1 capital	6.0%	2.5%	8.5%	**12.45%**	**12.41%**
Total capital	8.0%	2.5%	10.5%	**13.34%**	**13.37%**
Permanent capital	7.0%	0.0%	7.0%	**13.47%**	**13.44%**
Non-risk-adjusted:					
Tier 1 leverage	4.0%	1.0%	5.0%	**14.09%**	**14.15%**
URE and UREE leverage	1.5%	0.0%	1.5%	**12.60%**	**12.64%**

On June 14, 2021, the Association issued $300 million of Series A non-cumulative perpetual preferred stock at $1,000 par value per share. The issuance carries an annual dividend rate of 5.25% payable quarterly until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026, and quarterly thereafter.

The Series A preferred stock is junior upon liquidation or dissolution to any subordinated debt, existing and future debt obligations, and to any series of preferred stock issued in the future with priority rights. Series A preferred stock has a preference as to dividends and is senior upon liquidation or dissolution to outstanding Class C common stock, Class F participation certificates, and patronage equities.

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

Balance at December 31, 2023	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Other comprehensive loss before reclassifications	$(16,565)	$(16,565)
Amounts reclassified from accumulated other comprehensive loss	1,376	1,376
Net current period other comprehensive income	1,376	1,376
Balance at March 31, 2024	**$(15,189)**	**$(15,189)**

Balance at December 31, 2022	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Other comprehensive loss before reclassifications	$(16,796)	$(16,796)
Amounts reclassified from accumulated other comprehensive loss	1,378	1,378
Net current period other comprehensive income	1,378	1,378
Balance at March 31, 2023	**$(15,418)**	**$(15,418)**

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

The following table represents reclassifications out of accumulated other comprehensive loss:

	For the Three Months Ended		Location of Gain/(Loss) Recognized in Statement of Income
	Mar. 31, 2024	**Mar. 31, 2023**	
Pension and other benefit plans:			
Net actuarial gain	$1,376	$1,378	Salaries & Benefits
Total amounts reclassified	**$1,376**	**$1,378**	

NOTE 5 – SUBORDINATED NOTES

In June 2021, the Association issued $200 million of Subordinated Notes (Notes), due in 2036, which may be redeemed all or in part on any interest payment date on or after June 2031. The Notes bear a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The Notes are subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The Notes are not considered System debt and are not an obligation of, nor guaranteed by any System entity. Further, payments on the Notes are not insured by the FCSIC. The notes are presented net of unamortized issuance costs of approximately $2.0 million on the Consolidated Statements of Condition at March 31, 2024.

NOTE 6 – FAIR VALUE MEASUREMENTS

Accounting standards define 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 2 to the 2023 Annual Report.

Assets and liabilities measured at fair value for each of the fair value hierarchy values are summarized below:

	March 31, 2024 Fair Value Measurement Using		December 31, 2023 Fair Value Measurement Using	
	Level 1	**Level 3**	**Level 1**	**Level 3**
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$37,157		$34,795	
Measured at fair value on a non-recurring basis:				
Loans		$6,661		$43,799
Other Property Owned		$7,980		$-

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying amounts, estimated fair values, and the level within the fair value hierarchy of the Association's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values, and other financial assets or liabilities with no defined or contractual maturities are excluded. There were no significant changes in the valuation techniques during the period ending March 31, 2024.

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

March 31, 2024	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$20,358,129	$19,693,217	Level 3
Cash	$15,279	$15,279	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$17,096,621	$16,718,594	Level 3
Subordinated debt	$197,965	$162,499	Level 3

December 31, 2023	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$20,478,189	$19,913,870	Level 3
Cash	$106,756	$106,756	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$17,436,357	$17,083,175	Level 3
Subordinated debt	$197,923	$166,730	Level 3

Valuation Techniques

Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

Loans: Fair value is estimated by discounting the expected future principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve, based on interest rates at which similar loans would be made to borrowers with similar credit risk regarding recent loan origination rates and management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

Fair value of loans in nonaccrual status is estimated as described above, but cash flows are principal only, meaning no interest cash flows occur, and the maturity date is adjusted to assume resolution occurs within two to three years.

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

Other Property Owned: Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

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

Cash: Fair value of cash approximates amortized cost.

Notes Payable to CoBank: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve based on current market rates of similar securities with similar maturities and characteristics. The current market rates used were obtained from the Federal Farm Credit Banks Funding Corporation.

Subordinated Debt: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. This discount rate is a spread over an applicable yield curve based on expected market rates of similar securities. The expected market rates are derived from current market interest rates and the change in applicable corporate BBB finance spread obtained from an independent third party since the trade date. Management has no basis to determine whether the estimated fair value presented would be indicative of the assumptions and adjustments that a purchaser of the subordinated debt would seek in an actual sale.

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2024, which is the date the financial statements were available to be issued.