Quarterly Report
March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

Farm Credit Mid-America, ACA
P.O. Box 34390
Louisville, KY 40232
www.fcma.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

MERGER ACTIVITY

The merger between Farm Credit Mid-America, ACA (Mid-America) and Farm Credit Midsouth, ACA (Midsouth) was effective April 1, 2023. The merged entity, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The Consolidated Statements of Condition reflect the merged Association at March 31, 2024, and December 31, 2023. Results of operations, equity, and related metrics reflect the results of the merged Association for the three months ended March 31, 2024, and of Mid-America for the three months ended March 31, 2023.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to several 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 because of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The overall Association loan portfolio continues to perform and is very well supported by a general economy that seems to be outperforming expectations in many areas. Because of that performance there is growing sentiment that the Federal Reserve (the Fed) interest rate reductions may come slower than forecast. As of February 2024, consumer debt continues to rise modestly at an estimated $17.4 trillion based on the Fed's most recent quarterly report. On a national basis, delinquencies and debt write-offs in percentage and dollar amounts are also rising modestly.

Farm sector income is forecast to continue to fall in 2024 after reaching record highs in 2022. Net farm income, a broad measure of profits, reached $185.5 billion in nominal dollars for the 2022 calendar year. After decreasing by $29.7 billion (16.0%) from 2022 to a forecast $155.9 billion in 2023, net farm income in 2024 is forecast to decrease further from the 2023 level by $39.8 billion (25.5%) to $116.1 billion. Net cash farm income reached $202.3 billion in 2022. After decreasing by $41.8 billion (20.7%) from 2022 to a forecast $160.4 billion in 2023, net cash farm income is forecast to decrease by $38.7 billion (24.1%) to $121.7 billion in 2024. First quarter 2024 operating loan renewals generally reflect the United States Department of Agriculture's (USDA) 2023 net farm income estimates with most producers showing lower net earnings resulting in reductions in working capital. For the first time in a few years adverse credit is beginning to rise in the portfolio, but the portfolio remains in excellent condition. If the 2024 net farm income forecast is realized, the adverse trend in the portfolio is expected to continue. Another common metric, debt to net farm income, is also rising. Total farm debt is forecast to rise $27.0 billion to $547.6 billion in 2024, resulting in a debt to net farm income ratio of 4.7 to 1. Historically, a ratio above 4 to 1 has triggered increased stress for more highly leveraged operations. (Source USDA February 2024 Economic Outlook). For protein producers declining commodity markets and slightly tighter supplies has provided some much-needed relief to start 2024.

Contrary to the USDA forecast, U.S. farmers' perspective on the future improved in March 2024, helping to push the Purdue University-CME Group Ag Economy Barometer up 3 points from February to a reading of 114. The Index of Current Conditions at 101 was 2 points below a month earlier while the Index of Future Expectations reached 120, which was 5 points higher than in February. The split between the current and future indices was driven primarily by farmers' perception that their financial condition has deteriorated over the last year while they expect their financial situation to improve modestly in the next 12 months. The March Ag Economy Barometer survey was conducted from March 11-15, 2024.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $32.4 billion at March 31, 2024, an increase of $207.9 million from December 31, 2023.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2023. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans increased to 1.9% of the portfolio at March 31, 2024, from 1.6% of the portfolio at December 31, 2023. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) **As of:**	**March 31, 2024**	December 31, 2023
Loans:		
Non-accrual	**$ 128,007**	$ 122,340
Accruing loans 90 days or more past due	**71,712**	57,136
Total nonperforming loans	**199,719**	179,476
Other property owned	**372**	228
Total nonperforming assets	**$ 200,091**	$ 179,704
Total nonperforming loans as a percentage of total loans	**0.6%**	0.6%
Non-accrual loans as a percentage of total loans	**0.4%**	0.4%
Current non-accrual loans as a percentage of total non-accrual loans	**37.1%**	47.3%
Total delinquencies as a percentage of total loans[1]	**0.9%**	0.7%

[1]Total delinquencies include accrual and non-accrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2023, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management parameters.

The increase in accruing loans 90 days or more past due and total delinquencies as a percentage of total loans was primarily due to delinquencies in USDA guaranteed assets, for which we expect full payment. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

Allowance for Credit Losses on Loans Coverage Ratios

As of:	**March 31, 2024**	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Loans	**0.12%**	0.12%
Non-accrual loans	**31.4%**	31.6%
Total nonperforming loans	**20.1%**	21.5%

Total allowance for credit losses on loans was $40.1 million at March 31, 2024, and $38.6 million at December 31, 2023. The increase from December 31, 2023, was primarily driven by growth in the loan portfolio and an increase in specific reserves.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) **For the three months ended March 31,**	**2024**	2023
Net income	**$ 145,020**	$ 119,645
Return on average assets	**1.61%**	1.50%
Return on average members' equity	**9.39%**	8.46%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) **For the three months ended March 31,**	**2024**	2023	**Increase (decrease) in net income**
Net interest income	**$ 213,041**	$ 171,291	**$ 41,750**
Provision for credit losses	**3,541**	11,460	**7,919**
Non-interest income	**42,352**	58,750	**(16,398)**
Non-interest expense	**102,117**	96,580	**(5,537)**
Provision for income taxes	**4,715**	2,356	**(2,359)**
Net income	**$ 145,020**	$ 119,645	**$ 25,375**

Net Interest Income

Changes in Net Interest Income

(in thousands) **For the three months ended March 31,**	**2024 vs 2023**
Changes in volume	**$ 23,314**
Changes in interest rates	**17,923**
Changes in non-accrual interest income and other	**513**
Net change	**$ 41,750**

Provision for Credit Losses

The “Provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The provision for credit losses was due to specific reserves established on certain production and intermediate-term loans along with increased collective allowance due to loan growth during the first quarter of 2024.

Non-Interest Income

The change in non-interest income was primarily due to decreased patronage income from AgriBank and other non-interest income, net.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution’s Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income

(in thousands) **For the three months ended March 31,**	**2024**	2023
Patronage from AgriBank	**$ 29,938**	$ 43,287
AgDirect partnership distribution	**2,613**	2,410
Other patronage	**732**	410
Total patronage income	**$ 33,283**	$ 46,107

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage.

Other Non-interest Income, Net: The decrease in other non-interest income, net, was primarily due to reduced income associated with Rural Business Investment Companies investment equity method adjustments.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on March 31, 2026. However, it was renewed early for $35.0 billion with a maturity date of March 31, 2027. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at March 31, 2024, or December 31, 2023.

Total members' equity increased $78.4 million from December 31, 2023, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2023 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**March 31, 2024**	December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**14.9%**	15.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.9%**	15.6%	6.0%	2.5%	8.5%
Total capital ratio	**15.1%**	15.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.0%**	15.6%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**14.4%**	15.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.1%**	14.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2023 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2024, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Todd A. Clark
Todd A. Clark
Chair of the Board
Farm Credit Mid-America, ACA

Daniel Wagner
Daniel Wagner
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar
Steve Zagar
Chief Financial Officer
Farm Credit Mid-America, ACA

May 10, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)

As of:	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Loans	**$ 32,442,570**	$ 32,234,628
Allowance for credit losses on loans	**40,139**	38,599
Net loans	**32,402,431**	32,196,029
Investment in AgriBank, FCB	**1,194,438**	1,194,811
Investment securities	**1,846,630**	1,726,790
Accrued interest receivable	**357,471**	362,678
Assets held for lease, net	**8,560**	10,255
Deferred tax assets, net	**--**	1,170
Other assets	**484,123**	500,972
Total assets	**$ 36,293,653**	$ 35,992,705
LIABILITIES		
Note payable to AgriBank, FCB	**$ 29,653,050**	$ 29,222,569
Accrued interest payable	**265,644**	259,323
Deferred tax liabilities, net	**1,110**	--
Patronage distribution payable	**71,836**	255,000
Other liabilities	**100,096**	132,262
Total liabilities	**30,091,736**	29,869,154
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**86,353**	85,544
Additional paid-in capital	**219,777**	219,777
Unallocated surplus	**5,897,039**	5,819,519
Accumulated other comprehensive loss	**(1,252)**	(1,289)
Total members' equity	**6,201,917**	6,123,551
Total liabilities and members' equity	**$ 36,293,653**	$ 35,992,705

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31,	**2024**	2023
Interest income	**$ 483,139**	$ 363,909
Interest expense	**270,098**	192,618
Net interest income	**213,041**	171,291
Provision for credit losses	**3,541**	11,460
Net interest income after provision for credit losses	**209,500**	159,831
Non-interest income		
Patronage income	**33,283**	46,107
Financially related services income	**684**	570
Fee income	**13,924**	10,247
Operating lease income	**257**	526
Other non-interest income, net	**(5,796)**	1,300
Total non-interest income	**42,352**	58,750
Non-interest expense		
Salaries and employee benefits	**65,365**	56,973
Other operating expense	**36,726**	39,417
Other non-interest expense	**26**	190
Total non-interest expense	**102,117**	96,580
Income before income taxes	**149,735**	122,001
Provision for income taxes	**4,715**	2,356
Net income	**$ 145,020**	$ 119,645
Other comprehensive income		
Employee benefit plans activity	**$ 37**	$ 21
Total other comprehensive income	**37**	21
Comprehensive income	**$ 145,057**	$ 119,666

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2022	$ 81,749	$ --	$ 5,518,828	$ (719)	$ 5,599,858
Cumulative effect of change in accounting principle	--	--	10,058	--	10,058
Net income	--	--	119,645	--	119,645
Other comprehensive income	--	--	--	21	21
Unallocated surplus designated for patronage distributions	--	--	(63,696)	--	(63,696)
Capital stock and participation certificates issued	1,636	--	--	--	1,636
Capital stock and participation certificates retired	(1,298)	--	--	--	(1,298)
Balance at March 31, 2023	$ 82,087	$ --	$ 5,584,835	$ (698)	$ 5,666,224
Balance at December 31, 2023	$ 85,544	$ 219,777	$ 5,819,519	$ (1,289)	$ 6,123,551
Net income	**--**	**--**	**145,020**	**--**	**145,020**
Other comprehensive income	**--**	**--**	**--**	**37**	**37**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(67,500)**	**--**	**(67,500)**
Capital stock and participation certificates issued	**2,114**	**--**	**--**	**--**	**2,114**
Capital stock and participation certificates retired	**(1,305)**	**--**	**--**	**--**	**(1,305)**
Balance at March 31, 2024	**$ 86,353**	**$ 219,777**	**$ 5,897,039**	**$ (1,252)**	**$ 6,201,917**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2024, are not necessarily indicative of the results to be expected for the year ending December 31, 2024. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

The merger between Farm Credit Mid-America, ACA (Mid-America) and Farm Credit Midsouth, ACA (Midsouth) was effective April 1, 2023. The merged entity, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The Consolidated Statements of Condition reflect the merged Association at March 31, 2024, and December 31, 2023. Results of operations, equity, and related metrics reflect the results of the merged Association for the three months ended March 31, 2024, and of Mid-America for the three months ended March 31, 2023.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding percentages and information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Throughout Note 2 accrued interest receivable on loans of $332.7 million at March 31, 2024, and $342.0 million at December 31, 2023, has been excluded from the amortized cost of loans and is presented in “Accrued interest receivable” in the Consolidated Statements of Condition.

Loans by Type

(dollars in thousands)

As of:	**March 31, 2024**		December 31, 2023	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 19,920,075**	**61.4%**	$ 19,646,579	60.9%
Production and intermediate-term	**6,355,697**	**19.6%**	6,528,730	20.3%
Agribusiness	**3,897,055**	**12.0%**	3,869,576	12.0%
Rural residential real estate	**1,014,007**	**3.1%**	957,465	3.0%
Finance leases and other	**1,255,736**	**3.9%**	1,232,278	3.8%
Total	**$ 32,442,570**	**100.0%**	$ 32,234,628	100.0%

The finance leases and other category is composed of certain assets characterized as mission related investments and rural infrastructure related loans, as well as lease receivables.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 48,726**	**$ 57,458**	**$ 106,184**	**$ 19,813,891**	**$ 19,920,075**	**$ 3,344**
Production and intermediate-term	**23,957**	**11,532**	**35,489**	**6,320,208**	**6,355,697**	**1,518**
Agribusiness	**39,450**	**--**	**39,450**	**3,857,605**	**3,897,055**	**--**
Rural residential real estate	**5,261**	**1,470**	**6,731**	**1,007,276**	**1,014,007**	**410**
Finance leases and other	**52,102**	**66,675**	**118,777**	**1,136,959**	**1,255,736**	**66,440**
Total	**$ 169,496**	**$ 137,135**	**$ 306,631**	**$ 32,135,939**	**$ 32,442,570**	**$ 71,712**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 52,909	$ 25,289	$ 78,198	$ 19,568,381	$ 19,646,579	$ 1,595
Production and intermediate-term	11,307	7,534	18,841	6,509,889	6,528,730	754
Agribusiness	13,865	--	13,865	3,855,711	3,869,576	--
Rural residential real estate	3,953	1,613	5,566	951,899	957,465	102
Finance leases and other	60,858	54,916	115,774	1,116,504	1,232,278	54,685
Total	$ 142,892	$ 89,352	$ 232,244	$ 32,002,384	$ 32,234,628	$ 57,136

Non-Accrual Loans

Non-Accrual Loans Information

	As of March 31, 2024		**For the Three Months Ended March 31, 2024**
(in thousands)	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Non-accrual loans:			
Real estate mortgage	**$ 93,398**	**$ 92,758**	**$ 2,317**
Production and intermediate-term	**29,416**	**21,683**	**533**
Agribusiness	**--**	**--**	**1,022**
Rural residential real estate	**4,954**	**4,860**	**20**
Finance leases and other	**239**	**239**	**--**
Total	**$ 128,007**	**$ 119,540**	**$ 3,892**

	As of December 31, 2023		For the Three Months Ended March 31, 2023
	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Non-accrual loans:			
Real estate mortgage	$ 90,910	$ 88,556	$ 2,345
Production and intermediate-term	25,967	20,115	848
Agribusiness	--	--	--
Rural residential real estate	5,223	5,143	186
Finance leases and other	240	240	--
Total	$ 122,340	$ 114,054	$ 3,379

There were no reversals of interest income on loans that transferred to non-accrual status for the three months ended March 31, 2024, and reversals of interest income on loans that transferred to non-accrual status were not material for the three months ended March 31, 2023.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Our loans classified as modified loans at March 31, 2024, or 2023, and activity on these loans during the three months ended, March

31, 2024, or 2023, was not material. We did not have any material commitments to lend to borrowers whose loans have been modified during the three months ended March 31, 2024, or during the year ended December 31, 2023.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Unemployment rates are an additional risk characteristic attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of U.S. unemployment rate, Federal Housing Finance Agency house price index, United States Department of Agriculture (USDA) corn returns over total expenses (dollars per acre), the USDA change in total livestock cash receipts, USDA farm debt to equity ratio, and the USDA change in farmland value represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments. The reasonable and supportable forecast period is two years, followed by a two-year linear reversion to long-term average of all macroeconomic inputs.

We utilize the weighted results of three macroeconomic scenarios in the estimate of the allowance for credit losses on loans and unfunded commitments which include base, adverse, and positive scenarios. The adverse scenario includes macroeconomic factors reflecting downside potential relative to the base scenario. The positive scenario includes potential upside in the macroeconomic factors above the base scenario. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) **Three months ended March 31,**	**2024**	2023
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 38,599**	$ 59,233
Cumulative effect of change in accounting principle	**--**	(10,114)
Provision for credit losses on loans	**2,713**	6,309
Loan recoveries	**387**	340
Loan charge-offs	**(1,560)**	(437)
Balance at end of period	**$ 40,139**	$ 55,331
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 8,468**	$ 8,578
Cumulative effect of change in accounting principle	**--**	(3,561)
Provision for credit losses on unfunded commitments	**828**	5,151
Balance at end of period	**$ 9,296**	$ 10,168
Total allowance for credit losses	**$ 49,435**	$ 65,499

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by growth in the loan portfolio and an increase in specific reserves.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.8 billion at March 31, 2024, and $1.7 billion at December 31, 2023. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $5.3 million at March 31, 2024, and $5.4 million at December 31, 2023, which were not guaranteed. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investment securities at March 31, 2024, or December 31, 2023.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information at Amortized Cost

(in thousands) **As of:**	**March 31, 2024**	December 31, 2023
MBS	**$ 1,479,446**	$ 1,333,042
ABS	**367,184**	393,748
Total	**$ 1,846,630**	$ 1,726,790

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $24.8 million at March 31, 2024, and $20.7 million at December 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $26.9 million and $13.8 million for the three months ended March 31, 2024, and 2023, respectively.

Contractual Maturities of Investment Securities

(in thousands)

As of March 31, 2024		Amortized Cost
Less than one year	**$**	**6**
One to five years		**28,634**
Five to ten years		**290,882**
More than ten years		**1,527,108**
Total	**$**	**1,846,630**

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2023 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2024, or December 31, 2023.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 4,072**	**$ 4,072**
Other property owned	**--**	**--**	**394**	**394**

As of December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 4,581	$ 4,581
Other property owned	--	--	242	242

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral’s estimated fair value. Typically, the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 10, 2024, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.