2023 ANNUAL REPORT

farm CREDIT MID-AMERICA

The cover features customer-owner Paul Dennison of Dennison's Roadside Market in Hart County, Kentucky.

A MESSAGE FROM OUR CEO AND BOARD CHAIR

On behalf of our Board of Directors and team members, we appreciate your business and involvement in our cooperative. Farm Credit Mid-America's commitment to our customer-owners remains strong through every economic cycle. We are directed by those who know and understand farming and rural living best—our board members who are elected by you.

CUSTOMER-CENTRIC, FINANCIALLY STRONG

Keeping our customer-owners at the heart of everything we do has helped us exceed our financial goals. We ended the year at approximately $39.5 billion in total earning assets owned and managed, $543.8 million in net income and a capital ratio of 15.8%.

Our strong capital position, combined with our diverse portfolio, allowed us to return $230.2 million—the largest amount we have ever distributed—in cash dividends to patronage-eligible customer-owners*. Since 2016, we have put more than $1.1 billion back into customer-owners' hands. Over the past three years, we have returned approximately 1.5% of our customer-owners' average daily loan balance back in cash through the Patronage Program.

From this place of strength, we are well positioned to continue to serve your credit needs through all agricultural and financial cycles with products designed to meet the needs of our customer-owners and rural communities.

COMMITTED TO LOCAL COMMUNITIES

We invested $3.85 million in programs, scholarships and partnerships that support the next generation of agriculture and help to build stronger, more viable rural communities. This included partnering with youth organizations, industry leaders and local commodity groups across our territory. We were proud to support 2,426 FFA degrees, 17 state 4-H programs and invest $353,400 in young and beginning farmers.

Scholarships are another way that we support preparing today's youth to become tomorrow's agricultural leaders. This year we awarded 72 scholarships totaling nearly $225,000 to students pursuing degrees in agriculture or careers related to rural communities.

Our team members also volunteered with Farms to Food Banks across our territory to provide fruits and vegetables to feed families in need. These efforts supplemented more than 633,000 meals.

When natural disasters devastated our customer-owners' farms and homes, we joined with other cooperatives and community members to respond with support—volunteering our time and donating a total of $75,000.

BETTER TOGETHER

In April 2023, Farm Credit Midsouth and Farm Credit Mid-America officially merged. Our cooperative now yields approximately $39.5 billion in owned and managed earning assets with 1,650 team members serving more than 140,000 customer-owners in 391 counties across six states: Arkansas, Indiana, Kentucky, Missouri, Ohio, and Tennessee. Our combined strength positions us to be a thriving and sustainable cooperative that always delivers an extraordinary customer experience for years to come.

Thank you for placing your confidence and trust in us as we work together to secure the future of rural communities and agriculture.

President and Chief Executive Officer
Dan Wagner

Chair, Board of Directors
Todd Clark

*Patronage is an annual decision made by the Board of Directors to return earnings to eligible customers.

BOARD OF DIRECTORS

We invite you to learn more about our 2023 Board of Directors.

SCAN THE QR CODE ABOVE

LEADERSHIP TEAM

Get to know our 2023 Leadership Team.

SCAN THE QR CODE ABOVE

HOW TO CONNECT & FOLLOW

With offices serving Arkansas, Indiana, Kentucky, Missouri, Ohio and Tennessee, Farm Credit Mid-America exists to secure the future of rural communities and agriculture by providing reliable, consistent credit and financial services to farmers, producers, agribusinesses and rural residents. As we seek to be good stewards of cooperative resources and promote online engagement with our customer-owners, we've included many QR codes throughout this report that link to our digital platforms.

In addition to your local financial officer, we invite you to connect with us through social media. Follow us on Facebook, X, Instagram, YouTube and LinkedIn. Our website also has a variety of resources and ways to connect with us.

We look forward to engaging with you!

We welcome you to learn more about our cooperative benefits, customer stories, community investments, and more.

SCAN THE QR CODE ABOVE

FOLLOW US ON SOCIAL

WWW.FCMA.COM

RURAL 1st®

Rural 1st® offers tailored lending options for construction, home loans, lot, and land, for those wanting to live rurally. With a deep understanding of rural financing and customer needs, we help those who are seeking open spaces get **Closer to What Matters®**.

We're the leader in rural lending for a reason—we loan and live rural. Our loan officers live in a rural community just like you, so they are familiar with your needs and can provide you with the best possible lending solutions.

If you're looking to build in the future or enjoy more time with nature, we understand what it means to find that piece of land that's perfect for you. We offer loans on acreage—including land that's open, timbered or a combination of both.

When it comes to construction, we offer loans for your building project and recognize the importance of being able to choose your own builder. Our simple digital tool enables you to manage draws, disbursements, inspections and your project's progression.

Check out our website to learn more about our story, service area and lending options.

SCAN THE QR CODE AT RIGHT

Rural 1st can help you secure the financing for your next property and achieve your dream of living rurally. And unlike many lenders, we pride ourselves in going the distance, servicing your loan and taking care of you throughout the life of your loan.

If you're looking for open space, a slower pace or deeper connection with a community, you'll find it in rural America and you'll find it with Rural 1st.

FOLLOW US ON SOCIAL

WWW.RURAL1ST.COM

EQUAL HOUSING LENDER

SUSTAINABILITY IS A JOURNEY

We encourage you to learn more about sustainability at our cooperative.

SCAN THE QR CODE AT RIGHT

As a farmer-owned lending cooperative, our purpose is to secure the future of rural communities and agriculture. To achieve this aspiration, we must support and grow with our customers as they pursue their dreams and chart their own path in sustainable agriculture.

To Farm Credit Mid-America, sustainability in agriculture means farmers are efficiently managing their operations and being good stewards of the resources with which they are entrusted. Many of our customers engage in certain practices and strategies aimed at protecting their most valuable assets in order to pass them on to the next generation. We want to meet our customer-owners where they may be and support them on their sustainability journey.

PERFORMANCE AND TRENDS

YEAR ENDED DECEMBER 31	**2023**	2022	2021	2020	2019
TOTAL EARNING ASSETS OWNED & MANAGED *(IN BILLIONS)*	**$39.5**	$35.1	$32.1	$27.7	$24.5
NET INCOME *(IN MILLIONS)*	**$543.8**	$457.3	$430.3	$396.8	$423.0
PATRONAGE PAID *(IN MILLIONS)**	**$230.2**	$208.3	$198.6	$184.1	$144.1
RETURN ON AVERAGE ASSETS *(AFTER TAX)*	**1.6%**	1.5%	1.6%	1.6%	1.8%
TOTAL CAPITAL RATIO	**15.8%**	16.6%	18.2%	20.0%	21.2%
ADVERSE ASSETS	**1.6%**	1.5%	2.6%	2.8%	3.5%

*Patronage is an annual decision made by the Board of Directors to return earnings to eligible customers.

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

FARM CREDIT MID-AMERICA, ACA

(DOLLARS IN THOUSANDS)

AS OF DECEMBER 31, **CONDENSED STATEMENT OF CONDITION DATA**	**2023**	2022	2021	2020	2019
Loans	**$32,234,628**	$29,274,940	$27,257,721	$24,619,166	$23,483,766
Allowance for credit losses on loans	**38,599**	59,233	70,723	82,867	76,898
Net loans	**32,196,029**	29,215,707	27,186,998	24,536,299	23,406,868
Investment in AgriBank, FCB	**1,194,811**	1,041,250	864,105	690,787	517,435
Investment securities	**1,726,790**	1,221,684	834,625	456,074	476,728
Other assets	**875,075**	679,873	655,591	596,005	602,252
Total assets	**$35,992,705**	$32,158,514	$29,541,319	$26,279,165	$25,003,283
Obligations with maturities of one year or less	**$645,552**	$542,814	$426,008	$395,132	$425,827
Obligations with maturities greater than one year	**29,223,602**	26,015,842	23,746,145	20,739,705	19,634,898
Total liabilities	**29,869,154**	26,558,656	24,172,153	21,134,837	20,060,725
Capital stock and participation certificates	**85,544**	81,749	80,285	77,157	74,791
Additional paid-in capital	**219,777**	—	—	—	—
Unallocated surplus	**5,819,519**	5,518,828	5,289,781	5,068,119	4,868,756
Accumulated other comprehensive loss	**(1,289)**	(719)	(900)	(948)	(989)
Total members' equity	**6,123,551**	5,599,858	5,369,166	5,144,328	4,942,558
Total liabilities and members' equity	**$35,992,705**	$32,158,514	$29,541,319	$26,279,165	$25,003,283

For the year ended December 31,	**2023**	2022	2021	2020	2019
CONDENSED STATEMENT OF INCOME DATA					
Net interest income	**$745,951**	$614,844	$548,661	$522,953	$508,326
Provision for credit losses	**18,148**	(9,734)	(12,055)	11,318	(22,761)
Other expenses, net	**(184,018)**	(167,229)	(130,457)	(114,793)	(108,084)
Net income	**$543,785**	$457,349	$430,259	$396,842	$423,003
KEY FINANCIAL RATIOS					
FOR THE YEAR					
Return on average assets	**1.6%**	1.5%	1.6%	1.6%	1.8%
Return on average members' equity	**9.2%**	8.3%	8.2%	7.9%	8.7%
Net interest income as a percentage of average earning assets	**2.3%**	2.1%	2.1%	2.2%	2.2%
Net charge-offs as a percentage of average loans	**0.1%**	0.0%	0.0%	0.0%	0.0%
AT YEAR END					
Members' equity as a percentage of total assets	**17.0%**	17.4%	18.2%	19.6%	19.8%
Allowance for credit losses on loans as a percentage of loans	**0.1%**	0.2%	0.3%	0.3%	0.3%
Common equity tier 1 ratio	**15.6%**	16.4%	17.9%	19.6%	20.8%
Tier 1 capital ratio	**15.6%**	16.4%	17.9%	19.6%	20.8%
Total capital ratio	**15.8%**	16.6%	18.2%	20.0%	21.2%
Permanent capital ratio	**15.6%**	16.4%	18.0%	19.7%	20.9%
Tier 1 leverage ratio	**15.1%**	15.6%	16.9%	18.5%	19.1%
NET INCOME DISTRIBUTED					
FOR THE YEAR					
Patronage distributions:					
Cash	**$230,202**	$208,302	$198,601	$184,075	$144,102

The merger between Farm Credit Mid-America, ACA and Farm Credit Midsouth, ACA (Midsouth) was effective April 1, 2023. The effects of the merger with Midsouth are included in our financial position and results of operations beginning April 1, 2023. Prior year results have not been restated to reflect the impact of the merger.

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, and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2024, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 56 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the customers the System serves.

The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

MERGER ACTIVITY

The merger between Farm Credit Mid-America, ACA 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 merged entity now serves over 140,000 customers in 391 counties in Arkansas, Indiana, Kentucky, Missouri, Ohio, and Tennessee.

The effects of the merger with Midsouth are included in our financial position, results of operations, equity, cash flows, and related metrics beginning April 1, 2023. Prior year results have not been restated to reflect the impact of the merger. Upon the closing of the merger, loans increased $914.2 million, assets increased by $978.0 million, liabilities increased by $757.0 million, and members' equity increased by $221.0 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations, including inflationary indicators, in the agricultural, international, rural, and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve and U.S. Treasury in implementing monetary policy

- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Length and severity of an epidemic or pandemic
- Changes in our assumptions for determining the allowance for credit losses and fair value measurements
- Industry outlooks for agricultural conditions

AGRICULTURAL AND ECONOMIC CONDITIONS

Often the general economy is driven by consumer expectations and right now those are climbing. According to the January 2024 University of Michigan Consumer Sentiment, consumer sentiment for the U.S. soared to 78.8, the highest since July 2021, compared to 69.7 in December 2023. Consumer views were supported by confidence that inflation has turned a corner and strengthened income expectations. Inflation expectations for the year ahead went down to 2.9%, the lowest level since December 2020, from 3.1% in the previous month and the five-year outlook also edged lower to 2.8% from 2.9%. Meanwhile, the gauge measuring consumer expectations surged to 75.9 from 67.4 and the measure assessing current economic conditions rose to 83.3 from 73.3. Taking January 2024 and December 2023 together, consumer sentiment climbed a cumulative 29%, the largest two-month increase since 1991, as a recession ended. For the second straight month, all five index components rose, with a 27% surge in the short-run outlook for business conditions and a 14% gain in current personal finances. There are a few headwinds such as consumer savings dropping below pre COVID rates, reduced housing supplies and cost for new construction remaining stubbornly high. Wage growth should eventually slow, impacting spending habits, but should have a positive impact on inflation.

Farm sector income was forecast to fall in 2023 after reaching record highs in 2022. Net farm income, a broad measure of profits, reached $182.8 billion in 2022, increasing $42.4 billion (30.2%) from 2021 in nominal dollars. In 2023, net farm income was forecast to decrease by $31.8 billion (17.4%) from 2022 to $151.1 billion. Net cash farm income reached $200.4 billion in 2022, increasing $51.1 billion (34.2%) from 2021. It is forecast to decrease by $42.5 billion (21.2%) from 2022 to $157.9 billion in 2023. If realized, both income measures would remain above their 2003–2022 averages (in inflation-adjusted dollars). Crop production across the Association was generally good to excellent. The total U.S. crop has continued to grow post-harvest pressuring prices lower. As expected, customer financial statements reflect reduced working capital based on lower prices year over year. Lower feed costs and some disruptions in packing and production are helping to improve margins. Overall segments, such as swine, will record a very challenging 2023 (Source: United States Department of Agriculture (USDA) November 2023 Economic Outlook).

U.S. farmers' sentiment changed very little in December 2023 compared to the preceding month. The Purdue University-CME Group Ag Economy Barometer recorded a reading of 114, just one point lower than a month earlier. Both sub-indices of the barometer, the Index of Current Conditions, and the Index of Future Expectations, also fell one point below their respective November 2023 readings. The Current Conditions Index for December 2023 was 112, while the Future Expectations Index was 115. All three indices were weaker than in December 2022, with the Ag Economy Barometer falling 10% below a year earlier. Additionally, the current and future indices were 17% and 6%, respectively, below last year. Looking ahead to 2024, U.S. farmers' inflation expectations are markedly lower than they were at the start of 2023. The December Ag Economy Barometer survey was conducted from December 4-8, 2023.

LOAN PORTFOLIO

Total loans were $32.2 billion at December 31, 2023, an increase of $3.0 billion from December 31, 2022.

Components of Loans

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Accrual loans:			
Real estate mortgage	**$19,555,669**	$18,415,462	$17,310,915
Production and intermediate-term	**6,502,763**	5,105,008	4,664,137
Agribusiness	**3,869,576**	3,562,079	2,882,846
Rural residential real estate	**952,242**	889,985	882,864
Finance leases and other	**1,232,038**	1,205,423	1,375,004
Non-accrual loans	**122,340**	96,983	141,955
Total loans	**$32,234,628**	$29,274,940	$27,257,721

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.

The increase in total loans from December 31, 2022, was primarily due to increases in production and intermediate-term and real estate mortgage loans, and the merger with Midsouth effective April 1, 2023. This increase was partially offset by the Consumer Lending asset pool sales to AgriBank during 2023. We sold participation interests in real estate and rural residential real estate loans to AgriBank totaling $539.5 million on June 1, 2023, and $391.9 million on November 1, 2023. AgriBank has established a separate patronage pool for these assets and may pay patronage back to us at the sole discretion of the AgriBank Board of Directors.

The Association participates in asset pool programs to effectively leverage District capital and other cooperative benefits, as well as manage concentration risk and portfolio growth. The total outstanding participation interests in loans sold to AgriBank as part of asset pool programs were $3.7 billion, $3.0 billion, and $2.5 billion at December 31, 2023, 2022, and 2021, respectively. The increase was primarily due to Consumer Lending asset pool activity.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Finally, borrower tax planning strategies typically result in an increase in production and intermediate-term loans at the end of the year, which are generally followed by sharp pay-downs the following quarter.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We also offer fixed rate lease programs through Farm Credit Leasing Services Corporation. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

ICE Benchmark Administration (the entity responsible for calculating the London Inter-bank Offer Rate (LIBOR)) ceased the publication of all USD LIBOR settings after June 30, 2023. As anticipated, the Secured Overnight Financing Rate (SOFR) published by the CME Group has generally been the fallback to LIBOR. We have transitioned from the use of LIBOR to SOFR, which did not have a material impact on us. As of December 31, 2023 we have no exposure to LIBOR.

PORTFOLIO DISTRIBUTION

Geographical Distribution

AS OF DECEMBER 31,	2023	2022	2021
Indiana	**22.3%**	24.3%	25.7%
Ohio	**19.7%**	20.2%	20.7%
Tennessee	**13.2%**	13.5%	13.1%
Kentucky	**9.9%**	10.4%	10.6%
California	**5.7%**	6.8%	6.1%
Other[1]	**29.2%**	24.8%	23.8%
Total	**100.0%**	100.0%	100.0%

[1] *No other states make up more than 5% of our total loan portfolio at December 31, 2023.*

Agricultural Concentrations

AS OF DECEMBER 31,	2023	2022	2021
Other crops	**19.3%**	19.0%	19.2%
Corn and soy beans	**18.3%**	19.4%	20.1%
Processing and marketing	**10.5%**	9.1%	8.0%
Landlords	**10.4%**	10.2%	10.5%
Cattle	**9.1%**	9.5%	9.5%
Other livestock	**6.3%**	6.5%	6.4%
Timber	**6.3%**	6.3%	5.8%
Poultry and eggs	**4.0%**	4.1%	4.0%
Dairy	**3.7%**	3.7%	3.8%
Rural home	**2.8%**	3.0%	3.1%
Other	**9.3%**	9.2%	9.6%
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions because of changes in weather, prices, input costs, and other circumstances.

PORTFOLIO CREDIT QUALITY

The credit quality of our portfolio remained stable from December 31, 2022. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans increased to 1.6% of the portfolio at December 31, 2023, from 1.5% of the portfolio at December 31, 2022. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

NONPERFORMING ASSETS

Effective January 1, 2023, we adopted Accounting Standards Update 2016-13 "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(DOLLARS IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Loans:			
Non-accrual	**$122,340**	$96,983	$141,955
Accruing loans 90 days or more past due	**57,136**	124,846	67,123
Total nonperforming loans	**179,476**	221,829	209,078
Other property owned	**228**	147	1,272
Total nonperforming assets	**$179,704**	$221,976	$210,350
Total nonperforming loans as a percentage of total loans[1]	**0.6%**	0.8%	0.8%
Non-accrual loans as a percentage of total loans	**0.4%**	0.3%	0.5%
Current non-accrual loans as a percentage of total non-accrual loans	**47.3%**	73.2%	69.0%
Total delinquencies as a percentage of total loans[2]	**0.7%**	0.8%	0.9%

[1] *Prior years' ratios have been updated to conform to the current year's presentation.*
[2] *Total delinquencies include accrual and non-accrual loans 30 days or more past due.*

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Our nonperforming assets have decreased from December 31, 2022, and remained at acceptable levels. Total nonperforming loans as a percentage of total loans were well within our established risk management parameters.

The increase in non-accrual loans was primarily due to certain real estate mortgage and production and intermediate-term loans that moved to non-accrual status in 2023. Non-accrual loans remained at an acceptable level at December 31, 2023, 2022, and 2021.

The decrease in accruing loans 90 days or more past due and total delinquencies as a percentage of total loans was primarily due to the collection of delinquent USDA guaranteed loans. The remaining USDA guaranteed assets are well secured and full payment is expected. 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

Allowance for Credit Losses on Loans Coverage Ratios

AS OF DECEMBER 31,	2023	2022	2021
Allowance for credit losses on loans as a percentage of:			
Loans	**0.12%**	0.20%	0.26%
Non-accrual loans	**31.6%**	61.1%	49.8%
Total nonperforming loans[1]	**21.5%**	27.9%	34.5%
Net charge-offs as a percentage of average loans	**0.1%**	0.0%	0.0%
Adverse assets to capital and allowance for credit losses on loans	**8.1%**	8.1%	13.0%

[1] *Prior years' ratios have been updated to conform to the current year's presentation.*

Effective January 1, 2023, 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. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses incurred on loans in our portfolio that were probable and estimable as of December 31, 2022, and 2021. Additional information regarding the CECL adoption is included in Note 2.

Total allowance for credit losses on loans was $38.6 million, $59.2 million, and $70.7 million at December 31, 2023, 2022, and 2021, respectively. The decrease from December 31, 2022, was primarily related to the charge-off of known losses to one customer with production and intermediate-term and real estate mortgage loans in 2023.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities. Investment securities totaled $1.7 billion, $1.2 billion, and $834.6 million at December 31, 2023, 2022, and 2021, respectively. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration.

Effective January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment model for investment securities to incorporate an allowance for credit losses on investment securities. There was no allowance for credit losses on investment securities at December 31, 2023, as the substantial majority of our investment portfolio carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss.

Additional information regarding the CECL adoption is included in Note 2 to the accompanying Consolidated Financial Statements. Prior to January 1, 2023, the investment securities portfolio was evaluated for other-than-temporary impairment. For the years ended December 31, 2022, and 2021, we did not recognize any impairment on our investment securities portfolio.

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Net income	**$543,785**	$457,349	$430,259
Return on average assets	**1.61%**	1.51%	1.57%
Return on average members' equity	**9.17%**	8.31%	8.22%

Changes presented in the profitability information chart relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

NET INTEREST INCOME

Changes in Net Interest Income

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023 vs 2022	2022 vs 2021
Changes in volume	**$55,773**	$44,940
Changes in interest rates	**78,301**	19,141
Changes in non-accrual interest income and other	**(2,967)**	2,102
Net change	**$131,107**	$66,183

Net interest income included income on non-accrual loans that totaled $11.9 million, $14.9 million, and $12.8 million in 2023, 2022, and 2021, respectively. Non-accrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.3%, 2.1%, and 2.1% in 2023, 2022, and 2021, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Changes in Significant Components of Net Income

	For the year ended December 31,			Increase (decrease) in net income	
(IN THOUSANDS)	2023	2022	2021	2023 vs 2022	2022 vs 2021
Net interest income	**$745,951**	$614,844	$548,661	**$131,107**	$66,183
Provision for credit losses	**18,148**	(9,734)	(12,055)	**(27,882)**	(2,321)
Non-interest income	**273,424**	253,263	246,268	**20,161**	6,995
Non-interest expense	**447,181**	407,241	363,488	**(39,940)**	(43,753)
Provision for income taxes	**10,261**	13,251	13,237	**2,990**	(14)
Net income	**$543,785**	$457,349	$430,259	**$86,436**	$27,090

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 and real estate mortgage loans during the first quarter of 2023. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

NON-INTEREST INCOME

The change in non-interest income was primarily due to increased patronage income from AgriBank.

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 YEAR ENDED DECEMBER 31,	2023	2022	2021
Patronage from AgriBank	**$185,212**	$171,192	$161,239
AgDirect partnership distribution	**10,015**	7,767	5,486
Other patronage	**510**	1,575	991
Total patronage income	**$195,737**	$180,534	$167,716
Form of patronage distributions:			
Cash	**$149,711**	$73,864	$147,615
Stock	**46,026**	106,670	20,101
Total patronage income	**$195,737**	$180,534	$167,716

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income. In addition, see the Unincorporated Business Entities subsection (within the Other Relationships and Programs section) for further discussion on AgDirect, LLP and the partnership distribution.

NON-INTEREST EXPENSE

Components of Non-Interest Expense

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Salaries and employee benefits	**$259,719**	$238,105	$222,690
Other operating expense:			
Purchased and vendor services	**34,297**	34,770	33,315
Communications	**3,833**	3,721	4,043
Occupancy and equipment	**52,888**	42,836	33,254
Advertising and promotion	**20,904**	17,740	17,093
Examination	**4,536**	4,207	3,513
Farm Credit System insurance	**45,928**	45,255	32,419
Other	**23,529**	19,576	15,598
Other non-interest expense	**1,547**	1,031	1,563
Total non-interest expense	**$447,181**	$407,241	$363,488
Operating rate	**1.4%**	1.4%	1.4%

Salaries and employee benefits expense increased primarily due to increased staffing levels and retirement expense. Occupancy and equipment increased primarily due to increased spending related to technology initiatives.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2023, we had $2.5 billion available under our line of credit. We generally apply excess cash to this line of credit. 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.

Note Payable Information

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Average balance	**$27,461,262**	$24,525,199	$21,849,155
Average interest rate	**3.4%**	2.1%	1.6%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

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.

In August 2023, Fitch Ratings lowered the U.S. sovereign's long-term Issuer Default Rating and the long-term debt rating for the Farm Credit System to AA+ from AAA, the F1+ short-term ratings were affirmed, and the outlooks on the long-term debt ratings were revised to stable. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating. Additionally, Fitch Ratings lowered the long-term debt rating for the Farm Credit Banks, including AgriBank, to A+ from AA-, the F1+ short-term rating was affirmed, and the outlook on the long-term debt rating was revised to stable. The reduction in the credit rating by Fitch Ratings for the Farm Credit Banks, including AgriBank, could result in higher funding costs which could impact our costs and, ultimately, retail rates. However, to date we have noticed no significant impact as a result of this rating change.

CAPITAL ADEQUACY

Total members' equity was $6.1 billion, $5.6 billion, and $5.4 billion at December 31, 2023, 2022, and 2021, respectively. Total members' equity increased $523.7 million from December 31, 2022, primarily due to net income for the year, equity adjustments in connection to the merger with Midsouth, and the cumulative effect of the change in accounting principle partially offset by patronage distribution accruals. The cumulative effect change of accounting principle was a result of the adoption of CECL effective January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption.

The 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. Effective January 1, 2022, the FCA Regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

AS OF DECEMBER 31,	2023	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.6%**	16.4%	17.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.6%**	16.4%	17.9%	6.0%	2.5%	8.5%
Total capital ratio	**15.8%**	16.6%	18.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.6%**	16.4%	18.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**15.1%**	15.6%	16.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.8%**	15.3%	18.1%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for credit losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 7 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 11 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target range is subject to revision as circumstances change. Our optimum total capital target range is 14.5% to 16.5%, as defined in our 2024 capital plan.

At the December 2023 Board of Directors' Meeting, the Board passed a Patronage Obligating Resolution that outlines the intent of the Association to refund patronage-sourced net earnings for the calendar year 2024 to eligible patrons of the Association. If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2024.

RELATIONSHIP WITH AGRIBANK

BORROWING

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA 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

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

INVESTMENT

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2023, we were required by AgriBank to maintain an investment equal to 3.0% of the average quarterly balance of our note payable. The required investment increased to 3.1% for 2024. In addition to the required investment based on the note payable, asset pool programs are typically capitalized at a higher rate that is mutually agreed upon in the asset pool program agreements.

We are also required to hold additional investment in AgriBank based on a contractual agreement under any asset pool program in which we participate.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank.

PATRONAGE

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

PURCHASED SERVICES

We purchase certain business services, primarily financial reporting, from AgriBank. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

IMPACT ON MEMBERS' INVESTMENT

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS

ProPartners Financial: We participate in ProPartners Financial (ProPartners) with certain Farm Credit institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. We sell to AgriBank our entire interest in the loans associated with ProPartners. As part of this program, we receive patronage income at the sole discretion of the AgriBank Board of Directors.

Rural 1st®: We deliver specialized products and services for people looking to make the move to rural living through land and home purchases, home equity, and construction projects through our Rural 1st® division. We participate in Rural 1st® with other Farm Credit associations, both inside and outside the AgriBank District. Under these partnership agreements, we pay market-access fees to these associations for loan volume originated in their territories. During 2023, 2022, and 2021, market-access fees paid to Rural 1st® participants were $10.8 million, $12.7 million, and $14.8 million, respectively. Future partnership agreements with other associations are expected.

Agri-Access: We participate in the Agri-Access asset pool program which focuses on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the U.S. The program is facilitated by another AgriBank District association where all loans and leases in the program are originated and serviced. We pay the facilitating association fees to originate and service the loans. We sell to AgriBank our entire interest in the loans associated with Agri-Access. As part of this program, we receive patronage income at the sole discretion of the AgriBank Board of Directors.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $1.5 million, $1.1 million, and $851 thousand at December 31, 2023, 2022, and 2021, respectively.

SunStream Business Services: We have a relationship with SunStream Business Services (SunStream), a System service corporation, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. As of December 31, 2023, 2022, and 2021, our investment in SunStream was $5.6 million. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2023, 2022, and 2021, our investment in Foundations was $126 thousand, $113 thousand, and $113 thousand, respectively. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Rural Business Investment Companies: We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our investment in RBICs, was $58.3 million, $46.3 million, and $32.9 million at December 31, 2023, 2022, and 2021, respectively. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Services of America, ACA: We have a relationship with Farm Credit Services of America, ACA, an AgriBank District association headquartered in Nebraska, which involves partnering on agricultural purpose loan origination systems.

UNINCORPORATED BUSINESS ENTITIES (UBEs)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $76.3 million, $65.7 million, and $56.4 million at December 31, 2023, 2022, and 2021, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Comprehensive Income.

PROGRAMS

We are involved in the following programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBEs section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT
FARM CREDIT MID-AMERICA, ACA

We prepare the Consolidated Financial Statements of Farm Credit Mid-America, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared 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

March 12, 2024

The Farm Credit Mid-America, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2023. In making the assessment, management used the 2013 framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2023, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2023.

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

March 12, 2024

REPORT OF AUDIT COMMITTEE
FARM CREDIT MID-AMERICA, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Farm Credit Mid-America, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2023, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended the audited Consolidated Financial Statements be included in the Annual Report for the year ended December 31, 2023.

Steven R. Bush

STEVEN R. BUSH
Chair of the Audit Committee
Farm Credit Mid-America, ACA

Audit Committee Members:
Dwain Cottingham
Dale Koester
Brandon Robbins
Gary Sitzer

March 12, 2024

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Farm Credit Mid-America, ACA:

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit Mid-America, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2023, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

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REPORT OF INDEPENDENT AUDITORS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2023 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 12, 2024

CONSOLIDATED STATEMENTS OF CONDITION
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
ASSETS			
Loans	**$32,234,628**	$29,274,940	$27,257,721
Allowance for credit losses on loans	**38,599**	59,233	70,723
Net loans	**32,196,029**	29,215,707	27,186,998
Investment in AgriBank, FCB	**1,194,811**	1,041,250	864,105
Investment securities	**1,726,790**	1,221,684	834,625
Accrued interest receivable	**362,678**	268,875	202,544
Assets held for lease, net	**10,255**	15,777	36,774
Deferred tax assets, net	**1,170**	—	—
Other assets	**500,972**	395,221	416,273
Total assets	**$35,992,705**	$32,158,514	$29,541,319
LIABILITIES			
Note payable to AgriBank, FCB	**$29,222,569**	$26,015,258	$23,745,489
Accrued interest payable	**259,323**	173,932	88,774
Deferred tax liabilities, net	**—**	302	4,068
Patronage distribution payable	**255,000**	230,000	210,000
Other liabilities	**132,262**	139,164	123,822
Total liabilities	**29,869,154**	26,558,656	24,172,153
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**85,544**	81,749	80,285
Additional paid-in capital	**219,777**	—	—
Unallocated surplus	**5,819,519**	5,518,828	5,289,781
Accumulated other comprehensive loss	**(1,289)**	(719)	(900)
Total members' equity	**6,123,551**	5,599,858	5,369,166
Total liabilities and members' equity	**$35,992,705**	$32,158,514	$29,541,319

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Interest income	**$1,676,560**	$1,121,049	$895,539
Interest expense	**930,609**	506,205	346,878
Net interest income	**745,951**	614,844	548,661
Provision for credit losses	**18,148**	(9,734)	(12,055)
Net interest income after provision for credit losses	**727,803**	624,578	560,716
Non-interest income			
Patronage income	**195,737**	180,534	167,716
Financially related services income	**13,895**	13,606	12,756
Fee income	**55,803**	49,615	55,510
Operating lease income	**1,302**	6,828	7,697
Other non-interest income	**6,687**	2,680	2,589
Total non-interest income	**273,424**	253,263	246,268
Non-interest expense			
Salaries and employee benefits	**259,719**	238,105	222,690
Other operating expense	**185,915**	168,105	139,235
Other non-interest expense	**1,547**	1,031	1,563
Total non-interest expense	**447,181**	407,241	363,488
Income before income taxes	**554,046**	470,600	443,496
Provision for income taxes	**10,261**	13,251	13,237
Net income	**$543,785**	$457,349	$430,259
Other comprehensive income			
Employee benefit plans activity	**$148**	$181	$48
Total other comprehensive income	**148**	181	48
Comprehensive income	**$543,933**	$457,530	$430,307

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)	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2020	$77,157	$—	$5,068,119	$(948)	$5,144,328
Net income	—	—	430,259	—	430,259
Other comprehensive income	—	—	—	48	48
Unallocated surplus designated for patronage distributions	—	—	(208,597)	—	(208,597)
Capital stock and participation certificates issued	10,932	—	—	—	10,932
Capital stock and participation certificates retired	(7,804)	—	—	—	(7,804)
Balance as of December 31, 2021	80,285	—	5,289,781	(900)	5,369,166
Net income	—	—	457,349	—	457,349
Other comprehensive income	—	—	—	181	181
Unallocated surplus designated for patronage distributions	—	—	(228,302)	—	(228,302)
Capital stock and participation certificates issued	7,886	—	—	—	7,886
Capital stock and participation certificates retired	(6,422)	—	—	—	(6,422)
Balance as of December 31, 2022	81,749	—	5,518,828	(719)	5,599,858
Cumulative effect of change in accounting principle	**—**	**—**	**10,058**	**—**	**10,058**
Equity adjustments in connection with merger	**1,907**	**219,777**	**—**	**(718)**	**220,966**
Net income	**—**	**—**	**543,785**	**—**	**543,785**
Other comprehensive income	**—**	**—**	**—**	**148**	**148**
Unallocated surplus designated for patronage distributions	**—**	**—**	**(253,152)**	**—**	**(253,152)**
Capital stock and participation certificates issued	**10,378**	**—**	**—**	**—**	**10,378**
Capital stock and participation certificates retired	**(8,490)**	**—**	**—**	**—**	**(8,490)**
Balance as of December 31, 2023	**$85,544**	**$219,777**	**$5,819,519**	**$(1,289)**	**$6,123,551**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FARM CREDIT MID-AMERICA, ACA

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Cash flows from operating activities			
Net income	**$543,785**	$457,349	$430,259
Depreciation on premises and equipment	**14,056**	14,109	13,243
Gain on sale of premises and equipment, net	**(1,441)**	(384)	(3)
Depreciation on assets held for lease	**3,093**	6,062	8,173
Loss (gain) on disposal of assets held for lease, net	**640**	(3,715)	(1,064)
Net amortization of premiums on loans and investment securities	**46,265**	44,473	41,901
Provision for credit losses	**18,148**	(9,734)	(12,055)
Stock patronage received from Farm Credit institutions	**(55,476)**	(106,924)	(20,291)
Gain on other property owned, net	**(175)**	(89)	(28)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(106,296)**	(82,329)	(19,559)
(Increase) decrease in other assets	**(49,363)**	33,096	(43,360)
Increase in accrued interest payable	**79,920**	85,158	4,624
(Decrease) increase in other liabilities	**(9,142)**	11,757	16,234
Net cash provided by operating activities	**484,014**	448,829	418,074
Cash flows from investing activities			
Increase in loans, net	**(2,062,012)**	(2,028,138)	(2,659,745)
Purchases of investment in AgriBank, FCB, net	**(65,658)**	(70,475)	(153,217)
Purchases of investment in other Farm Credit institutions, net	**(10,596)**	(9,331)	(14,498)
Purchases of investment securities	**(797,966)**	(569,670)	(499,143)
Proceeds from investment securities	**258,148**	157,993	103,900
Sales of assets held for lease, net	**1,789**	18,650	16,689
Proceeds from sales of other property owned	**5,597**	8,210	10,074
Purchases of premises and equipment, net	**(41,085)**	(17,309)	(33,506)
Net cash used in investing activities	**(2,711,783)**	(2,510,070)	(3,229,446)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**2,459,858**	2,269,769	3,006,510
Patronage distributions paid	**(230,202)**	(208,302)	(198,601)
Capital stock and participation certificates (retired) issued, net	**(1,887)**	(226)	3,463
Net cash provided by financing activities	**2,227,769**	2,061,241	2,811,372
Net change in cash	**—**	—	—
Cash at beginning of year	**—**	—	—
Cash at end of year	**$—**	$—	$—
Supplemental schedule of non-cash activities			
Impact of merger transactions:			
Assets acquired	**$977,970**	$—	$—
Liabilities assumed	**757,004**	—	—
Equity issued	**220,966**	—	—
Supplemental information			
Interest paid	**$831,933**	$421,047	$342,254
Taxes paid, net	**17,381**	16,847	13,880

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

1

ORGANIZATION AND OPERATIONS

FARM CREDIT SYSTEM AND DISTRICT

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2024, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 56 borrower-owned cooperative lending institutions (associations). The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. The AgriBank District associations consist of Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for non-accrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

ASSOCIATION

Farm Credit Mid-America, ACA (the Association) and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in Arkansas, Indiana, Kentucky, Missouri, Ohio and Tennessee. Arkansas includes Clay, Craighead, Crittenden, Cross, Desha (northeast of the White River), Greene, Lee, Mississippi, Phillips, Poinsett, and St. Francis counties. Missouri includes Carter, Ripley and Wayne counties. Kentucky excludes Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Marshall and McCracken counties. Ohio excludes Crawford, Hancock, Lucas, Marion, Ottawa, Sandusky, Seneca, Wood and Wyandot counties. We serve all counties in Indiana and Tennessee.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries and holds certain types of investments.

We offer crop insurance to borrowers and those eligible to borrow. We also offer fee appraisal services to our members.

MERGER ACTIVITY

Effective April 1, 2023, Farm Credit Midsouth, ACA (Midsouth) merged into Farm Credit Mid-America, ACA (Mid-America). Mid-America acquired 100% of the assets and liabilities of Midsouth. The merged Association, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The primary reason for the merger was to strategically position the Associations to best serve member needs. The effects of the merger are included in the Association's results of operations, statement of condition, average balances, and related metrics beginning April 1, 2023.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Statements of Condition reflect the merged balances as of December 31, 2023. The Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Members' Equity, and the Consolidated Statements of Cash Flows reflect the results of the merged Association after April 1, 2023, and Mid-America prior to April 1, 2023. Information in the Notes to the Consolidated Financial Statements for 2023 reflect balances of the merged Association as of December 31, or in the case of transactional activity, of the merged Association for the period April 1, 2023, to December 31, 2023.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their members and other customers and not for the benefit of equity investors. Capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of Midsouth stock were converted in the merger into shares of Mid-America stock with identical rights. For this reason, the conversion of Midsouth stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each Midsouth share was converted into one share of Mid-America stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the Mid-America stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, Mid-America undertook a process to identify and estimate the acquisition-date fair value of Midsouth's equity interests instead of the acquisition-date fair value of Mid-America's equity interests transferred as consideration. The fair value of net assets acquired, including specific intangible assets and liabilities assumed from Midsouth, were measured based on various estimates using assumptions that management believes are reasonable utilizing information available as of the merger date.

The merger was accounted for as a business combination under the acquisition method of accounting. Pursuant to these rules, Mid-America acquired the assets and assumed the liabilities of Midsouth at their acquisition-date fair value. The fair value of the net identifiable assets acquired ($221.0 million) approximated the fair value of the equity interest exchanged in the merger. In addition, no material amounts of intangible assets were acquired. As a result, no goodwill was recorded. A net increase of $221.0 million was recorded in members' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Midsouth's net assets as of the acquisition date. There were no subsequent changes to the initial fair value measurements since the merger.

CONDENSED STATEMENT OF NET ASSETS ACQUIRED

(IN THOUSANDS) AS OF APRIL 1, 2023	Midsouth
Assets	
Net loans	$914,229
Accrued interest receivable	12,904
Other assets	50,837
Total assets	$977,970
Liabilities	
Notes payable	$747,453
Accrued interest payable	5,471
Other liabilities	4,080
Total liabilities	$757,004
Fair value of net assets acquired	$220,966

Fair value adjustments to Midsouth's assets and liabilities included a $140.9 million decrease to loans and a $88.6 million decrease to notes payable to reflect credit discounts and changes in interest rates and other market conditions since the time these instruments were issued. These differences are being accreted or amortized into net interest income over the remaining life of the respective loans and debt instruments on an effective yield basis. The Association expects to collect the substantial majority of the contractual amounts of the acquired loans not considered to be purchased credit deteriorated, which totaled $1.1 billion at April 1, 2023.

2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

Our accounting and reporting policies conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

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

SIGNIFICANT ACCOUNTING POLICIES

LOANS: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs, unamortized deferred fees and costs on originated loans, unamortized premiums or discounts on purchased loans, and unamortized adjustments to fair value on loans acquired through merger. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until certain modifications are completed or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Generally, loans are placed in non-accrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in non-accrual status, and the interest is determined to be both uncollectible and the loss is known, we immediately reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on non-accrual loans is applied to reduce the carrying amount in the loan, except in those cases where the collection of the carrying amount is fully expected and certain other criteria are met. In these circumstances, interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Non-accrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in non-accrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

Loan modifications may be 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.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all the conditions have been met to be accounted for as a sale.

ALLOWANCE FOR CREDIT LOSSES: Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses (ACL) comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

ALLOWANCE FOR CREDIT LOSSES ON LOANS

(ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

The ACLL is increased through provisions for credit losses on loans and loan recoveries and is decreased through reversals of provision for credit losses on loans and loan charge-offs. The provision activity is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income.

Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts on purchased loans and unamortized adjustments to fair value on loans acquired through merger.

We employ a disciplined process and methodology to establish the ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged-off against the ACLL. For more information see the Collateral Dependent Loans policy in the significant accounting policies section of this report.

In estimating the pooled component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. For reporting purposes, the portfolio is classified by loan type. We utilize a model to calculate an expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the loss given default, based on historical experience. Loan borrower characteristics are also utilized and include internal risk ratings, loan type, and the remaining term of the loan to calculate an estimated expected credit loss.

In order to calculate this estimated migration of loans from performing to loss, we utilize the weighted results of three economic scenarios (base, adverse, and positive) over a reasonable and supportable forecast period of two years. The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as: U.S. unemployment rate, Federal Housing Finance Agency house price index (FHFA HPI), United States Department of Agriculture (USDA) corn returns over total expenses ($/acre), the USDA change in total livestock cash receipts, USDA farm debt to equity ratio, and the USDA change in farmland value. Subsequent to the forecast period, our model applies a two-year linear reversion period to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast. Consideration of these factors, as well as the imprecision inherent in the process and methodology may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on quarterly evaluation of factors such as loan loss history, estimated probability of default, estimated loss given default, portfolio quality, and current economic and environmental conditions.

ALLOWANCE FOR CREDIT LOSSES ON UNFUNDED COMMITMENTS

Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in "Other liabilities" in the Consolidated Statements of Condition. The related provision is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

ALLOWANCE FOR CREDIT LOSSES ON INVESTMENT SECURITIES

Quarterly, we evaluate the held-to-maturity investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses on investment securities is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the U.S. government or other governmental agencies, we have not recognized an allowance for credit losses on investment securities as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

COLLATERAL DEPENDENT LOANS: Collateral dependent loans are loans secured by collateral, including but not limited to real estate, equipment, inventory, livestock, and income-producing property. We measure the expected credit losses based on the fair value of collateral at the reporting date when we determine that foreclosure is probable. Under the fair value practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon in-house or independent third-party appraisals or on in-house collateral valuations. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment.

Additionally, when a borrower is experiencing financial difficulty, we apply the fair value practical expedient measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral.

ACCRUED INTEREST RECEIVABLE: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities.

INVESTMENT IN AGRIBANK: Our stock investment in AgriBank is on a cost plus allocated equities basis.

INVESTMENT SECURITIES: We are authorized by the FCA to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investment securities upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We consider an investment security contractually past due when any payment of principal or interest required by the investment security is not received on or before the due date. The accrual of interest income is suspended for investments that are in default or for which the collectability of principal or interest is doubtful. When an investment security is in default and the interest is determined to be uncollectible, we immediately reverse any accrued interest.

OTHER PROPERTY OWNED: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in "Other assets" in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses on loans. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Other non-interest expense" in the Consolidated Statements of Comprehensive Income.

OTHER INVESTMENTS: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are accounted for under the equity method. The investments are included in "Other assets" in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Comprehensive Income in the year of impairment.

PREMISES AND EQUIPMENT: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

LEASES: We are the lessee in finance and operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For finance and operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Finance and Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is recorded on the Consolidated Statements of Comprehensive Income and is allocated between interest expense and amortization expense. The portion allocated to interest expense is calculated using the effective interest method.

We are the lessor in finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance leases is included in "Loans" in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease and charge depreciation and other expenses against revenue as incurred in "Operating lease income" in the Consolidated Statements of Comprehensive Income. The amortized cost of operating leases is included in "Assets held for lease, net" in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

POST-EMPLOYMENT BENEFIT PLANS: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefit eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. Service costs are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District

Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

INCOME TAXES: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

PATRONAGE PROGRAM: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

OFF-BALANCE SHEET CREDIT EXPOSURES: Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. We evaluate the need for an allowance for credit losses on unfunded commitments, which is included in “Other liabilities” in the Consolidated Statements of Condition. For more information see the allowance for credit losses on unfunded commitments policy in the significant accounting policies section of this report.

CASH: For purposes of reporting cash flow, cash includes cash on hand.

FAIR VALUE MEASUREMENT: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity’s own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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 June 2016, the FASB issued ASU 2016-13 "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.	This guidance replaced the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We adopted the standard and related updates as of January 1, 2023. As a result of adoption of this guidance, the allowance for credit losses on loans decreased by $10.1 million and the allowance for credit losses on unfunded commitments decreased by $3.6 million, with a cumulative-effect increase, net of tax balances, to retained earnings of $10.1 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments — Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance was effective at the same time that ASU 2016-13 was adopted.	This guidance eliminated the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables — Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings. The expanded Vintage Disclosures are not applicable to nonpublic business entities.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning in 2023. However, modifications during the period were not material; therefore, related disclosures have been omitted from this report.
In December 2023, the FASB issued ASU 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.

3

LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

As a result of the merger, which was effective April 1, 2023, we acquired $914.2 million in loans, of which 98.8% were categorized as having acceptable credit quality and 99.6% were current in payment status. A portion of the acquired loans were considered to be purchased with deteriorated credit. However, they are not significant to the Consolidated Financial Statements.

Loans by Type

(DOLLARS IN THOUSANDS)	2023		2022		2021	
AS OF DECEMBER 31,	Amortized Cost	%	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$19,646,579**	**60.9%**	$18,485,811	63.1%	$17,421,250	63.9%
Production and intermediate-term	**6,528,730**	**20.3%**	5,125,775	17.5%	4,689,759	17.2%
Agribusiness	**3,869,576**	**12.0%**	3,562,228	12.2%	2,883,053	10.6%
Rural residential real estate	**957,465**	**3.0%**	895,459	3.1%	888,414	3.3%
Finance leases and other	**1,232,278**	**3.8%**	1,205,667	4.1%	1,375,245	5.0%
Total	**$32,234,628**	**100.0%**	$29,274,940	100.0%	$27,257,721	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.

Throughout Note 3 accrued interest receivable on loans of $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.

PORTFOLIO CONCENTRATIONS

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions. We lend primarily within agricultural industries.

As of December 31, 2023, amortized cost on loans plus commitments, reduced by government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 3.6% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

PARTICIPATIONS

We may purchase or sell participation interests with other parties to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(IN THOUSANDS)	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2023								
Real estate mortgage	**$—**	**$(3,131,625)**	**$1,172,284**	**$(110,472)**	**$1,410,229**	**$(29,154)**	**$2,582,513**	**$(3,271,251)**
Production and intermediate-term	**—**	**(155,012)**	**1,335,668**	**(29,565)**	**1,006,063**	**(481)**	**2,341,731**	**(185,058)**
Agribusiness	**—**	**(138,538)**	**1,714,214**	**(1,865,918)**	**606,113**	**(918)**	**2,320,327**	**(2,005,374)**
Rural residential real estate	**—**	**(544,598)**	**42**	**—**	**253,117**	**—**	**253,159**	**(544,598)**
Finance leases and other	**—**	**—**	**428,443**	**—**	**8,335**	**—**	**436,778**	**—**
Total	**$—**	**$(3,969,773)**	**$4,650,651**	**$(2,005,955)**	**$3,283,857**	**$(30,553)**	**$7,934,508**	**$(6,006,281)**
As of December 31, 2022								
Real estate mortgage	$—	$(2,539,803)	$972,261	$(50,822)	$1,640,741	$(25,759)	$2,613,002	$(2,616,384)
Production and intermediate-term	—	(122,772)	1,029,436	(8,485)	649,566	(393)	1,679,002	(131,650)
Agribusiness	—	(123,304)	1,661,474	(1,633,933)	542,850	(1,038)	2,204,324	(1,758,275)
Rural residential real estate	—	(436,337)	—	—	277,261	—	277,261	(436,337)
Finance leases and other	—	—	207,700	—	14,217	—	221,917	—
Total	$—	$(3,222,216)	$3,870,871	$(1,693,240)	$3,124,635	$(27,190)	$6,995,506	$(4,942,646)
As of December 31, 2021								
Real estate mortgage	$—	$(2,150,950)	$664,949	$(34,257)	$1,677,796	$(23,816)	$2,342,745	$(2,209,023)
Production and intermediate-term	—	(91,063)	852,916	(147,434)	540,108	(483)	1,393,024	(238,980)
Agribusiness	—	(94,840)	1,153,638	(1,305,438)	485,263	(972)	1,638,901	(1,401,250)
Rural residential real estate	—	(381,075)	—	—	308,083	—	308,083	(381,075)
Finance leases and other	—	—	187,097	—	24,211	—	211,308	—
Total	$—	$(2,717,928)	$2,858,600	$(1,487,129)	$3,035,461	$(25,271)	$5,894,061	$(4,230,328)

CREDIT QUALITY AND DELINQUENCY

Credit risk arises from the potential inability of a borrower to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. We manage credit risk associated with our lending activities through an analysis of the credit risk profile of an individual borrower based on management established underwriting standards and board approved lending policies. The evaluation of the borrower's credit risk profile may include analysis of several factors including, but not limited to, credit history, repayment capacity, financial position, and collateral. Real estate mortgage loans must be secured by first liens on the real estate. As required by the FCA 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.

We use a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing loss given default. Probability of default is our assumption of the probability that a borrower will experience a default during the life of the loan. The loss given default is our assumption as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified as non-accrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. We review the probability of default category periodically in accordance with our policy, or when a credit action is taken.

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.

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable — loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) — loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard — loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful — loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss — loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2023, 2022, or 2021.

Credit Quality of Loans at Amortized Cost[1]

(DOLLARS IN THOUSANDS)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31, 2023								
Real estate mortgage	**$19,109,146**	**97.3%**	**$255,208**	**1.3%**	**$282,225**	**1.4%**	**$19,646,579**	**100.0%**
Production and intermediate-term	**6,172,780**	**94.6%**	**256,254**	**3.9%**	**99,696**	**1.5%**	**6,528,730**	**100.0%**
Agribusiness	**3,724,584**	**96.2%**	**41,358**	**1.1%**	**103,634**	**2.7%**	**3,869,576**	**100.0%**
Rural residential real estate	**945,326**	**98.7%**	**1,930**	**0.2%**	**10,209**	**1.1%**	**957,465**	**100.0%**
Finance leases and other	**1,227,549**	**99.6%**	**4,385**	**0.4%**	**344**	**0.0%**	**1,232,278**	**100.0%**
Total	**$31,179,385**	**96.7%**	**$559,135**	**1.7%**	**$496,108**	**1.6%**	**$32,234,628**	**100.0%**
As of December 31, 2022								
Real estate mortgage	$18,050,269	96.8%	$287,460	1.5%	$305,671	1.7%	$18,643,400	100.0%
Production and intermediate-term	4,984,802	96.1%	113,124	2.2%	87,124	1.7%	5,185,050	100.0%
Agribusiness	3,519,263	98.2%	11,683	0.3%	52,346	1.5%	3,583,292	100.0%
Rural residential real estate	885,468	98.6%	1,236	0.1%	11,811	1.3%	898,515	100.0%
Finance leases and other	1,221,383	100.0%	—	—	503	0.0%	1,221,886	100.0%
Total	$28,661,185	97.1%	$413,503	1.4%	$457,455	1.5%	$29,532,143	100.0%
As of December 31, 2021								
Real estate mortgage	$16,698,604	95.1%	$382,974	2.2%	$473,020	2.7%	$17,554,598	100.0%
Production and intermediate-term	4,383,468	92.8%	170,216	3.6%	171,455	3.6%	4,725,139	100.0%
Agribusiness	2,793,225	96.5%	57,849	2.0%	43,431	1.5%	2,894,505	100.0%
Rural residential real estate	875,186	98.2%	1,117	0.1%	14,856	1.7%	891,159	100.0%
Finance leases and other	1,389,252	99.9%	—	—	773	0.1%	1,390,025	100.0%
Total	$26,139,735	95.2%	$612,156	2.2%	$703,535	2.6%	$27,455,426	100.0%

[1] *Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.*

Aging Analysis of Loans at Amortized Cost[1]

(IN THOUSANDS)	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
As of December 31, 2023						
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**
As of December 31, 2022						
Real estate mortgage	$16,194	$12,617	$28,811	$18,614,589	$18,643,400	$449
Production and intermediate-term	4,162	6,084	10,246	5,174,804	5,185,050	449
Agribusiness	—	148	148	3,583,144	3,583,292	—
Rural residential real estate	6,195	2,081	8,276	890,239	898,515	79
Finance leases and other	70,903	124,072	194,975	1,026,911	1,221,886	123,869
Total	$97,454	$145,002	$242,456	$29,289,687	$29,532,143	$124,846
As of December 31, 2021						
Real estate mortgage	$15,005	$23,299	$38,304	$17,516,294	$17,554,598	$—
Production and intermediate-term	3,403	10,818	14,221	4,710,918	4,725,139	—
Agribusiness	—	105	105	2,894,400	2,894,505	—
Rural residential real estate	3,705	1,705	5,410	885,749	891,159	—
Finance leases and other	114,838	67,288	182,126	1,207,899	1,390,025	67,123
Total	$136,951	$103,215	$240,166	$27,215,260	$27,455,426	$67,123

[1] *Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.*

NON-ACCRUAL LOANS

Non-Accrual Loans by Loan Type

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Real estate mortgage	**$90,910**	$70,351	$110,334
Production and intermediate-term	**25,967**	20,766	25,622
Agribusiness	**—**	148	208
Rural residential real estate	**5,223**	5,474	5,550
Finance leases and other	**240**	244	241
Total	**$122,340**	$96,983	$141,955

ADDITIONAL NON-ACCRUAL LOANS INFORMATION

(IN THOUSANDS)	As of December 31, 2023	For the year ended December 31, 2023
	Amortized Cost Without Allowance	Interest Income Recognized
Real estate mortgage	**$88,556**	**$7,425**
Production and intermediate-term	**20,115**	**3,833**
Rural residential real estate	**5,143**	**680**
Finance leases and other	**240**	**—**
Total	**$114,054**	**$11,938**

Reversals of interest income on loans that moved to non-accrual status were not material for the year ended December 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. Our loans classified as modified loans at December 31, 2023, and activity on these loans during the year ended December 31, 2023, were not material. We did not have any material commitments to lend to borrowers whose loans have been modified 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. Additionally, unemployment rates are additional key risk characteristics 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 (FHFA HPI), United States Department of Agriculture (USDA) corn returns over total expenses ($/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) AS OF DECEMBER 31,	2023	2022	2021
Allowance for Credit Losses on Loans			
Balance at beginning of year	**$59,233**	$70,723	$82,867
Cumulative effect of change in accounting principle	**(10,114)**	—	—
Provision for credit losses on loans	**14,731**	(11,002)	(12,011)
Loan recoveries	**1,193**	2,263	3,380
Loan charge-offs	**(26,444)**	(2,751)	(3,513)
Balance at end of year	**$38,599**	$59,233	$70,723
Allowance for Credit Losses on Unfunded Commitments			
Balance at beginning of year	**$8,578**	$7,310	$7,354
Cumulative effect of change in accounting principle	**(3,561)**	—	—
Provision for credit losses on unfunded commitments	**3,417**	1,268	(44)
Balance at end of year	**$8,434**	$8,578	$7,310
Total allowance for credit losses	**$47,033**	$67,811	$78,033

The change in the allowance for credit losses on loans from December 31, 2022, was primarily driven by the charge-off of known losses to one customer with production and intermediate-term and real estate mortgage loans in 2023.

Changes in Allowance for Credit Losses on Loans by Loan Type

(IN THOUSANDS)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Finance Leases and Other	Total
Allowance for credit losses on loans:						
Balance as of December 31, 2022	**$19,833**	**$22,960**	**$14,847**	**$1,219**	**$374**	**$59,233**
Cumulative effect of change in accounting principle	**14,770**	**(13,189)**	**(11,602)**	**(108)**	**15**	**(10,114)**
Provision for credit losses on loans	**(3,005)**	**19,024**	**(2,527)**	**26**	**1,213**	**14,731**
Loan recoveries	**245**	**895**	**1**	**52**	**—**	**1,193**
Loan charge-offs	**(4,596)**	**(20,150)**	**(215)**	**(116)**	**(1,367)**	**(26,444)**
Balance as of December 31, 2023	**$27,247**	**$9,540**	**$504**	**$1,073**	**$235**	**$38,599**
Allowance for credit losses on loans:						
Balance as of December 31, 2021	$28,496	$26,915	$13,487	$1,405	$420	$70,723
Provision for credit losses on loans	(8,223)	(4,021)	1,365	(77)	(46)	(11,002)
Loan recoveries	587	1,603	—	73	—	2,263
Loan charge-offs	(1,027)	(1,537)	(5)	(182)	—	(2,751)
Balance as of December 31, 2022	$19,833	$22,960	$14,847	$1,219	$374	$59,233
Allowance for credit losses on loans:						
Balance as of December 31, 2020	$30,300	$37,041	$13,328	$1,632	$566	$82,867
Provision for credit losses on loans	(1,913)	(10,072)	159	(39)	(146)	(12,011)
Loan recoveries	998	2,289	—	93	—	3,380
Loan charge-offs	(889)	(2,343)	—	(281)	—	(3,513)
Balance as of December 31, 2021	$28,496	$26,915	$13,487	$1,405	$420	$70,723

PREVIOUSLY REQUIRED DISCLOSURES

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

RISK LOANS: Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(IN THOUSANDS) AS OF DECEMBER 31,	2022	2021
Non-accrual loans:		
Current as to principal and interest	$70,975	$97,926
Past due	26,008	44,029
Total non-accrual loans	96,983	141,955
Accruing restructured loans	14,948	15,771
Accruing loans 90 days or more past due	124,846	67,123
Total risk loans	$236,777	$224,849
Volume with specific allowance	$10,531	$11,669
Volume without specific allowance	226,246	213,180
Total risk loans	$236,777	$224,849
Total specific allowance	$5,090	$7,465

FOR THE YEAR ENDED DECEMBER 31,	2022	2021
Income on accrual risk loans	$7,495	$3,993
Income on non-accrual loans	14,904	12,802
Total income on risk loans	$22,399	$16,795
Average risk loans	$265,370	$264,344

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

(IN THOUSANDS)	As of December 31, 2022			For the year ended December 31, 2022	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$3,126	$3,220	$2,616	$4,486	$—
Production and intermediate-term	7,203	9,067	2,384	6,695	—
Agribusiness	—	—	—	49	—
Rural residential real estate	202	232	90	262	—
Finance leases and other	—	—	—	—	—
Total	$10,531	$12,519	$5,090	$11,492	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$78,682	$92,066	$—	$106,490	$12,280
Production and intermediate-term	16,589	23,565	—	22,367	2,950
Agribusiness	148	50	—	124	—
Rural residential real estate	6,714	7,937	—	6,563	562
Finance leases and other	124,113	111,272	—	118,334	6,607
Total	$226,246	$234,890	$—	$253,878	$22,399
Total impaired loans:					
Real estate mortgage	$81,808	$95,286	$2,616	$110,976	$12,280
Production and intermediate-term	23,792	32,632	2,384	29,062	2,950
Agribusiness	148	50	—	173	—
Rural residential real estate	6,916	8,169	90	6,825	562
Finance leases and other	124,113	111,272	—	118,334	6,607
Total	$236,777	$247,409	$5,090	$265,370	$22,399

	As of December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$6,215	$6,199	$5,028	$5,826	$—
Production and intermediate-term	5,080	9,013	2,219	6,589	—
Agribusiness	102	154	93	85	—
Rural residential real estate	272	252	125	404	—
Finance leases and other	—	—	—	—	—
Total	$11,669	$15,618	$7,465	$12,904	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$116,529	$139,086	$—	$139,533	$8,658
Production and intermediate-term	22,422	35,464	—	28,030	4,217
Agribusiness	105	50	—	241	—
Rural residential real estate	6,759	8,302	—	8,218	794
Finance leases and other	67,365	61,733	—	75,418	3,126
Total	$213,180	$244,635	$—	$251,440	$16,795
Total impaired loans:					
Real estate mortgage	$122,744	$145,285	$5,028	$145,359	$8,658
Production and intermediate-term	27,502	44,477	2,219	34,619	4,217
Agribusiness	207	204	93	326	—
Rural residential real estate	7,031	8,554	125	8,622	794
Finance leases and other	67,365	61,733	—	75,418	3,126
Total	$224,849	$260,253	$7,465	$264,344	$16,795

[1] The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

Year End Recorded Investments by Loan Type

(IN THOUSANDS) AS OF DECEMBER 31, 2022	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Finance Leases and Other	Total
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$2,616	$2,384	$—	$90	$—	$5,090
Ending balance: collectively evaluated for impairment	$17,217	$20,576	$14,847	$1,129	$374	$54,143
Recorded investment in loans outstanding:						
Ending balance	$18,643,400	$5,185,050	$3,583,292	$898,515	$1,221,886	$29,532,143
Ending balance: individually evaluated for impairment	$81,808	$23,792	$148	$6,916	$124,113	$236,777
Ending balance: collectively evaluated for impairment	$18,561,592	$5,161,258	$3,583,144	$891,599	$1,097,773	$29,295,366

AS OF DECEMBER 31, 2021	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Finance Leases and Other	Total
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$5,028	$2,219	$93	$125	$—	$7,465
Ending balance: collectively evaluated for impairment	$23,468	$24,696	$13,394	$1,280	$420	$63,258
Recorded investment in loans outstanding:						
Ending balance	$17,554,598	$4,725,139	$2,894,505	$891,159	$1,390,025	$27,455,426
Ending balance: individually evaluated for impairment	$122,744	$27,502	$207	$7,031	$67,365	$224,849
Ending balance: collectively evaluated for impairment	$17,431,854	$4,697,637	$2,894,298	$884,128	$1,322,660	$27,230,577

TROUBLED DEBT RESTRUCTURINGS: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

TDR Activity

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2022		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$19	$19	$461	$461
Production and intermediate-term	724	724	48	48
Rural residential real estate	—	—	35	35
Total	$743	$743	$544	$544

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary types of modification included interest rate reduction below market and forgiveness of principal and interest.

We had TDRs in the production and intermediate-term loan category with amortized cost plus accrued interest of $78 thousand that defaulted during the year ended December 31, 2022, in which the modifications were within twelve months of the respective reporting period. There were no TDRs that defaulted during the year ended December 31, 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(IN THOUSANDS) AS OF DECEMBER 31,	2022	2021
Accrual status:		
Real estate mortgage	$11,008	$12,411
Production and intermediate-term	2,577	1,880
Rural residential real estate	1,363	1,480
Total TDRs in accrual status	$14,948	$15,771
Non-accrual status:		
Real estate mortgage	$5,402	$9,299
Production and intermediate-term	762	2,100
Rural residential real estate	283	350
Total TDRs in non-accrual status	$6,447	$11,749
Total TDRs:		
Real estate mortgage	$16,410	$21,710
Production and intermediate-term	3,339	3,980
Rural residential real estate	1,646	1,830
Total TDRs	$21,395	$27,520

Note: Accruing loans include accrued interest receivable.

4

INVESTMENT IN AGRIBANK

As of December 31, 2023, we were required by AgriBank to maintain an investment equal to 3.0% of the average quarterly balance of our note payable.

We are also required to hold AgriBank stock based on a contractual agreement under any asset pool program in which we participate. The required investment amount varies by asset pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at AgriBank by distributing all available AgriBank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

5

INVESTMENT SECURITIES

We held investment securities of $1.7 billion, $1.2 billion, and $834.6 million at December 31, 2023, 2022, and 2021, respectively. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $5.4 million, $5.7 million, and $6.1 million at December 31, 2023, 2022, and 2021, respectively, of 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. Effective January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment model for investment securities to incorporate an allowance for credit losses on investment securities. There was no allowance for credit losses on investment securities at December 31, 2023. Prior to January 1, 2023, the investment portfolio was evaluated for other-than-temporary impairment. No investments were impaired at December 31, 2022, or 2021.

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 DECEMBER 31,	2023
MBS	**$1,333,042**
ABS	**393,748**
Total	**$1,726,790**

Accrued interest receivable on investment securities is presented in "Accrued interest receivable" in the Consolidated Statements of Condition and was $20.7 million, $11.7 million, and $4.8 million at December 31, 2023, 2022, and 2021, respectively.

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $74.0 million, $17.0 million, and $5.1 million in 2023, 2022, and 2021, respectively.

CONTRACTUAL MATURITIES OF INVESTMENT SECURITIES

(IN THOUSANDS) AS OF DECEMBER 31, 2023	Amortized Cost
Less than one year	**$57**
One to five years	**13,955**
Five to ten years	**323,468**
More than ten years	**1,389,310**
Total	**$1,726,790**

PREVIOUSLY REQUIRED DISCLOSURES

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

ADDITIONAL INVESTMENT SECURITIES INFORMATION

(DOLLARS IN THOUSANDS)

AS OF DECEMBER 31, 2022	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	1.6%	$877,619	$—	$74,961	$802,658
ABS	2.3%	344,065	—	24,144	319,921
Total	1.8%	$1,221,684	$—	$99,105	$1,122,579

AS OF DECEMBER 31, 2021	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	0.6%	$592,533	$8,528	$2,763	$598,298
ABS	0.8%	242,092	7,553	207	249,438
Total	0.7%	$834,625	$16,081	$2,970	$847,736

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

	Less than 12 months		Greater than 12 months	
(IN THOUSANDS) AS OF DECEMBER 31, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$654,761	$55,442	$147,691	$19,519
ABS	298,548	21,902	21,373	2,242
Total	$953,309	$77,344	$169,064	$21,761

	Less than 12 months		Greater than 12 months	
AS OF DECEMBER 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$221,503	$2,681	$3,887	$82
ABS	28,816	207	—	—
Total	$250,319	$2,888	$3,887	$82

6

NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is at a variable rate as governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(DOLLARS IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Line of credit	**$32,000,000**	$28,000,000	$26,000,000
Outstanding principal under the line of credit[1]	**29,297,849**	26,015,258	23,745,489
Interest rate	**3.7%**	2.9%	1.5%

[1] *Excludes merger related fair value adjustments.*

Our note payable was scheduled to mature on April 30, 2025. However, it was renewed early for $32.0 billion with a maturity date of March 31, 2026. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2023, and throughout the year, we were not declared in default under any GFA covenants or provisions.

7

MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The stock purchase requirement for obtaining a lease is one share of Class D common stock for those eligible to hold such stock or one Class B participation certificate for those not eligible to hold such stock. In addition, the purchase of one Class B participation certificate is required of all customers who purchase financial services and are not a stockholder. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

REGULATORY CAPITALIZATION REQUIREMENTS

Regulatory Capital Requirements and Ratios

AS OF DECEMBER 31,	2023	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.6%**	16.4%	17.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.6%**	16.4%	17.9%	6.0%	2.5%	8.5%
Total capital ratio	**15.8%**	16.6%	18.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.6%**	16.4%	18.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**15.1%**	15.6%	16.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.8%**	15.3%	18.1%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for credit losses on loans as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

DESCRIPTION OF EQUITIES

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
AS OF DECEMBER 31,	2023	2022	2021
Class D common stock (at-risk)	**14,649,746**	14,032,671	13,783,279
Class C common stock (at-risk)	**400**	—	—
Class B participation certificates (at-risk)	**2,458,637**	2,317,087	2,273,769

Only holders of Class D common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2023, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock.

In the event of impairment, losses will be absorbed pro rata by all classes of stock and participation certificates.

All classes of stock are transferable to other customers who are eligible to hold such class if we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $255.0 million, $230.0 million, and $210.0 million at December 31, 2023, 2022, and 2021, respectively. The patronage distributions are paid in cash, generally during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

At the December 2023 Board of Directors' Meeting, the Board passed a Patronage Obligating Resolution that outlines the intent of the Association to refund patronage-sourced net earnings for the calendar year 2024 to eligible patrons of the Association.

8

INCOME TAXES

PROVISION FOR INCOME TAXES

Provision for Income Taxes

(DOLLARS IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Current:			
Federal	**$12,303**	$14,388	$13,391
State	**1,772**	2,629	2,452
Total current	**$14,075**	$17,017	$15,843
Deferred:			
Federal	**$(3,278)**	$(3,242)	$(2,774)
State	**(536)**	(524)	168
Total deferred	**(3,814)**	(3,766)	(2,606)
Provision for income taxes	**$10,261**	$13,251	$13,237
Effective tax rate	**1.9%**	2.8%	3.0%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Federal tax at statutory rates	**$116,350**	$98,826	$93,134
State tax, net	**1,386**	1,746	2,049
Patronage distributions	**(2,796)**	—	—
Effect of non-taxable entity (FLCA)	**(103,435)**	(86,579)	(83,655)
Other	**(1,244)**	(742)	1,709
Provision for income taxes	**$10,261**	$13,251	$13,237

Refer to the income taxes policy in Note 2 for information on exemptions related to our non-taxable entity.

DEFERRED INCOME TAXES

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Allowance for credit losses on loans	**$4,445**	$6,919	$7,905
Accrued incentive	**3,799**	3,339	3,440
Leasing related, net	**(2,891)**	(4,505)	(9,944)
Accrued pension asset	**(6,477)**	(6,538)	(5,850)
Merger fair value adjustment	**1,719**	—	—
Other assets	**2,767**	2,396	2,359
Other liabilities	**(2,192)**	(1,913)	(1,978)
Deferred tax assets (liabilities), net	**$1,170**	$(302)	$(4,068)
Gross deferred tax assets	**$12,730**	$12,654	$13,704
Gross deferred tax liabilities	**$(11,560)**	$(12,956)	$(17,772)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2023, 2022, or 2021.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $188.8 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $4.8 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2023. In addition, we believe we are no longer subject to income tax examinations for years prior to 2020.

9

EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2023 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans for which AgriBank and District associations are participating employers. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

PENSION PLAN: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Unfunded liability	**$31,065**	$87,688	$46,421
Projected benefit obligation	**1,245,052**	1,204,130	1,500,238
Fair value of plan assets	**1,213,987**	1,116,442	1,453,817
Accumulated benefit obligation	**1,140,936**	1,083,610	1,384,554

FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Total plan expense	**$55,535**	$30,475	$28,048
Our allocated share of plan expenses	**11,062**	5,756	5,223
Contributions by participating employers	**45,000**	90,385	90,000
Our allocated share of contributions	**9,185**	17,097	16,463

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding.

Benefits paid to participants in the District were $71.3 million in 2023. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2024 is $40.0 million. Our allocated share of these pension contributions is expected to be $8.5 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

NONQUALIFIED RETIREMENT PLAN: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Our unfunded liability	**$2,556**	$1,362	$1,370

FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Our cash contributions	**$306**	$—	$331

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

RETIREE MEDICAL PLANS: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

DEFINED CONTRIBUTION PLANS

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contributions for these plans, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $14.4 million, $13.0 million, and $12.5 million in 2023, 2022, and 2021, respectively. These expenses were equal to our cash contributions for each year.

10

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2023, involved more than a normal risk of collectability. There were no material related party transactions other than the loan transactions disclosed in the related party loans information chart.

Related Party Loans Information

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Total related party loans	**$42,794**	$26,085	$24,606

FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
Advances to related parties	**$20,624**	$9,480	$10,384
Repayments by related parties	**13,763**	8,573	8,487

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As described in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $195.2 million, $179.0 million, and $166.7 million in 2023, 2022, and 2021, respectively. Patronage income for 2023, 2022, and 2021 was received in cash and AgriBank stock.

In addition, we received compensation from AgriBank for servicing loans of $6.4 million, $5.7 million, and $4.5 million in 2023, 2022, and 2021, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

We purchase certain business services, primarily financial reporting, from AgriBank. We also purchase financial and retail information technology, collateral, tax reporting, and insurance services from SunStream Business Services (SunStream). In addition, we purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the following table in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(IN THOUSANDS) AS OF DECEMBER 31,	2023	2022	2021
Investment in AgriBank	**$1,194,811**	$1,041,250	$864,105
Investment in AgDirect, LLP	**76,282**	65,700	56,369
Investment in SunStream	**5,625**	5,625	5,625
Investment in Foundations	**126**	113	113

FOR THE YEAR ENDED DECEMBER 31,	2023	2022	2021
AgriBank District purchased services	**$10,306**	$8,651	$6,840

11

CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, 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.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2023, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $7.3 billion. Additionally, we had $39.2 million of issued standby letters of credit as of December 31, 2023.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they have off-balance sheet credit risk because their contractual amounts are not reflected on the balance sheet until funded or drawn upon. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

In June 2021, we signed an agreement to guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. The outstanding balance on the SunStream line of credit at December 31, 2023, was $16.3 million. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies. As of December 31, 2023, our total commitment is $110.0 million, of which $47.7 million is unfunded.

12

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 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 December 31, 2023, 2022, or 2021.

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 DECEMBER 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	**$—**	**$—**	**$4,581**	**$4,581**
Other property owned	**—**	**—**	**242**	**242**

AS OF DECEMBER 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	$—	$—	$5,712	$5,712
Other property owned	—	—	156	156

AS OF DECEMBER 31, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	$—	$—	$4,415	$4,415
Other property owned	—	—	1,348	1,348

VALUATION TECHNIQUES

LOANS: Represents the carrying amount of loans evaluated individually for credit losses and are 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.

13

SUBSEQUENT EVENTS

We have evaluated subsequent events through March 12, 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 2023 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DESCRIPTION OF BUSINESS

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

DESCRIPTION OF PROPERTY

There are 88 office buildings located throughout our territory originating and servicing loans and leases. There are 86 retail office locations and 2 Louisville office locations. We own all 88 buildings. We have two buildings currently for sale on the active market. We sold three buildings and one lot in 2023. New office buildings replaced the buildings sold. The owned facilities have net book values ranging from between $67 thousand to $41.6 million. During 2023, new buildings were completed in South Bend and Rochester, Indiana. Additionally, renovations were completed on offices in Somerset and Elizabethtown, Kentucky; and Somerville, Tennessee. The new expansion project at Lakefront Place, to combine both Louisville offices, is at 20% completion.

LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Note 11 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2023.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is included in Note 7 to the Consolidated Financial Statements in this Annual Report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is included in Notes 6, 7, 8, 9, and 11 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

SELECTED FINANCIAL DATA

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

BOARD OF DIRECTORS

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Executive Committee** supports the Board in the performance of its duties and responsibilities between regularly scheduled meetings of the Board.
- The **Audit Committee** oversees financial reporting, adequacy of our internal control systems, the scope of internal audit program, independence of the outside auditors, processes for monitoring compliance with applicable laws and regulations related to preparation of the quarterly and annual reports, and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies, oversees the Association's annual elections, and manages the Board annual self-assessment.
- The **Human Resources Committee** oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Risk Management Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout the Association.
- The **Community Investment Committee** assists the Board in fulfilling its intentions relating to philanthropic and charitable giving. Its duties include reviewing the philanthropic and charitable giving philosophy, recommending the Association's giving plan allocations, and guiding the approved but unallocated giving opportunities and recommending unbudgeted opportunities.
- The **Chief Executive Officer (CEO) Search Committee** assists the Board in fulfilling its responsibilities associated with selection of a CEO. Its duties include following the Leadership Succession and Transition Plan, overseeing and conducting the search for CEO when necessary and evaluating and making recommendations on other issues as assigned by the Board. This committee meets whether or not there is a planned CEO transition.

Board of Directors as of December 31, 2023, including business experience during the last five years

Name	Principal occupation and other business affiliations
Todd A. Clark Chair Board Service Began: 06/2019 Current Term Expires: 2026	**Principal occupation:** Self-employed farmer (beef, poultry, hay, and tobacco); Director, Marksbury Farm Mkt. (meat processing and procurement) **Other business affiliations:** Director, Fayette County Farm Bureau (lobbying for farmers) Director, KY Forage and Grassland Council (promote KY forage industry) Director, University of Kentucky District Extension Board of Fayette County (education training) Director, Kentucky Tobacco Research and Development Center (education training)
John L. Kuegel, Jr. Vice Chair Board Service Began:10/2012 Current Term Expires: 2024	**Principal occupation:** Self-employed farmer (corn, soybeans, wheat, hay, alfalfa, and cattle) **Other business affiliations:** Director, the Daviess County Farm Bureau Board (agriculture) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District Director, Farm Credit Council, a trade association representing the Farm Credit System
Rachael M. Vonderhaar Secretary Board Service Began: 10/2017 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (grain, cow/calf, and bird seed); business owner **Other business affiliations:** Director, Ohio Small Grains Marketing Program (agriculture/education) Director, Reid Hospital Foundation Treasurer, Concerned Citizens of Preble County, LLC (homeowners assocation) Director, Miami Valley Regional Partnership Commission (community services and development) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District Preble County Commissioner (local government)
David A. Bates, III Board Service Began: 01/1988 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (beef, corn, soybeans, wheat, hay, barley, and alfalfa) **Other business affiliations:** Member, Bullitt County Farm Bureau (agriculture)
Steven R. Bush Outside Director Board Service Began: 04/2017 Current Term Expires: 2025	**Principal occupation:** Self-employed realtor, Florida Realty Investments; Former Executive Director, Central Florida Hope Center, Inc.; former Business Development Executive, 323 Staffing Solutions; former VP; Sales and Marketing, My Property Support, LLC; former CFO, Whitestone Feeds, LLC; former Administrative Pastor, Real Life Christian Church; former Executive Pastor, Family Christian Center
Dane Coomer* Board Service Began: 04/2023 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (grain and cotton); Co-owner of Coomer Farms LLC; Agricultural Engineer **Other business affiliations:** Officer, Wildflower Properties, LLC. (real estate and property management) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Dwain Cottingham Board Service Began: 10/2015 Current Term Expires: 2027	**Principal occupation:** Self-employed farmer (cash grains) **Other business affiliations:** Member, Warren County Sheriff's Merit Board (law enforcement) Member, Warren County Community Foundation Finance Committee (philanthropic) Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Franklin A. Fogleman, Jr.* Board Service Began: 04/2023 Current Term Expires: 2026	**Principal occupation:** Self-employed farmer (corn, rice, soybeans, and wheat); business owner (real estate brokerage) **Other business affiliations:** Director, Agricultural Council of Arkansas (agricultural policy advocacy group) Vice Chair, Arkansas State University Midsouth Foundation (education) Board Chair, Crittenden Regional Hospital Foundation Chair Director, FarmVoice, Inc. (agricultural policy advocacy group) and FarmVoice PAC (state political action committee) Director, Marion Methodist Church

Name	Principal occupation and other business affiliations
Lowell D. Hill Board Service Began:10/2014 Current Term Expires: 2026	**Principal occupation:** Self-employed farmer (grain) **Other business affiliations:** Member, Ohio Farm Bureau (agriculture) Member, Ohio Soybean and American Soybean Associations (farm commodity organizations) Member, Ohio Ag Counsel
Stephanie M. Hopper Board Service Began: 06/2021 Current Term Expires: 2026	**Principal occupation:** Self-employed farmer (corn, soybeans, wheat, hay, and beef/swine operations) **Other business affiliations:** Director, Farm Credit Foundations (employee benefits) Director, CC's Closet (non-profit thrift store) Director, Miami County Farm Bureau (agriculture)
Laura Knoth Outside Director Board Service Began: 04/2019 Current Term Expires: 2027	**Principal occupation:** Executive Director for KY Corn Growers and KY Small Grain Growers Associations, Self-employed farmer (beef cattle and hay) **Other business affiliations:** Director, Commonwealth Agri-Energy Corporation (ethanol) Director, KY Ag Council (non-profit agricultural organization)
Dale Koester Board Service Began: 11/2021 Current Term Expires: 2024	**Principal occupation:** Self-employed farmer (wheat, soybeans, corn, straw, and dairy) **Other business affiliations:** Director, Posey County Drainage Board (local government)
Jason Moore Board Service Began: 06/2020 Current Term Expires: 2024	**Principal occupation:** Self-employed farmer (corn, wheat, soybeans, registered and commercial Angus cattle, freezer beef, hay, and custom harvest); former Facility Manager, Nutrien Ag Solutions **Other business affiliations:** Vice President, Henry County Young Farmers and Ranchers
Brandon Robbins Board Service Began: 10/2011 Current Term Expires: 2027	**Principal occupation:** Owner, Mountain Farm International, LLC (equipment dealership); part-time farmer (cow-calf operation) **Other business affiliations:** Director, AgriBank District Farm Credit Council, a trade association representing the AgriBank District Member, Case IH Dealer Advisory Board Member, Case IH Livestock Production Team
Gary Sitzer* Board Service Began: 04/2023 Current Term Expires: 2024	**Principal occupation:** Self-employed farmer (rice and soybeans) **Other business affiliations:** Director, Poinsett County Farm Bureau (insurance and advocacy) Director, Arkansas Soybean Association (farming, animals, and conservation) Member, St. Bernards Medical Center Advisory Member, St. Anthony's Parish Council
Dale B. Tucker Board Service Began: 10/2013 Current Term Expires: 2025	**Principal occupation:** Self-employed farmer (hay, timber, and cattle) **Other business affiliations:** Director, Greene County Farmers Cooperative (trades and services) Director, Prices Cemetery Association (a non-profit cemetery) Director, North Greene FFA Alumni Association (community services and development for FFA members)
Andrew Wilson Board Service Began: 10/2007 Current Term Expires: 2027	**Principal occupation:** Self-employed farmer (corn, soybeans, wheat, hay, cattle, and hogs) **Other business affiliations:** Member, Ohio Pork Producers (agriculture)

** Previously served as a Director for Farm Credit Midsouth. Service on the Farm Credit Mid-America Board began at the time of merger.*

Directors are compensated in the form of an annual retainer paid monthly for time spent in preparing and attending regular board meetings, committee meetings held in conjunction with board meetings, regional or local advisory committee meetings, the summer planning meeting and the AgriBank annual meeting. Beginning January 1, 2023, the monthly retainer rate was $6,794. In addition, directors were compensated at the daily rate of $600 for attendance at designated meetings not specified above but set out by Board policy. Directors were also reimbursed for reasonable expenses incurred in connection with attending such meetings.

The officers of the Board (Chair, Vice Chair, and Secretary) and the Chair of each of the Board's standing committees (Audit, Governance, and Human Resources) received an annual retainer paid monthly for the additional time commitments of their positions. The monthly amounts paid were as follows: Board Chair — $1,698; Audit Committee Chair — $1,359; Board Vice Chair — $1,019; and Secretary and other Board Committee Chairs — $679. Additionally, directors serving on standing committees receive $300 for participation in conference call meetings or half day committee meetings not held in conjunction with board meetings.

Additional transactions other than loans in the ordinary course of business involving directors and senior officers include AgDirect, LLP, the trade credit financing program we participate in which originates and refinances agriculture equipment loans through independent equipment dealers. Director Brandon Robbins owns an equipment dealership that participates in this program. All dealerships in the trade credit program are offered the same terms and conditions.

Information regarding compensation paid to each director who served during 2023 follows:

Name	Number of Days Served[1] Board Meetings	Other Official Activities	Compensation Paid for Service as Board Officer or Board Committee Chair[2]	Name of Board Office or Committee	Total Compensation Paid in 2023
David A. Bates, III	12.5	2.0	—		$82,725
Steven R. Bush	12.5	28.5	$16,305	Audit Committee	114,930
Todd A. Clark[3]	12.5	21.5	15,626	Board Vice Chair/Board Chair	110,051
Dane Coomer[4]	10.5	7.0	—		65,344
Dwain Cottingham	12.5	9.0	—		86,925
Franklin A. Fogleman, Jr.[4]	10.5	13.5	—		69,244
Lowell D. Hill	12.5	15.5	—		90,825
Stephanie M. Hopper	12.5	24.0	8,152	Human Resource Committee	104,077
Laura Knoth	12.5	4.5	—		84,225
Dale Koester	12.5	28.5	—		98,625
John L. Kuegel, Jr.[5]	12.5	16.0	5,095	Board Vice Chair	96,220
Jason Moore	12.5	16.5	8,152	Governance Committee	99,577
Brandon Robbins	10.5	6.0	—		85,125
Gary Sitzer[4]	10.5	14.5	—		69,844
Dale B. Tucker	12.5	9.5	—		87,225
Rachael M. Vonderhaar	12.5	10.5	8,152	Board Secretary	95,977
Andrew Wilson[6]	5.5	55.0	11,889	Board Chair	126,414
					$1,567,353

[1] The number of board meeting days and other official activities totals include travel time.
[2] Most directors serve on board committees. The additional compensation paid was for serving as a committee chair or participating in meetings not held in conjunction with board meeting dates.
[3] Served as Board Vice Chair until July 27, 2023; Board Chair effective July 27, 2023.
[4] Directors added from Midsouth merger.
[5] Board Vice Chair effective July 27, 2023.
[6] Served as Board Chair until July 27, 2023.

SENIOR OFFICERS

Senior Officers as of December 31, 2023, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Daniel Wagner President and Chief Executive Officer	**Business experience:** Executive Vice President — Chief Operating Officer for Farm Credit Mid-America from August 2018 to November 2021 President and Chief Executive Officer from December 2021 to present
Vince Bailey Chief Credit Officer	**Business experience:** Senior Vice President — Ag Underwriting for Farm Credit Mid-America from May 2017 to January 2020 Executive Vice President — Chief Credit Officer from February 2020 to January 2022 Chief Credit Officer from February 2022 to present
Tara Durbin Chief Lending Officer-Agriculture	**Business experience:** Senior Vice President — Agricultural Lending for Farm Credit Mid-America from January 2015 to March 2022 Chief Lending Officer — Agriculture from April 2022 to present
Kevin Geron Chief Information Officer	**Business experience:** Senior Vice President — Chief Technology Officer for Farm Credit Mid-America from November 2018 to January 2022 Chief Information Officer from February 2022 to present
Mark Hanna Chief Risk Officer	**Business experience:** Director of Risk Analytics for John Deere Financial from January 2014 to February 2020 Executive Vice President — Chief Risk Officer for Farm Credit Mid-America from March 2020 to January 2022 Chief Risk Officer from February 2022 to present
Keith Lane Chief of Staff	**Business experience:** Executive Vice President — Chief Lending Officer for Farm Credit Mid-America from January 2018 to January 2022 Chief of Staff from February 2022 to present
Chuck Millhollan Chief Operating Officer	**Business experience:** Senior Vice President — Operational Process Excellence for Farm Credit Mid-America from May 2017 to January 2022 Chief Operating Officer from February 2022 to present
Kristie Phillips General Counsel, Corporate Operations	**Business experience:** General Counsel, Confluent Health from April 2017 to January 2019 Senior Counsel for Farm Credit Mid-America from February 2019 to April 2021 Associate General Counsel from May 2021 to February 2022 General Counsel — Corporate Operations from March 2022 to present
Dan Robertson General Counsel, Lending and Chief Compliance Officer	**Business experience:** Senior Corporate Attorney for CoBank from May 2011 to June 2019 Associate General Counsel for Farm Credit Mid-America from July 2019 to February 2022 General Counsel, Lending and Chief Compliance Officer from March 2022 to present
Heather Vidourek Chief Administrative Officer	**Business experience:** Senior Vice President — Human Capital for Farm Credit Mid-America from June 2012 to February 2020 Executive Vice President — Human Capital from March 2020 to January 2022 Chief Administrative Officer from February 2022 to present
Derrick Waggoner Chief Lending Officer-Diversified Markets	**Business experience:** Regional Vice President for CoBank from June 2007 to February 2019 Regional President for CoBank from March 2019 to May 2022 Chief Lending Officer — Diversified Markets for Farm Credit Mid-America from June 2022 to present
Art Whaley Chief Lending Officer-Rural 1st®	**Business experience:** Senior Vice President — Consumer Lending for Farm Credit Mid-America from June 2017 to January 2022 Chief Lending Officer — Rural 1st® from February 2022 to present

Name and Position	Business experience and other business affiliations
Steve Zagar Chief Financial Officer	**Business experience:** Vice President Accounting Operations for Farm Credit Mid-America from June 2013 to July 2018 Senior Vice President — Chief Financial Officer from August 2018 to January 2022 Chief Financial Officer from February 2022 to present

Daniel Wagner is a board member for Farm Credit Foundations (employee benefits) and SunStream (technology service provider).

Tara Durbin is a board member of The Ohio Farm Bureau Foundation Board (volunteer-member organization).

Heather Vidourek is a trustee of Farm Credit Foundations (employee benefits).

Derrick Waggoner is a board member for ProPartners Financial (input financing).

SENIOR OFFICER COMPENSATION

Compensation Overview: The CEO, senior officers, and highly compensated individuals' compensation program's design and governance follows prudent risk management standards, while providing total compensation that promotes the Association's mission and business strategy to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Association's compensation philosophy aims to provide total cash compensation that is competitive within the relevant market to recruit, reward and retain team members to meet the Association's objectives, while remaining aligned with the best interests of cooperative shareholders. The senior officer compensation program supports our risk management goals through its balance of the following: (1) a mix of base and variable pay, (2) use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO, senior officers, and highly compensated individuals are compensated with a mix of direct cash and long-term incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of short-term and long-term incentives while keeping in mind their responsibilities to our cooperative shareholders. Base salary, short-term incentives, and long-term incentives are intended to be competitive with compensation for comparable positions at peer organizations.

Base Salary: Base salaries for all team members, including the CEO, senior officers, and highly compensated individuals', are determined by the position and responsibilities, performance, and competitive market compensation data. The Board of Directors determines the CEO's base salary by considering the CEO's individual performance, Association performance, and relevant market compensation data. Senior officer and highly compensated individuals' base salary increases are determined by individual performance rating. CEO, senior officer, and highly compensated individuals' base salary programs are reviewed annually and approved by the Board of Directors.

Short-term Incentives: The Board of Directors approves the short-term incentive program each year and eligible team members, including the CEO, senior officers, and highly compensated individuals, participate in the program. The 2023 program included team and Association performance measures based on financial and business results, and credit performance. These measures include asset growth, return on assets, crop insurance growth, and credit administration. Loan officers are eligible for incentive compensation based upon performance. Association-level measures may be updated periodically, are approved by the Board of Directors and are consistent with the Association's business plan for the corresponding year. Team measures align to the Association goals and include measures specific to each business division. Payouts are earned only when specific levels of performance are achieved and are paid out within 75 days of the end of the plan year (the plan year is the calendar year). The 2024 short-term incentive program will be similar to the 2023 program.

Long-term Incentives: The incentive program aligns the CEO and senior officers to the Association's long-term business objectives, while providing the opportunity for a competitive market-based total compensation package. The Board of Directors sets performance objectives at the beginning of each plan year, including credit quality (adverse assets), operating efficiency, return on assets, and earning asset growth. In addition, the Board of Directors, at its sole discretion, may increase or decrease the amount of the incentive calculated.

A new three-year plan is implemented each year, and each plan pays out within 75 days of the end of the plan. The Human Resources Committee of the Board of Directors approves the aggregate payout and reports the amount to the full Board of Directors. The Human Resources Committee of the Board of Directors will administer the plan as it relates to the CEO and delegate the administration as it relates to other participants to the CEO and human resources function.

Retirement Plans: We have various post-employment benefit plans, which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals, based on continuous dates of service with the Association or, in certain situations, with other participating District employers. These plans are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 9 to the Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, tuition reimbursement, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Senior officers and certain other individuals over a specified salary amount have the option to defer payments of their salary as well as payments under both the short-term and long-term incentive programs in accordance with applicable laws and regulations. Deferred compensation is reported in the year earned and included as either salary, short-term incentive, or long-term incentive. Daniel Wagner, CEO, deferred $330 thousand, $132 thousand, and $82 thousand in 2023, 2022 and 2021, respectively. William L. Johnson, CEO (former), deferred $82 thousand in 2021. Total amounts deferred by senior officers (excluding the CEO) were $371 thousand, $248 thousand, and $198 thousand for amounts earned in 2023, 2022, and 2021, respectively.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Short-Term Incentive[1]	Long-Term Incentive[2]	Employer Contributions[3]	Change in Pension Value	Perquisites	Other	Total
Daniel Wagner, CEO	**2023**	**$779**	**$800**	**$592**	**$205**	**$—**	**$3**	**$4**	**$2,383**
Daniel Wagner, CEO	2022	681	506	405	133	—	3	1	1,729
Daniel Wagner, CEO[4]	2021	9	—	—	1	—	—	—	10
William L. Johnson, CEO[5]	2021	769	483	388	66	274	17	—	1,997
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO									
Twelve[6]	**2023**	**$3,663**	**$2,151**	**$1,343**	**$413**	**$1,661**	**$148**	**$72**	**$9,451**
Fourteen[7]	2022	3,727	2,362	1,244	388	(728)	70	296	7,359
Seven[8]	2021	2,109	1,057	830	273	392	38	4	4,703

1 Includes amounts earned in the respective year to be paid within 75 days of the end of the plan year.
2 Includes amounts earned in the respective year to be paid across the next three years and subject to Board approval.
3 Includes employer match on defined contribution plans available to all employees and employer match on District-wide Nonqualified Deferred Compensation Plan available to certain employees.
4 Daniel Wagner became Chief Executive Officer (CEO) effective December 27, 2021. Prior to this date, he served as Executive Vice President — Chief Operating Officer. Compensation disclosed reflects only the time period he served as CEO, and excludes bonus and long-term incentive pay earned in his previous role.
5 Effective December 27, 2021, William L. Johnson moved into a remote consulting role through March 2022, the date of his retirement.
6 Includes a full year of compensation for one senior officer who transitioned to a part time role during 2023 and became ineligible for the 2023 long-term incentive plan.
7 Includes a full year of compensation for three individuals that became senior officers during February 2022, two individuals that becamse senior officers during March 2022, one individual that became a senior officer during April 2022, and one that joined the Association as a senior officer during June 2022. Also includes compensation for an individual who left in January 2022.
8 Includes a prorated amount of compensation for Daniel Wagner, CEO, who served as Executive Vice President — Chief Operating Officer until December 27, 2021.

The Farm Credit Administration (FCA) Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers and highly compensated individuals included in the above table be available and disclosed to our members upon request.

The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 9 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.

The amount in the "Other" category in the preceding table primarily includes:

- Amounts related to a service award paid to an officer who transitioned to a part time role in 2023.
- Amount related to a one-time severance payout to a former senior officer who left in 2022.
- Amounts related to a relocation reimbursement paid to a new officer in 2022.
- Amounts related to vacation payouts to a former senior officer in 2022.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits can also be significantly impacted by changes in interest rates as of the measurement date.

Pension Benefits Attributable to the Senior Officers

(dollars in thousands) 2023 Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Aggregate Number of Senior Officers, excluding CEO				
Six	AgriBank District Retirement Plan	**31.4**	**$7,995**	**$2,006**

The change in composition of the aggregate number of senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is included in Note 10 to the Consolidated Financial Statements in this Annual Report.

TRAVEL, SUBSISTENCE, AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

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

The total directors' travel, subsistence, and other related expenses were $334 thousand, $357 thousand, and $181 thousand in 2023, 2022, and 2021, respectively.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2024, or at any time during 2023.

MEMBER PRIVACY

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2023 were $109 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $10 thousand for tax services. We also incurred $105 thousand for work related to our implementation of new accounting guidance and our merger, which were pre-approved by the Audit Committee.

FINANCIAL STATEMENTS

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

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

Effective January 1, 2024, the annual gross sales threshold for a small farmer, rancher, or producer or harvester of aquatic products increased from $250 thousand to $350 thousand and changed from measuring gross sales to gross cash farm income. Effective February 1, 2024, the FCA amended certain YBS regulations which now require banks that fund the direct-lender associations to annually review and approve each association's YBS programs. The amended regulations also require direct-lender associations to enhance their YBS program within their strategic plans. None of these changes impact the disclosures as of December 31, 2023.

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is included in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS
FARM CREDIT MID-AMERICA, ACA
(UNAUDITED)

The Board of Directors has approved a policy to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers follow:

- Young: A farmer, rancher, producer or harvester of aquatic products who is age 35 or younger as of the date the loan is originally made.
- Beginning: A farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the date the loan is originally made.
- Small: A farmer, rancher, producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

DEMOGRAPHICS

We have used the 2017 USDA Ag Census as our source of demographic data for Young, Beginning and Small Farmers (YBS). There are 284,256 farms in the five-state territory of Arkansas, Indiana, Kentucky, Ohio, and Tennessee. Of that number, there are 27,510 young farmers (or 9.7%); 71,369 beginning farmers (or 25%), and 260,431 small farmers (or 91.6%). The census data is as of 2017 whereas our portfolio data is based on the number of current YBS customers and/or loans in the current year.

MISSION STATEMENT

Our mission for the YBS Program is to provide sound and constructive credit to meet the needs of the next generation of young, beginning, and small farmers by offering standard or special programs targeted to this group.

TARGETS AND GOALS

TOTAL LOAN PORTFOLIO

The goal of the young farmer program is to maintain the percentage young farmers represent of the total farm members in our portfolio at 25% or higher. The goal of the beginning farmer program is to maintain the percentage that beginning farmers represent of the total farm members in our portfolio at 45% or higher. The goal of the small farmer program is to maintain the percentage that small farmers represent of the total farm members in our portfolio at 70% or higher.

In 2023, there were 79,139 agriculture members in our portfolio. Of that number, there were 23,680 young farmers, 46,632 beginning farmers, and 62,429 small farmers. Farm members could qualify in more than one category. These numbers surpass the goals as follows:

	% of Member Base	
	Actual	Goal
Young	29.9%	25.0%
Beginning	58.9%	45.0%
Small	78.9%	70.0%

NEW LOAN PORTFOLIO

The Association has also set a goal that 20% or more of new loans or leases will be closed to young farm customers, 30% or more new loans or leases will be closed to beginning farmers, and 60% or more of new loans or leases will be closed to small farm customers. These numbers are as follows:

	% of Loans	
	Actual	Goal
Young	21.2%	20.0%
Beginning	34.2%	30.0%
Small	56.6%	60.0%

Efforts and resources continue around support of small farmers through the Emerging Ag Business Development Manager role and the small loan application. These efforts will make the 60% goal realizable and sustainable in 2024.

SAFETY AND SOUNDNESS OF THE PROGRAM

It is the responsibility of the President and Chief Executive Officer or their designee for development of appropriate standards and procedures to support implementation of this policy and special programs approved by the Board of Directors. The Board of Directors reviews the ongoing adequacy of this policy at least annually and monitors progress on a quarterly basis.

Management has developed a young, beginning, and small farmer program that provides sound and constructive credit through standard or special programs targeted to this group.

YBS PROGRAM FEATURES

We implemented a young, beginning, and small farmer and rancher program “Growing Forward” with four components, all of which were continued in 2023.

- Special underwriting program for young and beginning farmers. In 2023, Farm Credit Mid-America provided special underwriting standards on over 456 loans representing $91.0 million in loan volume.
- Farm Service Agency (FSA) loan guarantee reimbursement of 50% for young or beginning farmers. In 2023, the Association waived its origination fees and reimbursed members 50% of their FSA guarantee fees totaling more than $85 thousand in reimbursed FSA fees.
- Over 300 YBS farmers attended Farm Credit Mid-America’s YBS education seminar, “Know to Grow,” which works with members to understand and make sound management decisions based upon their own financial information.
- Reimbursement of up to $500 (one time only) to young or beginning members who attend; business, production, financial management, or agricultural leadership development programs that will help them in their farm business.

COOPERATIVE CITIZENSHIP

In 2023, our focus brought additional knowledge to the customer and those pursuing careers in agriculture. We supported young people by providing nearly $225 thousand in scholarships to students from Indiana, Ohio, Kentucky, and Tennessee enrolled in college programs related to agricultural careers. In total, the Farm Credit Mid-America Board has a community investment philosophy that contributed approximately $3.9 million in programs and gifts that benefitted rural communities, young people, commodity groups and other agricultural organizations by supporting the next generation of agriculture and the communities where we live and work. Team members also participated in and supported organizations like FFA, 4-H, and Young Farmer groups by conducting training and education sessions to help the next generation of farmers.

OUTREACH AND EDUCATION

We continued to partner with many organizations to reach a variety of customers in 2023. Each Farm Bureau organization in our footprint received sponsorships for their YBS conferences. As a result of those sponsorships, the team was able to attend and present educational information to YBS producers. The Growing Forward team provided direct educational and financial initiative to local industry organizations such as the Kentucky Beef Cattleman's Association, Tennessee Council of Co-Ops, Ohio State University Extension services, Purdue University Extension programs such as Annie's Project, University of Kentucky Extension services and state departments of agriculture. Every other year we participate with our YBS customers in fly-ins to Washington DC. Additionally, on the national level, we partner with other associations from across the Farm Credit System by co-hosting an annual YBS idea sharing conference with the Farm Credit Council. We are also a member of the AgriBank non-traditional lending committee.

In 2023, we continued the Forward Thinker Award, a $5 thousand prize set to honor a young farmer who works to move agriculture forward. With over 20 applicants, the team awarded the third annual recipient — this year from Indiana.

The Growing Forward team continued to offer the Financial and Risk Management Seminars (FARMS) to producers looking to increase their education around risk management and marketing strategies. We also offer a FARMS program specific to cattle producers.

We continued educational webinars in 2023. Through a partnership with Agricultural Economic Insights, the team was able to highlight internal knowledge experts paired with industry experts to deliver real time information to our customers in a way that was meaningful and convenient. This continues to be an area of focus moving forward.

Our partnership with Kentucky Black Soil was strengthened and has increased Farm Credit Mid-America and the Growing Forward team's awareness and support of the efforts of these farmers working to provide fresh food to their local communities. Through increased dollars and education, we look forward to making a greater impact with this partnership.

The team also increased outreach to small and beginning farmers through a variety of conferences and speaking engagements. Among those opportunities were the Kentucky Black Farmers conference, the Organic Association of Kentucky annual conference, various small business planning workshops across our territory, and many more. We look for this to be an increased focus in the coming years.

Finally, in 2023 we added the Community Excellence Award, highlighting a community member who positively impacts their community through their work in agriculture. This award is $2.5 thousand to support and grow the work of the winner.

ARTICLE VIII — CAPITALIZATION

800 Authorized Shares

The Association is authorized to issue:

(a) fifty million (50,000,000) shares of Class C Common Stock with a par value of $5 per share to be issued as provided in Section 810.3 of these Bylaws, provided an unlimited number of shares may be issued for purposes of Section 845.2 and such other purposes for which the Regulations do not require the Bylaws to state a number or value limit;

(b) an unlimited number of shares of Class D Common Stock with a par value of $5 per share to be issued as provided in Sections 810.4 of these Bylaws;

(c) an unlimited number of Class B Participation Certificates, with a face value of $5 per unit to be issued as provided in Section 810.6 of these Bylaws; and

(d) such number of shares of such other classes of capital stock as may be provided for in an amendment or amendments to these Bylaws as adopted pursuant to Article XIV, provided, however, if the class being proposed in any amendment or amendments is for a class of preferred stock, such amendment or amendments shall be approved by a majority of the shares voting of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

(e) No fractional shares of any class of stock shall be issued or paid.

805 Ownership

Evidence of ownership of stock and participation certificates may be by book entry or in definitive form as prescribed by the Board.

A borrower's required investment in Association common stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with MidAm, PCA or MidAm, FLCA, as the case may be. Accordingly, all references to loans and outstanding loan balances in this Article shall refer to aggregate loans held or originated by Association, MidAm, PCA and MidAm, FLCA.

810 Issue, Rights, Preferences and Limitations of Classes of Stock

810.1 Reserved

810.2 Reserved

810.3 Class C Common Stock

(a) Issue

This stock may be issued in accordance with the Act and Regulations:

1. In such amounts and to such persons as may be permitted under a plan adopted by the Board
2. For allocated surplus distributions, dividend payments, and patronage distributions; and
3. In accordance with Section 845.2 of these Bylaws.

(b) Voting Rights

Class C Common Stock shall have no voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

810.4 Class D Common Stock

(a) Issue

Class D Common Stock may only be issued to borrowers who are farmers, ranchers or producers or harvesters of aquatic products and other requirements of such borrowers as specified in the Act and Regulations.

(b) Voting Rights

Class D Common Stock shall have voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Condition to Borrowing

1. Any borrower who is entitled to own Class D Common Stock shall acquire voting stock in the Association as a condition for obtaining a loan from the Association, MidAm, PCA or MidAm, FLCA. The amount of Class D Common Stock which a borrower shall be required to acquire shall not be less than 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the stock requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).
2. If the Association fails to meet the minimum permanent capital standards the Class D Common Stock shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing from the Association, MidAm, PCA or MidAm, FLCA as the Board from time to time may determine.

(e) Condition to Lease

As a condition of obtaining a lease from Association, MidAm, PCA or MidAm, FLCA any lessee who is entitled to own Class D Common Stock shall be required to acquire Class D Common Stock in an amount as determined by the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

810.5 Reserved

810.6 Class B Participation Certificates

(a) Issue

Class B Participation Certificates may be issued in accordance with the Act and Regulations:

1. To borrowers who are rural residents to capitalize their rural housing loans.
2. To borrowers who are persons or organizations furnishing to farmers and ranchers farm related services directly related to their agricultural production, to capitalize their loans.
3. To other persons or organizations who are eligible to borrow or participate in loans from Association, MidAm, PCA or MidAm, FLCA but are not eligible to hold voting stock.
4. For allocated surplus distributions, dividend payments, and patronage distributions.
5. To any person who is not an Equityholder but who is eligible to borrow from Association, MidAm, PCA or MidAm, FLCA for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by Association, MidAm, PCA or MidAm, FLCA.

(b) Voting Rights

Class B Participation Certificates shall have no voting rights.

(c) Rights

Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Fractional Units

No fractional units of Class B Participation Certificates shall be issued or paid.

(e) Condition to Borrowing

1. Any borrower who is entitled to own Class B Participation Certificates shall acquire Participation Certificates as a condition for obtaining a loan from Association, MidAm, PCA or MidAm, FLCA. The amount of Class B Participation Certificates which a borrower shall acquire shall not be less than 2% of the loan amount or $1,000, whichever is less. The Board shall establish from time to time whether the certificate requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).
2. If the Association fails to meet the minimum permanent capital standards, the Class B Participation Certificates shall be purchased from the Association.
3. Loan origination fees may be charged as a condition of borrowing as the Board from time to time may determine.

(f) Condition to Lease or Purchase of Financially Related Services

As a condition of obtaining a lease or purchasing financially related services from Association, MidAm, PCA or MidAm, FLCA any lessee or purchaser of financially related services who is entitled to own Class B Participation Certificates shall be required to acquire Class B Participation Certificates in an amount as determined by the Board from time to time. The equity requirement shall be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and shall not exceed the equity requirement for obtaining a loan.

815 Application of Earnings or Losses

815.1 At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year in the following order:

(a) to cover operating expenses, including additions to loan valuation reserves as provided by law;
(b) to restore the amount of any impairment of stock and participation certificates as prescribed in Section 855.2 of these Bylaws;
(c) to restore the amount of any impairment of allocated surplus;
(d) to restore the amount of any impairment of paid-in surplus;
(e) to create and maintain an unallocated surplus account as provided in Section 820 of these Bylaws;
(f) to pay dividends on stock and participation certificates of the Association if authorized pursuant to Section 830 of these Bylaws; and
(g) to make patronage distributions if authorized pursuant to Section 835 of these Bylaws.

815.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 815.1 above, such loss shall be absorbed by, first, charges to the unallocated surplus account; second, impairment of paid-in surplus; third, impairment of the allocated surplus account in the manner determined by the Board; fourth, impairment of Class D Common Stock, Class C Common Stock, and Class B Participation Certificates, concurrently; and fifth, impairment of any class of preferred stock issued and outstanding.

820 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount established in the capital adequacy requirements prescribed by the FCA, or such higher requirement established by the Board, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 815, the unallocated surplus account may not be reduced below the minimum aggregate amount prescribed by the Board.

825 Allocated Surplus Accounts

825.1 The Association may, subject to the Act and the Regulations, create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis in accordance with Section 835 of these Bylaws. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocation," or both, as those terms are defined under Section 1388 of the Code as follows:

(a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the Board's sole discretion, in order of issuance by year as funds are available.

(b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the Board's sole discretion.

Only those persons to which allocated surplus may be issued may own such allocated surplus. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment as provided Section 815.2.

825.2 Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for such borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.3 Subject to the Act and Regulations, when the debt of a borrower is in default or is in the process of final liquidation, the Association may, at the Board's sole discretion, retire at book value not to exceed face value any and all surplus account allocations owned by such borrower to be applied against the indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.4 Subject to the Act, Regulations, and any other restrictions, when all of the stock and participation certificates of the Association owned by a borrower are retired or otherwise disposed of, any surplus account allocations owned by such borrower may also be retired, upon request by the borrower and subject to the approval of the Board at its sole discretion, and the proceeds paid to the borrower. Alternatively, if the Board so directs, upon notice to the borrower such surplus account applications may be applied against any of the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.5 Subject to the Act and the Regulations, and provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met, allocated surplus may be distributed at their book value not to exceed their stated value in Class C Common Stock of the Association or in cash. Any such distribution shall be at the sole discretion of the Board. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Act and the Regulations. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis. If any part of a distribution in Class C Common Stock to one borrower is less than $5, such distribution may be held by the Association and accumulated with subsequent partial distributions to equal one whole share of Class C Common Stock.

825.6 All qualified notices of allocation shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a "nonqualified written notice of allocation" as also defined in Section 1388 of the Code.

825.7 A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from allocations of "nonqualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member or Equityholder of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.

830 Dividends

830.1 In accordance with the Act and the Regulations, the Board may declare dividends on the common stock and participation certificates of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum capital adequacy requirements established by the FCA. Any dividend paid on common stock and participation certificates shall be paid on all classes of common stock and participation certificates on a per share basis and without preference between classes of common stock and participation certificates; provided, however, that such dividends shall not exceed 8% per share/unit per annum. No dividend shall be paid on common stock and participation certificates in any year with respect to which the Association is obligated to pay patronage as provided under Section 835. Any dividend on preferred stock, if authorized, shall not reduce net earnings from business done with or for patrons. Any such dividend shall be in addition to amounts otherwise payable to patrons under Section 835.

830.2 Dividends may be paid to holders of record on the effective date of the declaration, or such other record date established by the Board.

830.3 Dividends on stock and participation certificates may be paid in cash, Class C Common Stock, or partly in cash and partly in stock. If any part of such dividends payable in stock to one borrower are less than $5, the dividends may be distributed in cash or held by the Association and accumulated with subsequent dividends until the retained dividends equal $5, so that the dividends may be distributed as one whole share of Class C Common Stock.

830.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the Board's sole discretion, be applied against the borrower's indebtedness to the Association and any subsidiary.

835 Patronage Refunds

835.1 Prior to the beginning of any fiscal year, the Board may adopt a resolution in accordance with the Act and the Regulations, so as to obligate the Association to distribute as a patronage dividend, its available "Patronage-Sourced Net Earnings" for such fiscal year or for that year and subsequent fiscal years. Patronage-Sourced Net Earnings shall mean the net earnings of the Association and its Subsidiaries from business conducted on a patronage business ("Patronage Business" or "Patronage Transaction") as defined in the Patronage Resolution. Equityholders and other parties with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VIII of the Bylaws.

835.2 All patronage distributions shall be paid to Patrons in proportion to the amount or value of Patronage Business done by the Association and its Subsidiaries with or for each Patron, as determined by the Board in accordance with cooperative principles on an equitable and nondiscriminatory basis, and within the payment period prescribed by 26 U.S.C. 1382(d). A Patron who pays interest or otherwise contributes to the Association's net income, as applicable, during the period for which the patronage distribution is made shall be entitled to receive a pro-rata share of the patronage distribution regardless of whether the Patron continues to be an Equityholder or borrower of the Association or its Subsidiaries on the date the declaration of the patronage distribution is made. In accordance with the Act and Regulations, the Board may establish, on a rational and equitable basis, separate patronage pools or allocation units for Patronage Business transactions of the same type or with similar characteristics. The Board shall determine the amounts and forms of patronage distributions from each pool on a rational and equitable basis.

835.3 Net earnings of any fiscal year shall be available for patronage distribution only after making the applications as required in (a) through (f) of Section 815, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made. Earnings from transactions that do not constitute Patronage Business will be set aside and applied to unallocated surplus.

835.4 Patronage distributions may be in cash, Class C Common Stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution; provided, however, that the cash portion of any patronage distribution for any fiscal year which includes a qualified written notice of allocation shall not be less than the amount required to qualify such distribution as a deduction for Federal income tax purposes. Any part of a patronage distribution in Class C Common Stock to one borrower that is not a multiple of $5 may be distributed in cash or held by the Association for the borrower and included in a subsequent distribution.

In the event that the total patronage distribution to a Patron is less than the minimum amount or amounts as determined annually by the Board, prior to the end of the taxable year, such distribution may be retained by the Association, paid entirely in cash or applied to the Patron's indebtedness.

Any part of the patronage allocated to a borrower may, at the Board's sole discretion, be applied to such borrower's indebtedness to the Association and its Subsidiaries. If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the Board's sole discretion, be applied against the borrower's indebtedness to the Association and its Subsidiaries.

835.5 Each person who hereafter applies for and is accepted to membership in this Association and each Equityholder of this Association on the effective date of this bylaw who continues as an Equityholder after such date, and each person who thereafter applies for and is issued stock of this Association shall by such act alone, consent that the amount of any distributions with respect to such holder's patronage which are made in written notices of allocation, as defined in 26 U.S.C. 1388 (i.e. patronage allocations of surplus account and patronage refunds paid in Class C Common Stock of the Association, and which are received by him or her from the Association), will be taken into account as income by such person at the stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The foregoing consent shall not apply to any written notice of allocation expressly designated as "nonqualified." Such holders also consent by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice from the Association that such amount has been applied on his or her indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

835.6 The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in written notices of allocations as defined in 26 U.S.C. 1388 (i.e., patronage allocations of surplus account, patronage refunds paid in Class C Common Stock, or distributions with respect to patronage that have been applied to the holder's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be, and for which the holder has received written notice), will be taken into account as income by the Patron at the stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Patron, and it may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

835.7 Where the Association arranges for the provision of credit and/or related services to its Patrons through the Subsidiaries, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from the Subsidiaries, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with Patrons and all business done with the Subsidiaries shall be treated as business done with the Association.

840 Transfer

840.1 Stock and participation certificates may be transferred to persons or organizations eligible to receive or to hold such stock or participation certificates as provided in Section 810 of these Bylaws.

840.2 The Association shall be its own transfer agent in all matters relating to its stock and participation certificates.

845 Conversion

845.1 Each class of common stock and participation certificates may be converted into any other class of common stock or participation certificates for which the holder is eligible as provided in Section 810.

845.2 Class D Common Stock shall be converted into Class C Common Stock within two years after the holder thereof ceases to be a borrower from Association, MidAm, PCA or MidAm, FLCA.

850 Retirement

850.1 Class C Common Stock, Class D Common Stock, and Class B Participation Certificates

Subject to the Act common stock and participation certificates may be retired at the sole discretion of the Board, provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met. Such retirements shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvement plan. All stock and participation certificates shall be retired at book value not to exceed par or face value.

850.2 Reserved

850.3 Retirement in the Event of Default

Subject to the Act and Regulations, when the debt of a borrower is in default, the Association may, at the Board's sole discretion, order the retirement of any common stock or participation certificates held by the borrower at book value not to exceed par value or face value, and apply all or part of the proceeds thereof against the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

855 Impairment

855.1 Any losses which result in an impairment of the Association's capital shall be borne ratably by, first, each share of Class D Common Stock and Class C Common Stock, and each unit of Class B Participation Certificates outstanding; and second, each share of preferred stock outstanding (if any).

855.2 Impaired common stock and participation certificates shall be restored in the reverse of the sequence set forth in Section 855.1 until each share of stock and unit of participation certificates has a book value equal to the par value or face value, respectively.

860 Liquidation

In the event of a voluntary or involuntary liquidation of the Association, following the payment of all claims in accordance with the Act and Regulations, the remainder of the assets of the Association shall be distributed in the following order of priority:

860.1 First, to the holders of common stock and participation certificates, pro rata, in proportion to the number of shares or units of each such class of stock and participation certificate then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders.

860.2 Second, to the holders of allocated surplus evidenced by qualified written notices of allocation on a pro rata basis until an amount equal to the aggregate face value of all such allocated surplus has been distributed to such holders;

860.3 Third, to the holders of allocated surplus evidenced by nonqualified written notices of allocation on a pro rata basis until an amount of equal to the aggregate face value of all such allocated surplus has been distributed to such holders; and

860.4 Fourth, any remaining assets shall be distributed to present and former Patrons (including patrons of any predecessor System institution) in the proportion to which the aggregate patronage of each such party bears to the total patronage of all such parties insofar as practical unless otherwise provided by law.

865 Lien

Except with respect to common stock or participation certificates held by other System institutions, each of Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all common stock and participation certificates in the Association owned by its borrowers as additional collateral for any indebtedness of such borrower. All common stock and participation certificates shall be pledged to MidAm, PCA or MidAm, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to MidAm, PCA or MidAm, FLCA, respectively. Common stock and participation certificates may not be pledged or hypothecated to third parties.

870 Paid-In Surplus

The Association is authorized to receive paid-in surplus from the FCB in accordance with the Act and the Regulations.

875 Secondary Market Loans

875.1 No Purchase Requirement

On or after December 1, 1996, no voting stock or participation certificate purchase requirement shall apply to a loan which is designated, at the time the loan is made, for sale to a secondary market. If the loan so designated for sale is not sold into the secondary market during the 180 day period beginning on the date of the designation, the stock and participation certificate purchase requirements shall apply.

875.2 Retirement

The Board is authorized to retire stock or participation certificates on those loans sold to a secondary market prior to December 1, 1996 and on those loans designated for sale to the secondary market but not sold within the 180 day time period, provided however that the Association shall not retire such stock or participation certificates if the action would result in the failure of the Association to meet minimum capital adequacy standards established in the Regulations.

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