

2023

ANNUAL REPORT



AGGEORGIA
FARM CREDIT

Message from The CEO



Despite continued inflationary pressures and rising interest rates, our remarkable staff and membership made 2023 yet another record year.

Our stated mission at AgGeorgia is to improve the lives of Georgia's farmers, families and rural communities, but this mission can only be accomplished through the convergence of a strong financial foundation and sustained performance. As you will note below, your cooperative is well-positioned to be there for generations as you and your family grow.

On behalf of the team at AgGeorgia, I am pleased to share the 2023 financial report that follows. Below are a few highlights:

Total Assets:	\$ 1.441 Billion	Record
Loans:	\$ 1.374 Billion	Record
Cash Dividends Paid:	\$ 23.5 Million	Record
Stockholder Equity:	\$ 282.4 Million	Record
Asset Quality:	98.3% Fully Acceptable	Record

When AgGeorgia does well financially, you benefit. Our Board of Directors is always excited to share our success with you, our member/owners, and approved the distribution of more than \$23 Million of cash dividends during 2023- a record amount. Since 2002 AgGeorgia has put more than \$315 Million of our profits in your pockets. It truly pays to be an owner.

In addition to dividends, AgGeorgia's solid financial performance means we can continue our strong commitment to providing support to agriculture and rural America through our giving initiatives. During 2023 we launched our Community Mission Fund, providing grants totaling \$55,000 to 12 non-profits supporting the future of agriculture and enhancing lives in rural Georgia.

Additionally, we challenged every employee to step out into their communities to meet real needs through branch service projects. Branch staff were charged with identifying needs within their communities and

were provided with \$5,000 per branch, and a day off to bring their projects to life. Through the service projects, employees were able to get out of the office, get their hands dirty and strengthen ties within our communities. That's what we're about.

These new endeavors were in addition to our traditional avenues of support. Community donations in 2023 totaled more than \$300,000, benefitting many groups through our Farmers Market Grant program, our free AGAware educational workshops, financial support of organizations such as FFA and 4-H, and so much more. As in previous years, AgGeorgia rolled up our sleeves in 2023 and proved we are truly committed to making a positive impact in your communities.

**"DESPITE CONTINUED
INFLATIONARY PRESSURES
AND RISING INTEREST RATES,
OUR REMARKABLE STAFF AND
MEMBERSHIP MADE 2023 YET
ANOTHER RECORD YEAR."**

- AgGeorgia CEO Rob Crain

Our branch modernization project is in full swing with the opening of our newest branch in Tifton last spring. Our new Gordon County branch is well underway, and we expect a late summer 2024 move-in date. These branches are part of a seven-year plan to modernize and scale our branches to provide you with the highest level of service possible.

As noted in previous Annual Reports, we are making significant investments for the future by replacing our front-office and back-office systems with current, state-of-the-art technology. These investments will better allow us to serve you through more efficient and effective operations and enhanced capabilities in an increasingly digital world. In 2023, we successfully implemented the first phase of the back-office systems replacement. Although this is a multi-year effort, the Association and our members will see the benefits of these investments very soon.

On behalf of AgGeorgia's Board of Directors and staff, I would like to express our sincere thanks and gratitude for your continued support, confidence and trust. Past and present generations of agricultural producers have been the foundation of our organization and we look forward to many more promising years of serving as your lender of choice.

AgGeorgia Chief Executive Officer, Rob Crain

RECORD YEAR

TOTAL ASSETS



LOANS



CASH DIVIDENDS PAID



STOCKHOLDER EQUITY



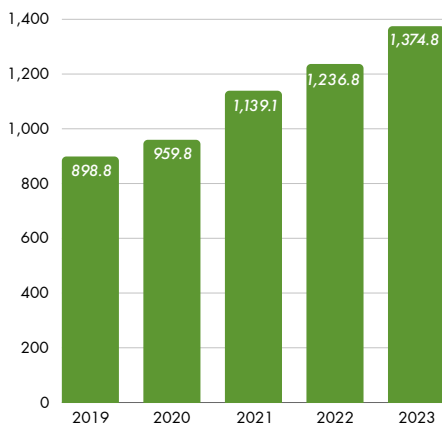
ASSET QUALITY



5 YEAR TRENDS

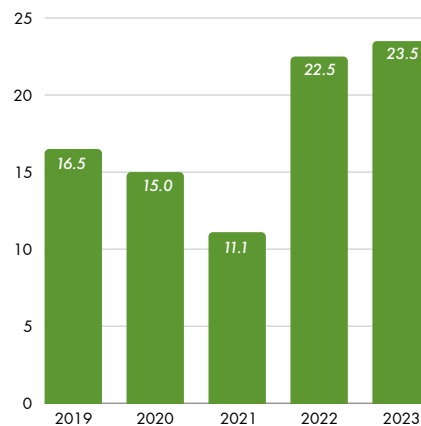
LOANS

\$ In Millions



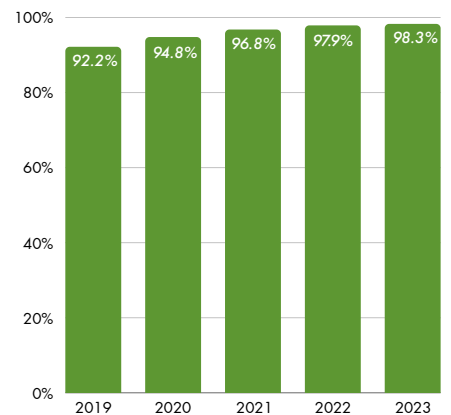
CASH DIVIDENDS PAID

\$ In Millions



ASSET QUALITY

% Fully Acceptable



COMMUNITY MISSION FUND



New Program Awards \$55,000 in 2023

AgGeorgia's commitment to providing support to agriculture and rural Georgia came into focus in 2023, bolstered by the creation and launch of the Community Mission Fund. The fund has two main objectives: to invest in the future of agriculture and to enhance and impact the quality of life in rural Georgia.

"The Community Mission Fund provides a springboard for great organizations to impact their communities in not only the upcoming year, but for years to come," said AgGeorgia CEO Rob Crain. "We look forward to seeing the fruits of these investments and funding a new group of deserving non-profit organizations in 2024."

The fund provided grants totaling \$55,000 to 12 non-profits in the 4th quarter of 2023. The organizations that received funding were:

- **Adairsville High School FFA (Bartow County)** – This FFA chapter will use their grant funds to purchase equipment, including a livestock trailer, to allow students without necessary equipment to raise and show livestock.
- **Colquitt Christian Academy (Colquitt County)** – Grant funds will be used to obtain a storage shed and needed supplies for Ag Education classes and hands-on learning labs.
- **Crisp County Young Farmers (Crisp County)** – This grant will be used to purchase a portable cattle chute to be used across the county, aiding smaller cattle farmers by enhancing efficiency, improving animal welfare, and supporting sustainable agriculture.
- **Emmanuel University (Franklin County)** – Emmanuel University's Agriculture Department will use their

grant funds to provide a raised bed demonstration area and training courses for agriculture students, homeowners and commercial growers.

Lakeview Fort Oglethorpe High School FFA (Catoosa County)

– This FFA chapter plans to start a school-based enterprise by building a coop and raising chickens for the community. Grant funds will be used to purchase supplies to build and stock the coop, as well as processing supplies.

"THE COMMUNITY MISSION FUND PROVIDES A SPRINGBOARD FOR GREAT ORGANIZATIONS TO IMPACT THEIR COMMUNITIES IN NOT ONLY THE UPCOMING YEAR, BUT FOR YEARS TO COME."

- AgGeorgia CEO Rob Crain

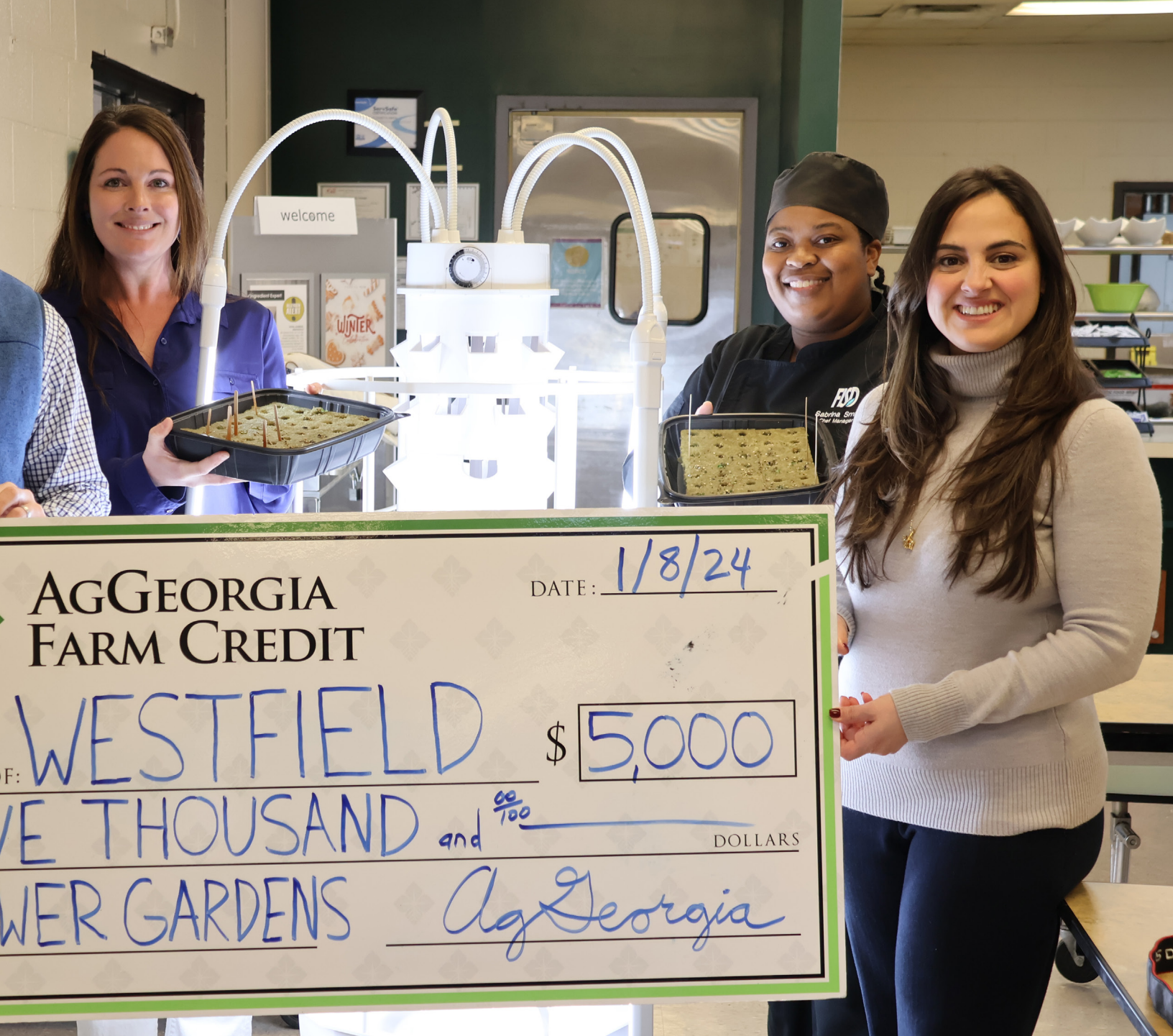
- **North Georgia Equine-n-Motion (Forsyth County)** – This organization works with special needs/exceptional children from ages 4-18 that face the challenges of Autism Spectrum Disorder, Down's Syndrome, Cerebral Palsy, and other emotional health disorders. Grant funds will continue to support their existing program and assist in developing a small farmer's market for clients to participate in the marketing and retail aspect of selling their products.

- **Southeast FFA Chapter (Whitfield County)** – Grant funds will be used to build a multipurpose livestock facility to expand their organization's animal science program, "Raising the Roof with Animal Science."

- **STUDIO FARMER, Inc. (Richmond County)** – This organization is a Veteran co-owned, limited resource farmer operated agribusiness organized for educational, scientific, literary and research purposes. Grant funds will be used to assist their educational program for Young, Beginning, Small, Minority, and/or Veteran farmers.

- **TJ Elder Middle School (Washington County)** – Grant funds will be used to purchase equipment for a joint project between the school's agriculture and special needs departments. The purpose of this project is to educate students about raising poultry with the added bonus of being able to offer fresh, local eggs to the community.
- **The Westfield School (Houston County)** – The school will use the grant to cover the cost for 4 garden towers, gardening tools, seeds and educational resources for their Garden Tower project.





- **Turner Middle School (Turner County)** – Grant funds will be used to purchase incubators, heat lamps, chicken coop, supplies for more raised garden beds, potting soil, seeds, and plugs for their agriculture education classes.
- **Vienna Fire Department (Dooly County)** – This grant will be used towards the purchase of an Off-Road Firetruck that will allow their volunteer firefighters to navigate through crop land, timber tracts, and limited access locations to quickly extinguish fires.

With an excellent kickoff for the fund in 2023, AgGeorgia is excited to continue the program in the new year and will begin advertising for 2024 grants by April. For more information and to apply when the application period re-opens, please visit the AgGeorgia Farm Credit Community Mission Fund page at www.aggeorgia.com/community-mission-fund, or reach out to a member of the team at marketing@aggeorgia.com.

(L to R) AgGeorgia's Chief Marketing Officer, Corey Cottle, is pictured with Science Teacher Melissa Smith, Chef Manager Sabrina Smith, and Gigi Placucci, The Westfield School's Director of Development and Alumni Affairs. The school used their grant funding from AgGeorgia in the 4th quarter of 2023 to purchase 4 tower gardens, seeds, and supplies which will provide learning opportunities for students as well as nutritious produce for school lunches. Trays have been planted with seeds which will soon be transplanted into the towers.



Community Service Projects

In keeping with AgGeorgia's theme of community investment in 2023, branch offices participated in community service projects around the territory as part of the "AgGeorgia Serves" initiative. Staff were charged with identifying needs within their communities and were provided with \$5,000 per branch, along with a day off to cooperate with other branch staff on hands-on work related to the project. The following are a selection of branch activities completed over the last year and a description of their efforts.

- Employees from the Cartersville and Rome offices were proud to spend a day lending a helping hand to the Floyd County Young Farmers in preparation for the Seven Hills Showdown Cattle Show at the Coosa Valley Fair Grounds. They also contributed to the Young Farmer's Lemonade Stand at the Floyd County Fair which benefitted local FFA chapters.
- Chatsworth Branch staff had the pleasure of working with rangers from the U.S. Army Corps of Engineers to construct and deploy fish habitats in Carters Lake.
- Staff from the Cordele Branch helped construct the Crisp County High School FFA livestock pens. The pens will provide students that wish to show livestock a place to keep their animals and give new opportunities to kids who would not normally have the means to house their own livestock.
- The Dublin office planted a garden at WINGS in Dublin. This organization provides safety and shelter for domestic violence and abuse victims, creating awareness and providing various classes and other forms of help for women. The garden is filled with perennials, pollinator friendly plants and blueberries, and will also be used as a memorial garden for people associated with WINGS.
- Staff from the Gainesville Branch helped sponsor over 60 children through the "Shop with a Cop" program, partnering with the local police and sheriff's departments to assist families in need during the Christmas season.
- Employees from the LaFayette Branch partnered with Helping Hands Ending Hunger (HHEH) to help improve the lives of food insecure families in Chattooga County. They distributed 7,300 lbs. of food to 245 families, 800 adults and 780 children.
- The Moultrie Branch worked with FFA students from the local middle and high school to teach them safety fundamentals in farming and in life.
- Staff partnered with representatives such as EMTs, volunteer firemen, and highway patrolmen from other organizations and agencies on the effort. AgGeorgia provided lunch and a donation to the Colquitt County FFA and Colquitt County Volunteer Fire Department.
- Employees from our Perry office had the pleasure of volunteering at Roquan Smith's Thanksgiving Food Drive. 600 turkeys and 600 boxes of produce were assembled and distributed to residents of Macon County.
- The Quitman Branch partnered with Second Harvest Food Bank to provide assistance at a Thanksgiving food drive. Over 1,000 cars received boxes of fresh, local products.
- The Royston Branch put together bags of produce on separate occasions with fresh produce purchased from AgGeorgia member Twin Oaks Produce. Branch staff bagged the produce and delivered to the Rainbow Pantry, where they also helped distribute the bags and canned goods for those in need in the community.
- Employees from the Sandersville Branch purchased and assisted students with assembly of a lamb walker for the Jones County FFA chapter livestock barn. The branch also sponsored a stall at the barn and donated supplies such as water hoses, feed buckets and shovels.
- Staff from the Tifton Branch donated funds for the Tiftarea YMCA Learn to Swim and Water Safety Program that over 200 2nd graders attended. The office had a great time working with the kids and helping them learn to swim!
- Washington Branch employees worked with the Washington-Wilkes Animal Shelter and spent the day landscaping and mowing grass, walking dogs, and cleaning their cages. Additionally, they purchased a new riding lawn mower for the shelter, hoses and water buckets for the kennels, and are working to replace the shelter's sign and furniture.
- Employees in the Waynesboro office constructed 3 handicap accessible raised flower boxes for the Burke County Middle School special education students, with help from the Burke County Middle FFA Officers. The office purchased a new pump for the students' koi pond, gardening gloves, trowels, work buckets, hoses, and other supplies for the students to use.



Dublin Branch



Moultrie Branch



Chatsworth Branch



LaFayette Branch



Gainesville Branch



Royston Branch



Sandersville Branch



Washington Branch



Waynesboro Branch



Perry Branch



Tifton Branch



Cordele Branch



Cartersville & Rome Branches

AgGeorgia Farmer's Market Grants Total \$10,000 in 2023



While the Community Mission Fund and "AgGeorgia Serves" branch service projects were new initiatives, the Farmers Market Grant program celebrated its third year of funding in 2023. AgGeorgia has awarded a total of \$24,500 in grants to rural Georgia markets since the program's inception in 2021. Grants in the amount of \$2,000 each were distributed to five local markets throughout the cooperative's territory for use in advertising and promotional objectives.

"We were excited that the markets chosen in 2023 were in very different growth stages, but all had excellent plans for the funds," said Corey Cottle, AgGeorgia's Chief Marketing Officer. "The grants helped a brand-new market, a market reopening after struggling through Covid, and three other markets that were more established but looking to expand their reach in their communities."

The 2023 AgGeorgia Farmers Market Grant recipients were:

- **Cordele Farmers Market** – The Cordele Farmers Market has been a major distribution hub of the Southeast since 1949. The market is open year-round, seven days a week, with five permanent vendors and several more during the summer months selling watermelon, cantaloupe, peas, corn, and other produce. "This grant allowed us to expand the promotion and advertising of the Cordele Farmers Market, which is a huge economic engine in our region of the state," said Monica Simmons, Cordele-Crisp Chamber of Commerce President.
- **D&S Produce and Mercantile (Summerville)**
 - With a mission to educate consumers about where their food and goods come from, D&S Produce and Mercantile has created a place for consumers to connect with local farmers and crafters. "We strive to bring in the freshest regional produce and products for our customers at affordable prices. That way, we help our farm families throughout Georgia market their goods and provide our customers goods they'll be proud to know are Georgia's own," said Market Manager David Yarbrough. Grant funds from AgGeorgia were used to increase efforts to build community awareness of the growing market.
- **Dodge County Farmers Market (Eastman)**
 - Dodge County Farmers Market, located in downtown Eastman, closed temporarily in 2020 due to Covid, but made a comeback in 2023. In June, the market opened a temporary location that is open on Saturday mornings 9:00am-12:00pm. "AgGeorgia's Farmers Market Grant enabled the



Dodge County Farmer's Market to expand marketing efforts and implement new processes to better serve the community," said Market Chairman Blake Southerland.

- **Lyerly Farmers Market** – Established in 2023, the Lyerly Farmers Market does more than provide opportunities for small farmers and businesses to sell their products – it has helped bring the community together.

Market Manager Crystal Groce stated, "The grant from AgGeorgia has helped us bring this dream to reality. We have witnessed people engaging in conversation, welcoming new community members to the area, sharing stories and growing techniques, forging new friendships, and so much more all while enjoying a festive atmosphere. We are so thankful for AgGeorgia and for their partnership in connecting our community to our local food economy."

- **Stable 41 Farmers Market (Fort Oglethorpe)**– All of Stable 41's farm vendors are located within a 75-mile radius of Fort Oglethorpe so customers can be sure they are getting local, in season, high quality

food for their family. Stable 41 Farmers Market supports over 100 local businesses who create, make, build, and grow their own products.

"These funds were a huge help in the promotional efforts for our market," said Taylor Hutwagner, Economic Development and Events Director for the City of Fort Oglethorpe.

AgGeorgia encourages interested markets in the association's 79 county service area, particularly those who have applied and not yet been selected, to apply in 2024. For more information and to apply when the application period re-opens, please visit the Farmers Market Grant page at www.aggeorgia.com/FarmersMarketGrant, or reach out to

a member of the team at marketing@aggeorgia.com.

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OUR COMMUNITY TO OUR LOCAL
FOOD ECONOMY."**

- Market Manager Crystal Groce, Lyerly Farmers Market

Board of Directors



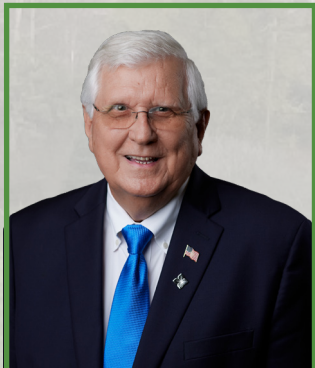
JACK W. BENTLEY, JR.
Wilkes County
Dairy & Beef Cattle, Timber



GUY A. DAUGHTREY
Cook County
Pecans, Timber



R. BRADHAM "BRAD" EDENFIELD
Burke County
Row Crops, Dairy Cattle



RICHARD D. "DAVE" NEFF
Hall County
Appointed Outside Director
Retired Poultry Industry Executive



J. DAN RAINES, JR.
Turner County
Timber



JOE A. "AL" ROWLAND
Johnson County
Row Crops



G. TEEL WARBINGTON
Dooly County
Row Crops



HENRY C. "CLINT" WORTMAN, JR.
Brooks County
Row Crops, Beef Cattle,
Pecans, Timber



FRANKLIN B. WRIGHT
Gilmer County
Dairy, Agritourism

Board Committees 2023



R. BRIAN GROGAN
Gordon County
Broilers, Cow-Calf Operation



ROBERT G. "BOBBY" MILLER
Hall County
Cow-Calf Operation

Board Chairman

Mr. Jack W. Bentley, Jr.

Board Vice Chairman

Ms. Glee C. Smith

Audit Committee

Chairman: Mr. Guy A. Daughtrey

Vice Chairman: Mr. Robert "Bobby" G. Miller

Financial Expert: Mr. Guy A. Daughtrey

Members: Mr. R. Bradham "Brad" Edenfield, Mr. J. Dan Raines, Jr., Mr. G. Teel Warbington, Mrs. Patti B. York, Mr. Jack W. Bentley, Jr.*

Budget Committee

Chairman: Mr. Richard D. "Dave" Neff

Vice Chairman: Ms. Glee C. Smith

Members: Mr. Thomas I. Braziel**, Mr. R. Brian Grogan, Mr. J. Dan Raines, Jr., Mr. David H. Smith***, Mr. Jack W. Bentley, Jr.

Compensation Committee

Chairman: Mr. R. Brian Grogan

Vice Chairman: Mr. Joe A. "Al" Rowland

Members: Mr. Robert "Bobby" G. Miller, Mr. G. Teel Warbington, Mr. Henry C. "Clint" Wortman, Jr., Mr. Franklin B. Wright, Mr. Jack W. Bentley, Jr.

Risk Committee

Chairman: Mr. Joe A. "Al" Rowland

Vice Chairman: Mr. G. Teel Warbington

Members: Mr. Guy A. Daughtrey, Mr. R. Brian Grogan, Mr. Richard D. "Dave" Neff, Ms. Glee C. Smith, Mr. Franklin B. Wright, Mr. Jack W. Bentley, Jr.

Governance Committee

Chairman: Mr. Franklin B. Wright

Vice Chairman: Mr. Joe A. "Al" Rowland

Members: Ms. Glee C. Smith, Mr. Henry C. "Clint" Wortman, Jr., Mrs. Patti B. York, Mr. Jack W. Bentley, Jr.

Outside Directors

Mr. Richard D. "Dave" Neff and Ms. Glee C. Smith

*As Board Chairman, Mr. Jack W. Bentley, Jr. is an ex-officio (non-voting) member of all committees.

**Mr. Thomas I. Braziel resigned 6/2/2023.

***Mr. David H. Smith retired 12/31/2023.



DAVID H. SMITH
Bartow County
Cotton Ginning, Row Crops



GLEE C. SMITH
Warren County
Appointed Outside Director
Private Practice Attorney



PATTI B. YORK
Hart County
Broilers, Cow-Calf Operation,
Sheep Operation

Executive Leadership Team

(L to R)

Steve Connelly, Chief Administrative Officer

Nick Hartley, Chief Lending Officer

Lisa Storm, Chief Credit Officer

Elizabeth Benefield, General Counsel



(L to R)

Rob Crain, Chief Executive Officer

Brandie Thompson, Chief Financial Officer

Marissa Martin, Chief Human Resources Officer

Corey Cottle, Chief Marketing Officer

Jay Murkerson, Chief Risk Officer



Branch Offices

Perry Corporate Office

468 Perry Pkwy
Perry, GA 31069
(478) 987-8300

Cartersville

1300 East Main St
Cartersville, GA 30121
(770) 382-3637

Chatsworth

19 Woodlake Dr
Chatsworth, GA 30705
(706) 695-0020

Clarksville

102 Blacksnake Rd
Mt. Airy, GA 30563
(706) 754-4158

Cordele

1207 South Greer St
Cordele, GA 31015
(229) 273-3927

Dublin

826 Bellevue Ave
Dublin, GA 31021
(478) 272-3255

Gainesville

501 Broad St
Gainesville, GA 30501
(770) 534-5395

LaFayette

700 East Villanow St
LaFayette, GA 30728
(706) 638-1940

Moultrie

22 5th Ave, S.E.
Moultrie, GA 31768
(229) 985-3893

Perry

468 Perry Pkwy
Perry, GA 31069
(478) 987-1434

Quitman

504 East Screven St
Quitman, GA 31643
(229) 263-7551

Rome

701 East 2nd Ave
Rome, GA 30161
(706) 291-6340

Royston

449 Franklin Springs St
Royston, GA 30662
(706) 245-6142

Sandersville

775 Sparta Rd
Sandersville, GA 31082
(478) 552-6922

Tifton

1601 King Rd
Tifton, GA 31793
(229) 382-4300

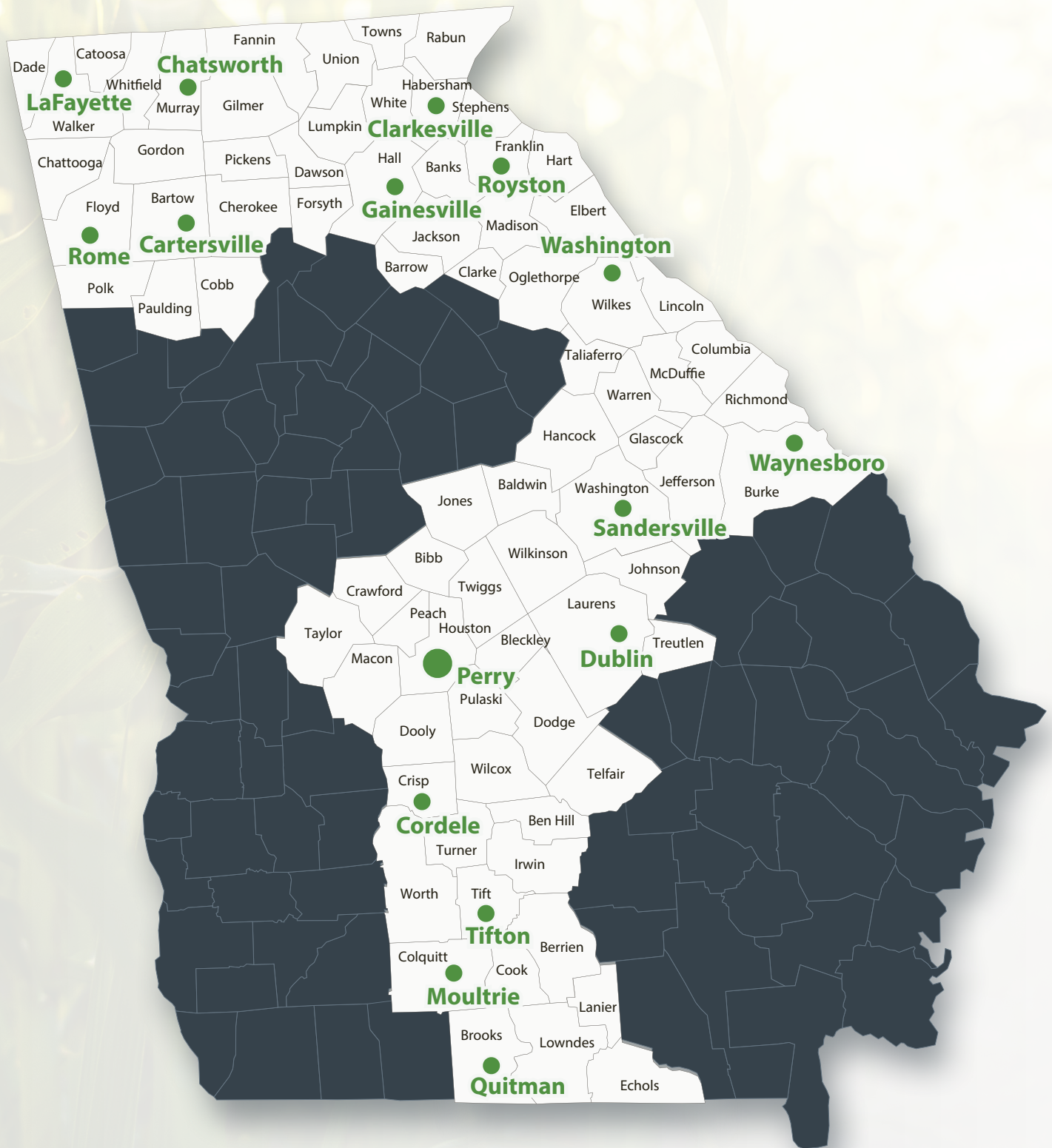
Washington

US 78, 311 North Bypass
Washington, GA 30673
(706) 678-7088

Waynesboro

176 Hwy. 80 West
Waynesboro, GA 30830
(706) 554-2107

Territory & Branch Locations



AgGeorgia Farm Credit, ACA

2023 ANNUAL REPORT

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Report of Management

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

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

The Consolidated Financial Statements have been audited by independent auditors, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2023 Annual Report of AgGeorgia Farm Credit, ACA, that the report has been prepared under the oversight of the audit committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Glee Smith
Chairman of the Board

/s/ James R. Crain
Chief Executive Officer

/s/ Brandie L. Thompson
Chief Financial Officer

March 7, 2024

Report on Internal Control Over Financial Reporting

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

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

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

/s/ James R. Crain
Chief Executive Officer

/s/ Brandie L. Thompson
Chief Financial Officer

March 7, 2024

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	December 31,				
	2023	2022	2021	2020	2019
Balance Sheet Data					
Cash	\$ 93	\$ 10	\$ 11	\$ 310	\$ 32
Loans	1,378,546	1,242,615	1,145,944	966,388	906,208
Allowance for loan losses	(4,723)	(5,767)	(6,805)	(6,555)	(7,404)
Net loans	1,373,823	1,236,848	1,139,139	959,833	898,804
Equity investments in other Farm Credit institutions	21,672	15,818	9,911	10,216	11,046
Other property owned	33	—	981	307	2,527
Other assets	45,816	37,730	41,865	37,370	35,554
Total assets	\$ 1,441,437	\$ 1,290,406	\$ 1,191,907	\$ 1,008,036	\$ 947,963
Notes payable to AgFirst Farm Credit Bank*	\$ 1,114,204	\$ 981,101	\$ 894,593	\$ 729,253	\$ 683,143
Accrued interest payable and other liabilities with maturities of less than one year	44,798	32,839	27,195	22,885	21,652
Total liabilities	1,159,002	1,013,940	921,788	752,138	704,795
Capital stock and participation certificates	4,912	4,730	4,653	4,515	4,277
Retained earnings					
Allocated	48,272	56,491	65,912	71,535	71,030
Unallocated	229,156	215,103	199,971	180,347	168,613
Accumulated other comprehensive income (loss)	95	142	(417)	(499)	(752)
Total members' equity	282,435	276,466	270,119	255,898	243,168
Total liabilities and members' equity	\$ 1,441,437	\$ 1,290,406	\$ 1,191,907	\$ 1,008,036	\$ 947,963
Statement of Income Data					
Net interest income	\$ 41,275	\$ 38,790	\$ 36,007	\$ 33,417	\$ 33,062
Provision for (reversal of) allowance for credit losses	1,448	(1,247)	597	(1,078)	5
Noninterest income (expense), net	(13,184)	(9,352)	(1,841)	(6,434)	(11,192)
Net income	\$ 26,643	\$ 30,685	\$ 33,569	\$ 28,061	\$ 21,865
Key Financial Ratios					
Rate of return on average:					
Total assets	1.99%	2.48%	3.01%	2.89%	2.30%
Total members' equity	9.29%	11.04%	12.74%	11.32%	9.09%
Net interest income as a percentage of average earning assets	3.20%	3.22%	3.32%	3.56%	3.60%
Net (chargeoffs) recoveries to average loans	0.004%	0.017%	(0.032)%	0.024%	(0.020)%
Total members' equity to total assets	19.59%	21.42%	22.66%	25.39%	25.65%
Debt to members' equity (:1)	4.10	3.67	3.41	2.94	2.90
Allowance for loan losses to loans	0.34%	0.46%	0.59%	0.68%	0.82%
Permanent capital ratio	19.02%	21.10%	21.77%	23.97%	23.57%
Common equity tier 1 capital ratio	18.95%	21.00%	21.64%	23.82%	23.38%
Tier 1 capital ratio	18.95%	21.00%	21.64%	23.82%	23.38%
Total regulatory capital ratio	19.33%	21.46%	22.25%	24.48%	24.20%
Tier 1 leverage ratio**	19.39%	21.10%	21.81%	24.22%	24.05%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	15.53%	16.29%	15.86%	17.64%	17.15%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 14,482	\$ 15,295	\$ 13,068	\$ 4,704	\$ 3,992
Qualified allocated retained earnings	—	—	—	10,975	13,291

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

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

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

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

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

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

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

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, www.aggeorgia.com, or by calling 1-800-768-3276, or writing Brandie L. Thompson, AgGeorgia Farm Credit, P.O. Box 1820, Perry, GA 31069. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the internet, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political (including trade policies), legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international, and farm-related business sectors, as well as the general economy that can affect the availability of off-farm sources of income;
- weather-related events, food safety, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- climate change and/or measures to address climate change
- volatile prices of agricultural commodities;
- changes in production expenses, particularly feed, fuel, and fertilizer;
- changes in demand or supply of U.S. Agricultural products in a global marketplace;
- changes in farmland and rural real estate values;

- availability of agricultural workers and changes in labor costs;
- disruption of operations or disclosure of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the Farm Credit 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 System in implementing monetary and fiscal policy, as well as other policies and actions of the federal government that impact the financial services industry and the debt markets;
- credit, interest rate and liquidity rate risk inherent in lending activities; and
- changes in the Association's assumptions for determining the allowance for credit losses and fair value measurements.

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

- *Allowance for credit losses* — On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance entitled “Measurement of Credit Losses on Financial Instruments” and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.

The ACL comprises:

- the allowance for loan losses which covers the Bank's loan portfolio and is presented separately on the Balance Sheets, and
- the ACL on unfunded commitments, which is presented on the Balance Sheets in other liabilities.

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

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

ECONOMIC CONDITIONS

The following section summarizes the University of Georgia College of Agriculture & Environmental Sciences' *2024 Georgia AgForecast* report, which provides a general understanding of the Georgia agriculture economic outlook. However, this outlook does not take into all aspects of the Association's business. Information in this section refers to Georgia agricultural market data and is not limited to information/data for the Association.

The 2024 economic forecast for Georgia calls for an economic slowdown, but not a recession. Georgia's resilient labor market and the strong financial positions of households are two reasons why the experts expect the post-pandemic economic expansion to continue. Inflation is forecasted to continue easing and experts anticipate no additional interest rate hikes by the Federal Reserve. Inflation-adjusted interest rates will rise as inflation declines. This "passive" tightening and other stresses in the financial system offset by improved and more secure supply chains and higher spending by government will result in slow growth. Georgia is well-positioned to weather an economic slowdown, and our economy will outperform the U.S. economy.

Georgia is a uniquely diversified agricultural state with production of the following commodities in order of total farm gate value: Broilers, Cotton, Eggs, Peanuts, Timber, Beef, Greenhouse, Corn, Blueberries and Pecans.

Broiler production outlook in 2024 is neutral to positive as consumer demand is expected to remain steady and fed cost come down. U.S. production may face more headwinds than the demand side. Potential Highly Pathogenic Avian Influenza (HPAI) outbreaks, a trend of lower broiler productivity, and expensive poultry housing may dampen supplies. Chicken prices in 2024 are expected to be similar to 2023. Policy changes may also affect the financial outlook.

Cotton acreage planted in Georgia decreased to 1.11 million acres, which is down 14% over 2022 planted acres at 1.29 million acres. This declining trend is likely to continue in 2024 because of lower relative price expectations with competing crops, such as peanut and corn. Factors influencing 2024 cotton prices and profitability include reduction in consumer demand for cotton-related products, low cotton prices, and higher input prices. Budget forecasts for the 2024 crop are in the 74-78 cents per pound range.

The timber industry is fueled in large part by the housing industry. In 2023, factors such as high interest rates, deteriorated housing affordability, and worries of an economic slowdown dampened the housing market, causing softened demand for lumber. Demand for softwood lumber and structural panels is expected to improve in 2024 as interest rates start dropping and single-family housing starts gradually resuming their long-term trajectory. As of third quarter 2023, TimberMart-South reported an average south wide pine sawtimber stumpage price of \$25.98 per ton, marginally lower than the average a year ago. Pine pulpwood was at a stumpage price of \$7.59 per ton, a \$2.04 or 21% decrease from 3rd quarter of 2022. Increased softwood lumber mill capacity across the South will add upward pressure on pine sawtimber prices. However, the region's substantial oversupply of sawtimber trees on the stump is expected to continue exerting strong downward pressure on timber prices.

Beef cattle markets reached record high prices in 2023. Since then, prices moderated in line with seasonal trends but remain well above prices in 2022. The beef cattle outlook is positive in 2024. Tight supplies as producers enter year 10 of the regular 10-year cattle inventory cycle and stable consumer demand are expected to push cattle prices higher in the year ahead.

Peanut acreage in Georgia increased in 2023 by 13 percent to a total of 775 thousand acres, an increase after two years of decline in planted peanut acres in Georgia and nationally. Despite large increases in planted peanut acreage across the United States, below-average yields are expected to limit production to a moderate increase. The U.S. Department of Agriculture (USDA) National Agricultural Statistics Service forecasted 2023 yields at 3,740 lb. per acre for the U.S. and 4,100 lb. per acre for Georgia, down 3% from 2022, the lowest Georgia yield since 2016. Looking ahead to 2024, peanut stocks are expected to remain unchanged at just over 1 million. The marketing year average farm price is projected at \$550 per ton, an increase of \$14 per ton from prior period. Despite this, peanut profitability remains a challenge. While some costs eased in 2023, they have not returned to prior levels and overall costs are higher.

Dairy outlook for milk production and prices going into 2024 is a slightly better year than 2023. This improvement likely comes from a combination of lower input costs and stable to higher prices. However, several headwinds are appearing on the horizon. Risks remain in the balance between supply and demand as improved margins may spur a strong production response and demand growth is uncertain both domestically and overseas. The U.S. Department of Agriculture expects milk production to increase around 1% year over year. Milk production in 2023 is estimated to have increased by less than 0.2% over 2022 production. This milk production increase could weigh on prices. Milk produced per cow is largely flat to a slight increase, so much of the jump would need to come from dairies increasing the number of cows.

In summary, Georgia's 2024 economic forecast calls for an economic slowdown. Experts estimate the probability of recession at 33% for Georgia compared to just under 50% for the United States. Georgia's lower risk of recession reflects recent economic development success, a resilient labor market and strong financial position of households. Inflation will continue to ease but will not fall to levels experienced before the pandemic. The main downside risks to growth are missteps by the Federal Reserve, a financial crisis, and an energy-price shock. Each of these risks alone could trigger a recession. Georgia's labor market is expected to hold up well and the unemployment rate is expected to average 4% in 2024. Georgia's economy is projected to do better than the U.S. economy overall.

LOAN PORTFOLIO

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

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

Loan Type	December 31,					
	2023		2022		2021	
	(dollars in thousands)					
Real estate mortgage	\$ 1,098,808	79.71 %	\$ 978,391	78.74 %	\$ 878,326	76.65 %
Production and intermediate-term	203,988	14.80	210,509	16.94	218,536	19.07
Agribusiness:						
Loans to Cooperatives	1,818	0.13	1,985	0.16	2,071	0.18
Processing and marketing	37,900	2.75	26,282	2.12	28,224	2.46
Farm-related business	6,698	0.49	3,287	0.26	2,992	0.26
Rural Infrastructure:						
Communication	6,667	0.48	3,889	0.31	—	—
Water and waste disposal	2,756	0.20	—	—	—	—
Rural residential real estate	18,024	1.31	15,601	1.26	13,906	1.21
Other:						
International	1,887	0.13	2,670	0.21	1,889	0.16
Total	\$ 1,378,546	100.00 %	\$ 1,242,615	100.00 %	\$ 1,145,944	100.00 %

While we make loans and provide financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, our loan portfolio is diversified.

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

Branch	December 31,		
	2023	2022	2021
Cartersville	6.31 %	6.49 %	6.20 %
Chatsworth	5.30	3.70	4.47
Clarksville	3.46	3.58	3.29
Cordele	4.38	5.34	5.04
Dublin	3.45	3.11	3.28
Gainesville	4.90	5.24	4.74
LaFayette	4.40	4.27	4.59
Moultrie	4.75	5.03	5.58
Nashville	—	—	2.54
Ocilla	—	—	1.91
Perry	10.94	10.74	10.72
Quitman	2.03	1.96	2.21
Royston	18.82	19.15	18.42
Sandersville	2.87	3.22	3.48
Sylvester	—	—	2.17
Tifton	10.29	10.79	3.98
Washington	4.07	4.16	3.92
Waynesboro	3.78	3.80	3.40
Participations Purchased	9.76	9.02	9.47
Special Assets	0.49	0.40	0.59
	100.00 %	100.00 %	100.00 %

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association loan portfolio are shown below. The predominant commodities are Poultry, Forestry, Cotton, and Livestock, which constitute approximately 73 percent of the entire portfolio at December 31, 2023.

Commodity Group	December 31,								
	2023		2022		2021				
	(dollars in thousands)								
Poultry	\$	437,237	32%	\$	398,933	32%	\$	377,401	33%
Forestry		328,237	24		284,194	23		245,942	21
Livestock		127,864	9		118,291	10		114,949	10
Cotton		117,522	8		120,949	10		120,997	11
Row Crops		92,592	7		84,471	7		77,251	7
Horticulture		51,604	4		41,165	3		38,288	3
Landlords		37,759	3		38,569	3		35,482	3
Peanuts		29,180	2		27,555	2		27,555	3
Dairy		25,084	2		22,643	2		20,797	2
Corn		24,746	2		17,762	1		15,127	1
Rural Home		16,330	1		14,315	1		13,107	1
Other		90,391	7		73,768	6		59,048	5
Total		\$1,378,546	100%		\$ 1,242,615	100%		\$ 1,145,944	100%

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the income of borrowers that is not associated with farming. The Association's loan portfolio contains a concentration of poultry producers. Although a large percentage of the loan portfolio is concentrated in these enterprises, many of these operations have diversified income sources that reduce overall risk exposure. Demand for poultry products, prices of feed, energy, and other inputs, as well as international trade are some of the factors affecting the income producing capacity in the poultry industry. Even though the concentration of large loans has increased over the past several years, the agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diversity of enterprises in the Association's territory. Commodity concentration risk is also mitigated by the use of loan guarantees and standby letters of credit.

Over the past few years, the Association has experienced a shift from a balanced portfolio of long-term and short-term loan assets to long-term loan assets comprising approximately 82 percent of the portfolio. This shift is attributable to the increase in demand for long-term financing. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak balance in August and rapidly declines in the fall months as commodities are marketed and proceeds are applied to repay operating type loans.

During 2023, the Association maintained activity in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income, which may strengthen capital position.

Loan Participations:	December 31,		
	2023	2022	2021
	<i>(dollars in thousands)</i>		
Participations Purchased			
– FCS Institutions	\$ 63,389	\$ 50,225	\$ 35,270
– Non-FCS Institutions	6,521	277	9,407
Participations Sold	(199,187)	(154,395)	(206,014)
Total	\$ (129,277)	\$ (103,893)	\$ (161,337)

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

CREDIT RISK MANAGEMENT

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

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

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of

income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Regulatory limits allow for real estate mortgage loans in amounts up to 85 percent of the original appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. Appraisals are required for loans of more than \$250 thousand. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

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

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

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

Credit Quality	2023	2022	2021
Acceptable & OAEM	99.32%	99.01%	98.55%
Substandard	0.68%	0.99%	1.45%
Doubtful	–%	–%	–%
Loss	–%	–%	–%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and nonperforming categories. A Special Assets Management Department is responsible for servicing loans classified as nonperforming. Nonperforming assets and related credit quality statistics are detailed below.

Nonperforming Assets	December 31,	
	2023	
	(dollars in thousands)	
Nonaccrual loans	\$	6,861
Accruing loans 90 days or more past due		–
Total nonperforming loans	\$	6,861
Other property owned		33
Total nonperforming assets	\$	6,894
Nonaccrual loans as a percentage of total loans		0.50%
Nonperforming assets as a percentage of total loans and other property owned		0.50%
Nonperforming assets as a percentage of capital		2.44%

Nonperforming Assets	December 31,	
	2022	2021
	(dollars in thousands)	
Nonaccrual loans	\$ 5,043	\$ 6,596
Accruing restructured loans	25,104	24,668
Accruing loans 90 days past due	–	–
Total nonperforming loans	30,147	31,264
Other property owned	–	981
Total nonperforming assets	\$ 30,147	\$ 32,245
Ratios		
Nonaccrual loans to total loans	0.41%	0.58%
Nonperforming assets to total loans and other property owned	2.34%	2.71%
Nonperforming assets as a percentage of capital	10.90%	11.94%

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

Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or future interest accruals, under the contractual terms of the loan. In substance, nonaccrual loans reflect loans where the accrual of interest has been suspended. Nonaccrual loans increased \$1,818 thousand or 36 percent in 2023. This increase is primarily caused by the volume moving into nonperforming begin greater than the volume of nonperforming loans either liquidating in full or returning to the accruing loan portfolio

due to sustained performance. Of the \$6,861 thousand in nonaccrual volume at December 31, 2023, \$4,645 thousand or 68 percent, compared to 43 percent and 46 percent at December 31, 2022 and 2021, respectively, was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status.

Other property owned increased in 2023 from \$0 to \$33 thousand, primarily due to the transfer of one property in late 2023. The Association currently owns one property foreclosed upon in 2023.

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

Allowance for Credit Losses

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 2 and Note 3 of the Notes to the Consolidated Financial Statements. The allowance for credit losses at each period end was considered by Association management to be adequate.

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

Allowance for Credit Losses Activity	Year Ended December 31,		
	2023	2022*	2021*
	(dollars in thousands)		
Allowance for loan losses:			
Beginning balance	\$ 5,767	\$ 6,805	\$ 6,555
Cumulative effect of a change in accounting principle	(2,113)	—	—
Balance at January 1,	3,654	6,805	6,555
Charge-offs:			
Real estate mortgage	(3)	—	—
Production and intermediate-term	(137)	(71)	(553)
Total charge-offs	(140)	(71)	(553)
Recoveries:			
Real estate mortgage	30	29	76
Production and intermediate-term	157	251	130
Total recoveries	187	280	206
Net (charge-offs) recoveries	47	209	(347)
Provision for (reversal of allowance for) loan losses	1,022	(1,247)	597
Balance at end of year	\$ 4,723	\$ 5,767	\$ 6,805
Allowance for unfunded commitments:			
Beginning balance	\$ —	\$ —	\$ —
Cumulative effect of a change in accounting principal	79	—	—
Balance at January 1,	79	—	—
Provision for unfunded commitments	426	—	—
Balance at end of year	505	—	—
Total allowance for credit losses	\$ 5,228	\$ 5,767	\$ 6,805
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.003%	0.017%	(0.032)%

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

Charge-offs were primarily associated with production and intermediate-term loans and largely reflected prior year uncollected interest that was charged off due to uncollectibility. These charge-offs were offset by recoveries on nonaccrual loans that had balances previously charged off.

The allowance for loan losses by loan type for the most recent three years is as follows:

Allowance for Loan Losses by Type	December 31,		
	2023	2022	2021
	(dollars in thousands)		
Real estate mortgage	\$ 3,810	\$ 3,708	\$ 4,146
Production and intermediate-term	766	1,868	2,533
Agribusiness	123	152	92
Rural infrastructure	6	3	—
Rural residential real estate	15	34	33
Other	3	2	1
Total	\$ 4,723	\$ 5,767	\$ 6,805

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

Allowance for Loan Losses as a Percentage of:	December 31,		
	2023	2022	2021
Total loans	0.34%	0.46%	0.59%
Nonperforming loans	68.84%	19.13%	21.77%
Nonaccrual loans	68.84%	114.35%	103.17%

The allowance for unfunded commitments, presented on the consolidated Balance Sheets in Other Liabilities at December 31, 2023, is shown below by loan type:

Allowance for Unfunded Commitments by Type	December 31, 2023	
(dollars in thousands)		
Real estate mortgage	\$	413
Production and intermediate-term		29
Agribusiness		61
Rural residential real estate		1
Other		1
Total	\$	505

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

RESULTS OF OPERATIONS

Net Interest Income

Net interest income was approximately \$41.3 million, \$38.8 million and \$36.0 million in 2023, 2022 and 2021, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income	Volume *	Rate	Total
(dollars in thousands)			
12/31/23 – 12/31/22			
Interest income	\$ 4,614	\$ 10,176	\$ 14,790
Interest expense	2,534	9,771	12,305
Change in net interest income	<u>\$ 2,080</u>	<u>\$ 405</u>	<u>\$ 2,485</u>
12/31/22 – 12/31/21			
Interest income	\$ 6,153	\$ 3,168	\$ 9,321
Interest expense	2,518	4,020	6,538
Change in net interest income	<u>\$ 3,635</u>	<u>\$ (852)</u>	<u>\$ 2,783</u>

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

Noninterest Income

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

Noninterest Income	For the Year Ended			Percentage	
	December 31,			Increase/(Decrease)	
	2023	2022	2021	2023/ 2022	2022/ 2021
	(dollars in thousands)				
Loan fees	\$ 957	\$ 675	\$ 771	41.78 %	(12.45)%
Fees for financially related services	161	66	114	143.94	(42.11)
Patronage refund from other Farm Credit Institutions	10,104	14,454	19,162	(30.10)	(24.57)
Gain on sale of rural home loans, net	111	—	—	—	—
Gains from sales of premises and equipment, net	613	130	62	371.54	109.68
Other noninterest income	66	(72)	191	(191.67)	(137.70)
Total noninterest income	\$ 12,012	\$ 15,253	\$ 20,300	(21.25)%	(24.86)%

Noninterest income decreased 21.25 percent from 2022 to 2023 and decreased 24.86 percent from 2021 to 2022. The majority of noninterest income is related to Patronage refunds from other Farm Credit Institutions, primarily AgFirst Farm Credit Bank. The Association received general patronage in 2023 of \$7,773 thousand compared to \$7,088 thousand in 2022. The special patronage distribution received in 2023 was \$293 thousand compared to \$5,330 thousand in 2022. These are one-time distributions of excess

capital that are not considered to be recurring transactions. The amount of patronage refunds directly correlates to loan volume, as the largest patronage refund from other institutions is the patronage from AgFirst which is based on the average volume of notes payable to AgFirst. Notes payable to AgFirst directly corresponds to loan volume outstanding. Both the general patronage received each year from AgFirst and the Special Patronage received from AgFirst this year is based upon the average volume of notes payable to AgFirst.

Noninterest Expense

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

Noninterest Expense	For the Year Ended December 31,			Percentage Increase/(Decrease)	
	2023	2022	2021	2023/ 2022	2022/ 2021
<i>(dollars in thousands)</i>					
Salaries and employee benefits	\$ 14,178	\$ 14,307	\$ 11,376	(0.90)%	25.76 %
Postretirement Benefits	1,573	1,641	3,502	(4.14)	(53.14)
Occupancy and equipment	1,353	1,081	1,035	25.16	4.44
Insurance Fund premiums	1,761	1,769	1,269	(0.45)	39.40
Losses(Gain) on OPO, net	1	136	(123)	(99.26)	(210.57)
Other operating expense	6,330	5,661	5,082	11.82	11.39
Total noninterest expense	\$ 25,196	\$ 24,595	\$ 22,141	2.44 %	11.08 %

Salaries and employee benefits decreased in 2023, compared to 2022, as a result of decreased salary expense and benefit costs. Postretirement benefits decreased from 2022 to 2023 by \$68 thousand or 4 percent. Refer to Note 9, Employee Benefit Plans, of the Notes to the Consolidated Financial Statements, for further information concerning postretirement benefit expenses.

Insurance Fund premium expense of \$1,761 thousand decreased 0.45 percent for the twelve months ended December 31, 2023, compared to the same period of 2022. The Farm Credit System Insurance Corporation (FCSIC) assessed premium rate for 2023 was 18 basis points on average outstanding debt as compared to 20 basis points in 2022 and 16 basis points in 2021. For 2021, 2022 and 2023 an additional 10 basis points was added to the above premiums for nonaccrual loans.

The Association recorded a net loss on other property owned for 2023 of \$1 thousand and a net loss of \$136 thousand in 2022.

Other operating expense is primarily related to advertising and marketing costs, training and travel costs, communications and data costs, and insurance costs associated with the operation of the Association such as General Liability, Fleet Auto, Blanket Bond, and Director's and Officer's Liability. Other operating expense increased in 2023, compared to 2022, as a result of cost increases from service providers as well as cost of space.

Income Taxes

The Association recorded an income tax provision of \$0 thousand for the year ended December 31, 2023, as compared to a provision of \$10 thousand for 2022 and a provision of \$1 thousand for 2021. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning Association income taxes.

Key Results of Operations Comparisons

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

Key Results of Operations Comparisons	For the 12 Months Ended		
	2023	2022	2021
Return on average assets	1.99%	2.48%	3.01%
Return on average members' equity	9.29%	11.04%	12.74%
Net interest income as a percentage of average earning assets	3.20%	3.22%	3.32%
Net (charge-offs) recoveries to average loans	0.004%	0.017%	(0.032)%

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. To meet this goal, the Association must meet certain objectives. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

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

Total notes payable to the Bank at December 31, 2023, was \$1,114,204 thousand as compared to \$981,101 thousand at December 31, 2022 and \$894,593 thousand at December 31, 2021. The increases of 13.57 percent and 9.7 percent compared to December 31, 2022 and December 31, 2021, respectively, directly corresponds to the level of loan volume of the Association. The average volume of outstanding notes payable to the Bank was \$1,036,446 thousand, \$945,021 thousand, and \$837,595 thousand for the years ended December 31, 2023, 2022, and 2021, respectively. Refer to Note 6, *Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

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

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

Funds Management

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

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

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

Relationship with the Bank

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

The Bank's ability to access capital of the Association is discussed in Note 4, *Equity Investments in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements. On October 27, 2023 the AgFirst Board of Directors approved an increase to the Association Investment in AgFirst from 1.00 percent to 1.50 percent effective October 31, 2023. This resulted in an increase in the equity investment in AgFirst of \$5.9 million to \$20.4 million.

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

CAPITAL RESOURCES

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

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

Total members' equity at December 31, 2023, increased 2.16 percent to \$282,435 thousand from the December 31, 2022 total of \$276,466 thousand. At December 31, 2022 total members' equity increased 2.35 percent from the December 31, 2021 total of \$270,119 thousand. These increases are due to nonrecurring—special patronage from AgFirst in 2022 and 2021 and the amount retained as allocated and unallocated surplus being greater than that revolved and paid out.

Total capital stock and participation certificates were \$4,912 thousand on December 31, 2023, compared to \$4,730 thousand on December 31, 2022 and \$4,653 thousand on December 31, 2021. These increases were attributed to a greater amount of stock issued than retired in the normal course of business.

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations that ensure that the System's capital requirements are comparable with the Basel III framework and the standardized approach of federal banking regulatory agencies. The requirements are based on regulatory ratios as defined by the FCA and include common equity tier 1 (CET1) capital, tier 1 capital, total capital, and tier 1 leverage ratios. The tier 1 leverage ratio must include a minimum unallocated retained earnings (URE) and URE equivalents component. The permanent capital ratio remains in effect under the Farm Credit Act with minor modifications to risk-adjusted assets.

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage ratio and URE and URE equivalents component of the tier 1 leverage ratio do not incorporate any risk-adjusted weighting of assets. These ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgGeorgia exceeded minimum regulatory standards for all of the ratios.

The following sets forth the regulatory capital ratios:

		Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of		
Ratio	Minimum Requirement			2023	2022	2021
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.50%	7.00%	18.95%	21.00%	21.64%
Tier 1 Capital Ratio	6.0%	2.50%	8.50%	18.95%	21.00%	21.64%
Total Capital Ratio	8.0%	2.50%	10.50%	19.33%	21.46%	22.25%
Permanent Capital Ratio	7.0%	0.00%	7.00%	19.02%	21.10%	21.77%
Non-risk-adjusted:						
Tier 1 Leverage Ratio*	4.0%	1.00%	5.00%	19.39%	21.10%	21.81%
UREE Leverage Ratio	1.5%	0.00%	1.50%	15.53%	16.29%	15.86%

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

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

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

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association recorded estimated patronage distributions of \$14,482 thousand in 2023, \$15,295 thousand in 2022 and \$13,068 thousand in 2021.

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

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning** and Small*** farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. The Association exceeded the 3 percent business plan goal for increase in number of YBS loans with a 4.7 percent overall increase in number of YBS loans. The Association also exceeded the 3 percent goal for increase in volume with a 18.0 percent overall increase in volume of YBS loans in 2023.

The 2017 USDA ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts, though the 2017 ag census has made some significant changes in reporting methodology since the 2012 census, while we have not. This methodology change will make it appear as if AgGeorgia has a lower market penetration in the younger farmer category. The census data indicated that within the Association's chartered territory (counties) there were 23,809 reported farmers of which by definition 2,544 or 10.7 percent were Young, 8,278 or 34.8 percent were Beginning, and 20,703 or 86.9 percent were Small. Comparatively, as of December 31, 2023, the demographics of the Association's agricultural portfolio contained 4,856 farmers, of which by definition 946 or 19.48 percent were Young, 2,631 or 54.18 percent were Beginning and 3,737 or 76.96 percent were Small. Thus, Young and Beginning farmers are overall much better represented in the Association's agricultural portfolio than in the chartered territory of the Association, indicative of the Association's marketing efforts towards these groups. Small farmers, however, were recognized as being represented less in the Association portfolio than in the territory.

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association.

	As of December 31, 2023	
	Number of Loans (whole)	Amount of Loans (thousands)
Young	1,338	\$236,926
Beginning	3,317	\$695,508
Small	4,875	\$586,242

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

The Association focuses on education and financial support in helping YBS farmers finance their operations. Educational programs include seminars, speaking opportunities and training sessions, which are conducted throughout the year. These educational opportunities are both in-house, in the form of events held by the Association, and external, in which case, the Association provides a speaker or provides educational materials. In particular, the Association uses its AGAware courses, started in the AgGeorgia territory in 2015, as a way to train and educate YBS farmers in areas such as financial planning, budgeting, succession planning, risk management and other pertinent topics for YBS farmers. The Association also works with Team Agriculture Georgia or TAG to educate young, beginning, and small farmers. The Association website, www.aggeorgia.com, includes an entire section of information and resources for YBS visitors to the site. Educational programs also include those activities in which the Association participates in at local levels as a sponsor (such as 4-H and FFA fairs) or as an exhibitor (such as industry or trade shows).

The focus on financial support addresses the specific credit programs and partnerships that the Association has developed to help small farmers, young farmers, and farmers just starting out. It includes programs such as those offered by the Farm Service Agency (FSA), which includes guaranteed and direct loans to qualifying borrowers. The Association is a "preferred lender," the highest status designated by FSA.

A senior executive oversees the YBS program and coordinates the efforts of other staff members. The Association includes YBS goals in the annual strategic plan, and reports on those goals and achievements to the Board of Directors on a quarterly basis.

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

- * Young farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.
- ** Beginning farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.
- ***Small farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who normally generate less than \$250 thousand in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

REGULATORY MATTERS

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

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

On October 5, 2023, the Farm Credit Administration approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish board reporting requirements. The final rule will become effective on January 1, 2025.

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements for recently adopted accounting pronouncements.

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

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

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

Description of Property

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

Location	Description	Form of Ownership
2857 Miller Ferry Road Calhoun 307010	6.02 Acres in Land Lot 58 15 th District, Gordon County	Owned
1300 East Main Street Cartersville 30120	Branch	Owned
102 Blacksnake Road Clarksville/Mt. Airy 30563	Branch	Owned
1207 South Greer Street Cordele 31015	Branch	Owned
19 Woodlake Drive Chatsworth 30705	Branch	Owned
826 Bellevue Avenue Dublin 31021	Branch	Owned
501 Broad Street Gainesville 30501	Branch	Owned
700 East Villanow Street LaFayette 30728	Branch	Owned
22 5th Avenue, SE Moultrie 31768	Branch	Owned
468 Perry Parkway Perry 31069	Corporate Office & Branch	Owned
504 East Screven Street Quitman 31643	Branch	Owned
701 East Second Avenue Rome 30161	Outpost of Cartersville Branch	Leased*
449 Franklin Springs Street Royston, GA 30662	Branch	Owned
Hobbs Street Royston, GA	3.00 Acres in 1113 th G.M. District, Hart County	Owned
775 Sparta Road Sandersville 31082	Branch	Owned
1601 King Road Tifton 31793	Branch	Owned
U.S. 78, 311 North Bypass Washington 30673	Branch	Owned
176 Highway 80 West Waynesboro 30830	Branch	Owned

**Lease expires 02/28/2024 (\$1,800/month); cancelable with 90 days’ notice.*

Legal Proceedings

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

Description of Capital Structure

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

Description of Liabilities

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

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

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

Senior Officers

The following represents certain information regarding the senior officers of the Association and their business experience for the past five years:

Name and Title	Term of Office	Prior Experience
James R. Crain President & Chief Executive Officer	8/1/2020-present	Carolina Farm Credit Chief Credit Officer from 2018 thru July 2020, and Chief Risk Officer and Director of Credit Administration from 2015 thru 2018
Elizabeth M. Benefield Executive Vice President & General Counsel	2/1/2021-present	Attorney with Husch Blackwell, LLP from 2020-2021 and Carolina Farm Credit General Counsel from 2015 thru 2020
Stephen G. Connelly Executive Vice President & Chief Administrative Officer	6/1/2021-present	AgGeorgia Farm Credit Chief Information & Technology Officer from December 2010 thru June 2021
Corey W. Cottle Executive Vice President & Chief Marketing Officer	5/1/2013-present	
Nicolas M. Hartley Executive Vice President & Chief Lending Officer	9/1/2020-present	AgGeorgia Farm Credit Regional Lending Manager from 2013 thru August 2020
Marissa F. Martin Executive Vice President & Chief Human Resource Officer	9/5/2023-present	Senior Director, People and Talent, North and South America with Stellar Elements, an Amdocs Company, from 2022 thru September 2023. Director of Organizational Development with American AgCredit from 2020 thru 2022. Senior Human Resources Relationship Manager with Farm Credit Mid-America from 2017 thru 2020.
Gerald N. Murkerson, Jr. Executive Vice President & Chief Risk Officer	11/1/2020-present	AgGeorgia Farm Credit Controller from January 2017 thru October 2020
Lisa C. Storm Executive Vice President & Chief Credit Officer	11/1/2022-present	AgGeorgia Farm Credit Regional Credit Administrator from February 2012 thru October 2022.
Brandie L. Thompson Executive Vice President & Chief Financial Officer	11/1/2020-present	AgGeorgia Farm Credit Chief Risk Officer and Risk Manager from December 2016 thru October 2020.

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

Name of Individual or Number in Group	Year	Salary	Bonus*	Change in Pension Value†	Deferred Comp.	Perquisite/Other**	Total
James R. Crain	2023	\$ 375,000	\$ 144,375	\$ —	\$ —	\$ 54,763	\$ 574,138
James R. Crain	2022	\$ 350,000	\$ 140,000	\$ —	\$ —	\$ 58,196	\$ 548,196
James R. Crain	2021	\$ 330,009	\$ 115,000	\$ —	\$ —	\$ 42,307	\$ 487,316
9 Officers/HCE	2023	\$ 1,365,896	\$ 431,006	\$ 226,606	\$ 3,224	\$ 167,565	\$ 2,194,297
10(a) Officers/HCE	2022	\$ 1,608,414	\$ 581,526	\$ (551,569)	\$ —	\$ 247,208	\$ 1,885,579
9 Officers/HCE	2021	\$ 1,420,731	\$ 397,123	\$ 135,962	\$ —	\$ 149,931	\$ 2,103,747

*2023 Bonus includes estimated payouts under the 2023 Incentive Plan that will be paid after the issuance of the 2023 Annual Report

**Primarily comprised of group life insurance premiums, employer contributions to 401K, and automobile compensation.

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

(a) Includes one senior officer who retired from the Association as of 12/31/2022.

The disclosure of information on the total compensation paid during 2023 to any senior officer or to any other employee included in the aggregate group total as reported in the table above is available and will be disclosed to the shareholders of the institution upon request.

Pension Benefits Table
As of December 31, 2023

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2023
Senior Officers and Highly Compensated Employees:					
2 Officers, excluding the CEO	2023	AgFirst Retirement Plan	22.8	\$ 1,294,178	\$ –
				\$ 1,294,178	\$ –

**Represents the average years of credited service for the group*

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

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

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

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

Section 415 of the Internal Revenue Code (Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. This limitation on annual benefit restricts highly compensated employees from receiving their full pension benefit relative to others under a defined benefit plan.

In order to provide former CEOs with a pension commensurate with their years of service, performance and salary, the board of directors elected to add them to a Supplemental Executive Retirement Plan (SERP) to make their total pension calculation equivalent to an employee not subject to the limitation of IRS Section 415. A SERP is a deferred compensation agreement between the employer and the key executive whereby the employer agrees to provide supplemental retirement income to the executive if certain pre-agreed eligibility and vesting conditions are met by the executive.

CEO and Senior Officer Compensation

The Association strives to award compensation in a manner that is competitive in the market place, encourages retention and rewards employees for quantitative results-based performance metrics. Each year, the Compensation Committee reviews market studies for key positions to determine if the Association's compensation packages for the CEO and Senior Officers are in line with the market for those positions. A grading system ranks positions in pay ranges where the mid-point of the range is considered to be the market salary for that position.

The CEO's compensation package consists of a base salary, benefits and incentive opportunity. Compensation increases are awarded on an annual basis, and are based upon the Association's financial performance in the areas of financial and operations, credit, audit, appraisal, marketing and business development and human resources. These metrics are determined by Association performance standards set each year by the Board of Directors, and actual performance is measured against those standards. Financial and operations metrics include net income performance to budget, return on assets, return on equity, capital ratios and efficiency ratios. Credit, audit and appraisal metrics include credit quality, nonearning assets as a percentage of total assets, credit administration, delinquency ratio, and appraisal quality. Marketing and Development metrics include loan growth and results of an annual customer satisfaction survey, which are measured against the budget and standard set for those metrics. The human resources metric is budgeted personnel costs, and actual performance is measured against that budget amount. Performance versus metrics is measured annually and discussed each February by the Board Compensation Committee. Any salary increase for the CEO is determined by the Compensation Committee, and any increase awarded is paid retroactively to January 1st.

The CEO administers, but does not participate in the Incentive Plan in which all other employees, including the Senior Officers, participate. The CEO's incentive is determined solely at the discretion of the Board of Directors. Factors that may be considered in

awarding the CEO an incentive are performance of the Association, and market studies of incentives granted by similar size associations and companies. CEO incentive is typically awarded by the Compensation Committee and paid at the same time other Association employees are paid per the stipulations in the Incentive Plan.

The Senior Officers' compensation also consists of base salary, benefits, and incentive. Senior Officer compensation is administered annually, and increases are based on meeting qualitative and quantitative performance standards set forth each year. Senior Officers are measured by essentially the same standards as the CEO. Actual performance against metrics such as return on assets, return on equity, capital ratios, credit quality, delinquency ratios, loan growth, credit administration and nonearning assets to total assets are the basis for determining pay increases for this group. Senior officer compensation is reviewed annually in March, and any increases awarded are paid retroactively to January 1st. Senior Officers participate in the same incentive plan as other Association employees, as detailed below.

The Association's CEO and Senior Officers participate in various employee benefit plans that are available to all employees under the same terms and conditions. These include health insurance, life insurance, dental insurance, and pension benefits. Because the CEO and Senior Officers receive these benefits on the same basis as other employees, they are not determined separately by the Compensation Committee for the CEO and Senior Officers.

The Incentive Plan is based on a fiscal year and is designed to motivate employees to exceed performance targets established by the Board of Directors. The Incentive Plan period is January 1, 2023 through December 31, 2023, and all employees eligible for benefits were eligible under this plan except as shown below.

- ❖ The Association CEO will administer all parts of the AgGeorgia Incentive Plan and will, therefore, not be eligible for distributions under any part of the plan. CEO bonus and/or incentive payments will be recommended by the Compensation Committee and approved by the Board of Directors.
- ❖ The Incentive Plan is divided into three distinct plans – the Administrative Plan which includes all employees, the Individual Plan which includes lending staff and the Discretionary Plan which is at the discretion of the CEO.
- ❖ A combined payment to an individual employee under the plan shall not exceed 40 percent of base salary.

The Administrative Plan is based on key performance indicators such as return on assets, customer service, credit quality and growth in accruing loan volume. It is a tiered plan, with higher earning opportunities for those not included in the Individual plan. The Individual Plan is based on each individual's goals and standards of performance. Once a covered individual reaches their standard, they begin earning incentive for that criteria.

The Administrative Plan and the Individual Plan will be paid during March 2023 when final numbers are calculated.

Additionally, all employees are reimbursed for all direct travel expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

Directors

The following section represents the Board of Directors as of December 31, 2023. The below chart details the year the director began serving on the board and the current term of expiration:

DIRECTOR	ORIGINAL YEAR OF ELECTION OR APPOINTMENT	CURRENT TERM EXPIRATION
Jack W. Bentley, Jr., Chairperson	1985	2026
Glee C. Smith, Outside Director , Vice-Chairperson	2013	2/2027
R. Brian Grogan	2018	2023*
Guy A. Daughtrey	2001	2024
Robert Bradham "Brad" Edenfield	2023	2026
Robert "Bobby" G. Miller,	1991	2025
Richard D. "Dave" Neff, Outside Director	2002	2/2025
J. Dan Raines, Jr.	1981	2024
Joe A. "Al" Rowland	2018	2026
David H. Smith	1991	2023
George Teel Warbington	2021	2024
Henry C. "Clint" Wortman, Jr.	2022	2023*
Franklin B. Wright	1991	2024
Patti B. York	2021	2025

*Director re-elected to a four (4) year term expiring 12/31/2026.

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Unless specifically listed, the principal occupation of the board member for the past five years has been as a self-employed farmer.

Jack W. Bentley, Jr., Chairperson, is owner/operator of A & J Dairy. He also serves on the boards of AgFirst Farm Credit Bank (cooperative banking services); the American Dairy Association of Georgia (trade association and milk promotion); the Wilkes County

Farm Bureau (insurance sales and ag promotion and development), Lonestar Milk Producers (milk production), and the USDA FSA (government farm program).

Glee C. Smith, Outside Director, Vice-Chairperson is a private practice attorney, and owner/president of GCS Enterprises, Inc. (rental property). Ms. Smith also serves on the board of WorkSource Georgia (workforce training) and Randolph-Macon College.

R. Brian Grogan, is a broiler producer, has an angus/sim-angus operation, and grows feed corn, hay and forage.

Guy A. Daughtrey is a pecan and timber grower. After 38 years of service, he retired as an auditor from Southern Company (regional energy company) in 2020. He serves on the South Georgia Regional Commission Board (an 18 county, 45 city regional intergovernmental coordination and long-term planning agency). Mr. Daughtrey is the Association's Financial Expert appointed by the board.

Robert Bradham "Brad" Edenfield is a row crop farmer growing corn, cotton, and peanuts; owns and maintains a heard of registered Brown Swiss dairy replacement heifers; and maintains a small commercial 4-H sheep herd. Mr. Edenfield is co-owner and operator of multiple business entities, to include RT Farms, Inc., Beechwood Heritage Farms, LLC, Peach Heritage Farms, LLC, and Edenfield Heritage Farms, LLC. Mr. Edenfield serves on the board of the Burke County Farm Bureau (insurance broker, ag promotion and development), as an advisory committee member of the Georgia Farm Bureau – State Commodity Advisory Committee for Peanuts (peanut industry promotion and policy development), and a member of the National Brown Swiss Association.

Robert "Bobby" G. Miller has a cow-calf operation and manages rental properties and real estate. He serves as manager on the boards of H. R. Miller, LLC, RGM Foothills Properties, LLC, Jebiha, LLC, and EliEm Legacy, LLC (commercial and residential rentals and real estate).

Richard D. "Dave" Neff, Outside Director, retired from International Poultry Breeders/Wincorp International, Inc. in November 2018, where he served as poultry industry marketing and business development executive.

J. Dan Raines, Jr., has a timber operation.

Joe A. "Al" Rowland is a row crop farmer growing cotton, peanuts, rye and hay, and operates a small-scale trucking company that transports agricultural products. He serves on the board of the Johnson County Farm Bureau (insurance broker, ag promotion and development).

David H. Smith is row crop farmer growing cotton and is an owner/operator of Tri County Gin, LLC (cotton ginning/processing), Carroll Fertilizer, LLC (commercial and residential fertilizer production and sales), and Smith Farms Partnership (row crop operations).

George Teel Warbington is a row crop farmer growing cotton, peanuts and corn and produces timber and pecans. He is the president, partner and/or member of multiple business entities to include Warbington Farms Partnership, Warbington Farms, Inc, Warbingsons GP, AgServ, Inc., Dooly Farm Mfg. Co., and Agriventures, LLC. Mr. Warbington serves on the boards of The Cotton Board (cotton industry research and promotion) and Dooly County Farm Bureau (insurance broker, ag promotion and development).

Henry C. "Clint" Wortman, Jr. is a row crop farmer growing corn, soybeans, peanuts and cotton. Mr. Wortman also has a pecan operation, beef cow commercial operation, and grows timber. He is owner/operator of Jackson & Wortman, LLC.

Franklin B. Wright is a dairy farmer and works in general dairy products and agritourism. He also serves on the boards of Wright Development, Inc. (land development), and the Gilmer County Farm Bureau (insurance broker, ag promotion and development).

Patti B. York is a poultry farmer, beef cattle/sheep producer, and is owner/operator of JSK Farms, Inc. She serves on the boards of Hart County Farm Bureau (insurance broker, ag promotion and development) and Hart County Water and Sewer Authority (water and sewer planning).

Director Compensation

Directors are paid a monthly retainer fee of \$2,167. The Board Chairperson receives an additional monthly retainer fee of \$417 and directors servicing in the capacity of Committee Chairperson for the Audit Committee, Governance Committee, Risk Committee and Compensations committees receive an additional monthly retainer fee of \$208. Directors of the AgGeorgia Farm Credit Board who are appointed to represent the Association on the Legislative Advisory Committee and District Advisory Committee are compensated \$650 per in person meeting, \$400 per virtual meeting and \$300 per travel day, where travel is required to occur on a separate day from the meeting. Total compensation paid to directors as a group was \$400 thousand for 2023, compared to \$396 thousand for 2022. No director received more than \$5,000 in non-cash compensation during the year.

The following chart details the number of meetings, other activities and additional compensation paid for other activities (if applicable) for each director:

Name of Director	Days Served		Committee Assignments	Comp. Paid for other Activities*	Monthly Retainer and Regular Meeting Compensation	Total Compensation for 2023
	Regular Board Meetings	Other Official Activities*				
Jack W. Bentley, Jr <i>Board Chairperson</i>	7	18	Credit Review, Audit, Budget, Compensation, Risk, Governance, Ad Hoc Building	\$ —	\$ \$31,000	\$ \$31,000
Glee C. Smith <i>Outside Director</i> <i>Board Vice-Chairperson</i>	7	26	Credit Review, Budget, Governance, Risk	4,850	26,000	30,850
Thomas I. Braziel	3	12			10,978	10,978
Guy A. Daughtrey	7	21	Credit Review, Audit (Financial Expert), Risk, Ad Hoc Building		28,500	28,500
Robert Bradham “Brad” Edenfield	7	31	Credit Review, Audit, Ad Hoc Building		26,000	26,000
R. Brian Grogan	7	19	Credit Review, Budget, Compensation, Risk, Ad Hoc Building	600	29,100	29,700
Robert “Bobby” G. Miller	7	21	Credit Review, Audit, Compensation, Ad Hoc Building		26,000	26,000
Richard D. “Dave” Neff <i>Outside Director</i>	7	24	Credit Review, Budget, Risk		26,000	26,000
J. Dan Raines, Jr.	6	15	Credit Review, Audit, Budget		26,000	26,000
Joe A. “Al” Rowland	7	21	Credit Review, Compensation, Governance, Risk	3,650	29,100	32,750
David H. Smith	4	5	Credit Review, Budget, Ad Hoc Building		26,150	26,150
George Teel Warbington	7	28	Credit Review, Audit, Compensation, Risk		26,000	26,000
Henry C. “Clint” Wortman, Jr.	6	18	Credit Review, Compensation, Governance		26,000	26,000
Franklin B. Wright	7	18	Credit Review, Compensation, Governance, Risk		28,500	28,500
Patti B. York	7	33	Credit Review, Audit, Governance		26,000	26,000
				\$ 9,100	\$ \$391,328	\$ \$400,428

*Includes board committee meetings and other board activities other than regular board meetings.

Directors are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the expense policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was \$337,519 for 2023, \$253,583 for 2022, and \$114,138 for 2021.

Transactions with Senior Officers and Directors

The reporting entity’s policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report. There have been no transactions between the Association and senior officers or directors which require reporting per FCA regulations.

Involvement in Certain Legal Proceedings

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

Relationship with Independent Auditors

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

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

	2023
<i>Independent Auditors</i>	
PricewaterhouseCoopers LLP	
Audit services	\$ 125,130
Total	\$ 125,130

Audit fees were for the annual audit of the Consolidated Financial Statements. There were no non audit services provided by the Association's independent auditors during 2023. All nonaudio service fees incurred by the Association require approval by the Audit Committee.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 7, 2024 and the report of management, which appear in this Annual Report, are incorporated herein by reference. Copies of the Association's Annual and Quarterly reports are available upon request free of charge by calling 800-768-3276, Ext. 113 or writing Brandie L. Thompson, Chief Financial Officer, P.O. Box 1820, Perry, GA 31069 or accessing the web site, www.aggeorgia.com. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

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

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

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

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

Shareholder Investment

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

Report of the Audit Committee

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

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

PricewaterhouseCoopers LLP (PwC), the Association's Independent Auditors for 2023, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 (*The Auditor's Communication With Those Charged With Governance*).

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

/s/ Guy Daughtrey
Chairperson of the Audit Committee

Members of Audit Committee

R. Brian Grogan
Joe A. Rowland
George Teel Warbington
Henry Clint Wortman, Jr.
Franklin B. Wright

March 7, 2024



Report of Independent Auditors

To the Management and Board of Directors of AgGeorgia Farm Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of



assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Other Information

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

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

Charlotte, North Carolina
March 7, 2024

Consolidated Balance Sheets

(dollars in thousands)	December 31,		
	2023	2022	2021
Assets			
Cash	\$ 93	\$ 10	\$ 11
Loans	1,378,546	1,242,615	1,145,944
Allowance for loan losses	(4,723)	(5,767)	(6,805)
Net loans	1,373,823	1,236,848	1,139,139
Loans held for sale	72	—	—
Accrued interest receivable	16,634	14,122	11,063
Equity investments in other Farm Credit institutions	21,672	15,818	9,911
Premises and equipment, net	17,214	12,708	9,649
Other property owned	33	—	981
Accounts receivable	9,937	8,967	19,079
Other assets	1,959	1,933	2,074
Total assets	\$ 1,441,437	\$ 1,290,406	\$ 1,191,907
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 1,114,204	\$ 981,101	\$ 894,593
Accrued interest payable	3,915	2,669	1,774
Patronage refunds payable	15,751	16,573	14,424
Accounts payable	2,207	2,023	1,559
Advanced conditional payments	12,298	—	—
Other liabilities	10,627	11,574	9,438
Total liabilities	1,159,002	1,013,940	921,788
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	4,912	4,730	4,653
Retained earnings			
Allocated	48,272	56,491	65,912
Unallocated	229,156	215,103	199,971
Accumulated other comprehensive income (loss)	95	142	(417)
Total members' equity	282,435	276,466	270,119
Total liabilities and members' equity	\$ 1,441,437	\$ 1,290,406	\$ 1,191,907

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31,		
	2023	2022	2021
Interest Income			
Loans	\$ 79,753	\$ 64,963	\$ 55,642
Interest Expense	38,478	26,173	19,635
Net interest income	41,275	38,790	36,007
Provision for (reversal of) allowance for credit losses	1,448	(1,247)	597
Net interest income after provision for (reversal of) allowance for credit losses	39,827	40,037	35,410
Noninterest Income			
Loan fees	957	675	771
Fees for financially related services	161	66	114
Patronage refunds from other Farm Credit institutions	10,104	14,454	19,162
Gains (losses) on sales of rural home loans, net	111	—	—
Gains (losses) on sales of premises and equipment, net	613	130	62
Gains (losses) on other transactions	57	(74)	190
Other noninterest income	9	2	1
Total noninterest income	12,012	15,253	20,300
Noninterest Expense			
Salaries and employee benefits	15,751	15,948	14,878
Occupancy and equipment	1,353	1,081	1,035
Insurance Fund premiums	1,761	1,769	1,269
Purchased services	1,117	990	1,078
Data processing	271	282	300
Other operating expenses	4,942	4,389	3,704
(Gains) losses on other property owned, net	1	136	(123)
Total noninterest expense	25,196	24,595	22,141
Income before income taxes	26,643	30,695	33,569
Provision for income taxes	—	10	—
Net income	\$ 26,643	\$ 30,685	\$ 33,569
Other comprehensive income net of tax			
Employee benefit plans adjustments	(47)	559	82
Comprehensive income	\$ 26,596	\$ 31,244	\$ 33,651

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2020	\$ 4,515	\$ 71,535	\$ 180,347	\$ (499)	\$ 255,898
Comprehensive income			33,569	82	33,651
Capital stock/participation certificates issued/(retired), net	138				138
Patronage distribution					
Cash			(13,068)		(13,068)
Retained earnings retired		(6,229)			(6,229)
Patronage distribution adjustment		606	(877)		(271)
Balance at December 31, 2021	\$ 4,653	\$ 65,912	\$ 199,971	\$ (417)	\$ 270,119
Comprehensive income			30,685	559	31,244
Capital stock/participation certificates issued/(retired), net	77				77
Patronage distribution					
Cash			(15,295)		(15,295)
Retained earnings retired		(9,421)			(9,421)
Patronage distribution adjustment			(258)		(258)
Balance at December 31, 2022	\$ 4,730	\$ 56,491	\$ 215,103	\$ 142	\$ 276,466
Cumulative effect of change in accounting principle			2,034		2,034
Comprehensive income			26,643	(47)	26,596
Capital stock/participation certificates issued/(retired), net	182				182
Patronage distribution					
Cash			(14,482)		(14,482)
Retained earnings retired		(8,219)			(8,219)
Patronage distribution adjustment			(142)		(142)
Balance at December 31, 2023	\$ 4,912	\$ 48,272	\$ 229,156	\$ 95	\$ 282,435

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 26,643	\$ 30,685	\$ 33,569
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	796	681	701
Amortization (accretion) of net deferred loan costs (fees)	(662)	(789)	(800)
Provision for (reversal of) allowance for credit losses	1,448	(1,247)	597
(Gains) losses on other property owned	(9)	111	(160)
(Gains) losses on sales of premises and equipment, net	(613)	(130)	(62)
(Gains) losses on sales of rural home loans, net	(111)	—	—
(Gains) losses on other transactions	(57)	74	(190)
Changes in operating assets and liabilities:			
Origination of loans held for sale	(2,839)	—	—
Proceeds from sales of loans held for sale, net	2,878	—	—
(Increase) decrease in accrued interest receivable	(2,512)	(3,059)	228
(Increase) decrease in accounts receivable	(970)	10,112	(4,484)
(Increase) decrease in other assets	(26)	141	(106)
Increase (decrease) in accrued interest payable	1,246	895	262
Increase (decrease) in accounts payable	184	464	(1,028)
Increase (decrease) in other liabilities	(1,443)	2,621	(3,057)
Total adjustments	(2,690)	9,874	(8,099)
Net cash provided by (used in) operating activities	23,953	40,559	25,470
Cash flows from investing activities:			
Net (increase) decrease in loans	(135,254)	(95,412)	(180,363)
(Increase) decrease in equity investments in other Farm Credit institutions	(5,854)	(5,907)	305
Purchases of premises and equipment	(5,823)	(3,759)	(869)
Proceeds from sales of premises and equipment	1,133	149	97
Proceeds from sales of other property owned	9	609	746
Net cash provided by (used in) investing activities	(145,789)	(104,320)	(180,084)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	133,103	86,508	165,340
Net increase (decrease) in advanced conditional payments	12,298	—	—
Capital stock and participation certificates issued/(retired), net	182	77	138
Patronage refunds and dividends paid	(15,445)	(13,404)	(4,934)
Retained earnings retired	(8,219)	(9,421)	(6,229)
Net cash provided by (used in) financing activities	121,919	63,760	154,315
Net increase (decrease) in cash	83	(1)	(299)
Cash, beginning of period	10	11	310
Cash, end of period	\$ 93	\$ 10	\$ 11
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	\$ —	\$ 873	\$ —
Receipt of property in settlement of loans	33	612	1,260
Estimated cash dividends or patronage distributions declared or payable	14,482	15,295	13,068
Cumulative effect of change in accounting principle	2,034	—	—
Employee benefit plans adjustments (Note 9)	47	(559)	(82)
Supplemental information:			
Interest paid	\$ 37,233	\$ 25,278	\$ 19,373
Taxes (refunded) paid, net	—	—	21

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

- A. **Organization:** AgGeorgia Farm Credit, ACA (Association or AgGeorgia) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brooks, Burke, Catoosa, Chattooga, Cherokee, Clarke, Cobb, Colquitt, Columbia, Cook, Crawford, Crisp, Dade, Dawson, Dodge, Dooley, Echols, Elbert, Fannin, Floyd, Forsyth, Franklin, Gilmer, Glascock, Gordon, Habersham, Hall, Hancock, Hart, Houston, Irwin, Jackson, Jefferson, Johnson, Jones, Lanier, Laurens, Lincoln, Lowndes, Lumpkin, Macon, Madison, McDuffie, Murray, Oglethorpe, Paulding, Peach, Pickens, Polk, Pulaski, Rabun, Richmond, Stephens, Taliaferro, Taylor, Telfair, Tift, Towns, Treutlen, Turner, Twiggs, Union, Walker, Warren, Washington, White, Whitfield, Wilcox, Wilkes, Wilkinson and Worth in the state of Georgia.

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

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

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

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

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

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

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

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

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

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

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

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

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

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

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

Also adopted effective January 1, 2023, was the updated guidance entitled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure." This guidance was applied on a prospective basis. This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors.

The following table presents the impact to the allowance for credit losses and retained earnings upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL Adoption Impact	January 1, 2023
Assets:			
Allowance for loan losses	\$ 5,767	\$ (2,113)	\$ 3,654
Liabilities:			
Allowance for credit losses on unfunded commitments	\$ –	\$ 79	\$ 79
Retained earnings:			
Unallocated retained earnings	\$ 215,103	\$ 2,034	\$ 217,137

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

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

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

deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The Association adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Collateral Dependent Loans

Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, the Association adopted the fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses

Beginning January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

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

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

Methodology for Allowance for Credit Losses on Loans

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

The Association employs a disciplined process and methodology to establish its allowance for loan losses that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the ACL.

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

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

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

The component of the allowance for loan losses also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

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

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

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled allowance for loan loss results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowance for loan losses, which included, but were not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in Other Liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the allowance for loan losses methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

- D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.
- E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.
- F. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

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

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

Equity Investments in Other Farm Credit System Institutions

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

Other Investments

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

Investment Income

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

- H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower

has unrestricted access are presented as liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

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

Defined Contribution Plans

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

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

Additional information may be found in Note 9.

Multiemployer Defined Benefit Plans

Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

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

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

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

Single Employer Defined Benefit Plan

The Association also sponsors a single employer defined benefit supplemental retirement plan for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements.

Additional information may be found in Note 9.

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

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

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

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

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50

percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

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

L. Valuation Methodologies: FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It prescribes three levels of inputs that may be used to measure fair value.

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

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

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

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

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

Additional information may be found in Note 8.

M. Off-Balance-Sheet Credit Exposures: The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

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

Financial Instruments

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

Contracts with Customers

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

Gains and Losses from Nonfinancial Assets

Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met,

the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

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

Lessee

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

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

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

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

Lessor

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

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

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

Note 3 — Loans and Allowance for Credit Losses

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

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

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

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

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

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental

agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.

- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Real estate mortgage	\$ 1,098,808	\$ 978,391	\$ 878,326
Production and intermediate-term	203,988	210,509	218,536
Agribusiness:			
Loans to cooperatives	1,818	1,985	2,071
Processing and marketing	37,900	26,283	28,224
Farm-related business	6,698	3,287	2,992
Rural infrastructure:			
Communication	6,667	3,889	—
Power and water/waste disposal	2,756		
Rural residential real estate	18,024	15,601	13,906
Other:			
International	1,887	2,670	1,889
Total loans	\$ 1,378,546	\$ 1,242,615	\$ 1,145,944

A substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

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

December 31, 2023

	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations	Participations	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 18,104	\$ 92,217	\$ —	\$ —	\$ —	\$ —	\$ 18,104	\$ 92,217
Production and intermediate-term	14,031	5,763	—	—	—	—	14,031	5,763
Agribusiness	19,911	101,207	6,521	—	—	—	26,432	101,207
Rural infrastructure	9,450	—	—	—	—	—	9,450	—
Other	1,893	—	—	—	—	—	1,893	—
Total	\$ 63,389	\$ 199,187	\$ 6,521	\$ —	\$ —	\$ —	\$ 69,910	\$ 199,187

December 31, 2022

	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations	Participations	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 10,356	\$ 77,676	\$ —	\$ —	\$ —	\$ —	\$ 10,356	\$ 77,676
Production and intermediate-term	17,423	14,253	277	—	—	—	17,700	14,253
Agribusiness	15,870	62,466	—	—	—	—	15,870	62,466
Rural infrastructure	3,900	—	—	—	—	—	3,900	—
Other	2,676	—	—	—	—	—	2,676	—
Total	\$ 50,225	\$ 154,395	\$ 277	\$ —	\$ —	\$ —	\$ 50,502	\$ 154,395

December 31, 2021

	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations	Participations	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 9,626	\$ 76,579	\$ 46	\$ —	\$ —	\$ —	\$ 9,672	\$ 76,579
Production and intermediate-term	7,663	15,098	1,131	—	—	—	8,794	15,098
Agribusiness	14,859	114,337	52	—	9,407	—	24,318	114,337
Other	1,894	—	—	—	—	—	1,894	—
Total	\$ 34,042	\$ 206,014	\$ 1,229	\$ —	\$ 9,407	\$ —	\$ 44,678	\$ 206,014

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

	December 31,		
	2023	2022*	2021*
Real estate mortgage:			
Acceptable	98.76%	98.51%	97.39%
OAEM	0.87	0.92	1.86
Substandard/doubtful/loss	0.37	0.57	0.75
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	96.39%	94.99%	93.70%
OAEM	1.01	1.78	1.73
Substandard/doubtful/loss	2.60	3.23	4.57
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	97.46%	100.00%	100.00%
OAEM	2.54	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	—%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	—%
Rural residential real estate:			
Acceptable	98.80%	98.53%	98.19%
OAEM	1.20	1.47	1.72
Substandard/doubtful/loss	—	—	0.09
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	98.37%	97.96%	96.77%
OAEM	0.95	1.05	1.78
Substandard/doubtful/loss	0.68	0.99	1.45
	100.00%	100.00%	100.00%

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

Accrued interest receivable on loans of \$16,634, \$14,122, and \$11,063 at December 31, 2023, 2022, and 2021, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	December 31, 2023				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 4,647	\$ 968	\$ 5,615	\$ 1,093,193	\$ 1,098,808
Production and intermediate-term	1,705	839	2,544	201,444	203,988
Agribusiness	92	—	92	46,324	46,416
Rural infrastructure	—	—	—	9,423	9,423
Rural residential real estate	260	—	260	17,764	18,024
Other	—	—	—	1,887	1,887
Total	\$ 6,704	\$ 1,807	\$ 8,511	\$ 1,370,035	\$ 1,378,546

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

December 31, 2022						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 7,249	\$ 756	\$ 8,005	\$ 980,478	\$ 988,483	
Production and intermediate-term	648	1,448	2,096	212,174	214,270	
Agribusiness	—	—	—	31,746	31,746	
Rural infrastructure	—	—	—	3,890	3,890	
Rural residential real estate	388	—	388	15,269	15,657	
Other	—	—	—	2,691	2,691	
Total	\$ 8,285	\$ 2,204	\$ 10,489	\$ 1,246,248	\$ 1,256,737	

December 31, 2021						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 3,409	\$ 771	\$ 4,180	\$ 881,882	\$ 886,062	
Production and intermediate-term	1,156	2,206	3,362	218,320	221,682	
Agribusiness	52	—	52	33,374	33,426	
Rural residential real estate	204	12	216	13,730	13,946	
Other	—	—	—	1,891	1,891	
Total	\$ 4,821	\$ 2,989	\$ 7,810	\$ 1,149,197	\$ 1,157,007	

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

December 31, 2023		
Nonaccrual loans:		
Real estate mortgage	\$	1,895
Production and intermediate-term		4,966
Total	\$	6,861
Accruing loans 90 days or more past due:		
Total	\$	—
Total nonperforming loans	\$	6,861
Other property owned		33
Total nonperforming assets	\$	6,894
Nonaccrual loans as a percentage of total loans		0.50%
Nonperforming assets as a percentage of total loans and other property owned		0.50%
Nonperforming assets as a percentage of capital		2.44%

	December 31, 2022*	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	\$ 2,530	\$ 2,542
Production and intermediate-term	2,513	4,042
Rural residential real estate	—	12
Total	\$ 5,043	\$ 6,596
Accruing restructured loans:		
Real estate mortgage	\$ 15,934	\$ 17,684
Production and intermediate-term	9,165	6,975
Rural residential real estate	5	9
Total	\$ 25,104	\$ 24,668
Accruing loans 90 days or more past due:		
Total	\$ —	\$ —
Total nonperforming loans	\$ 30,147	\$ 31,264
Other property owned	—	981
Total nonperforming assets	\$ 30,147	\$ 32,245
Nonaccrual loans as a percentage of total loans	0.41%	0.58%
Nonperforming assets as a percentage of total loans and other property owned	2.43%	2.81%
Nonperforming assets as a percentage of capital	10.90%	11.94%

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

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

Nonaccrual loans:	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	\$ 337	\$ 1,558	\$ 1,895	\$ 264
Production and intermediate-term	440	4,526	4,966	693
Total	\$ 777	\$ 6,084	\$ 6,861	\$ 957

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 2. A summary of changes in the allowance for credit losses by portfolio segment is as follows:

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses:							
Balance at December 31, 2022	\$ 3,708	\$ 1,868	\$ 152	\$ 3	\$ 34	\$ 2	\$ 5,767
Cumulative effect of a change in accounting principle	(1,040)	(963)	(85)	(1)	(23)	(1)	(2,113)
Balance at January 1, 2023	\$ 2,668	\$ 905	\$ 67	\$ 2	\$ 11	\$ 1	\$ 3,654
Charge-offs	(3)	(137)	—	—	—	—	(140)
Recoveries	30	157	—	—	—	—	187
Provision for loan losses	1,115	(159)	56	4	4	2	1,022
Balance at December 31, 2023	\$ 3,810	\$ 766	\$ 123	\$ 6	\$ 15	\$ 3	\$ 4,723
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cumulative effect of a change in accounting principle	1	25	53	—	—	—	79
Balance at January 1, 2023	\$ 1	\$ 25	\$ 53	\$ —	\$ —	\$ —	\$ 79
Provision for unfunded commitments	412	4	8	—	1	1	426
Balance at December 31, 2023	\$ 413	\$ 29	\$ 61	\$ —	\$ 1	\$ 1	\$ 505
Total allowance for credit losses	\$ 4,223	\$ 795	\$ 184	\$ 6	\$ 16	\$ 4	\$ 5,228
Allowance for Loan Losses*:							
Balance at December 31, 2021	\$ 4,146	\$ 2,533	\$ 92	\$ —	\$ 33	\$ 1	\$ 6,805
Charge-offs	—	(71)	—	—	—	—	(71)
Recoveries	29	251	—	—	—	—	280
Provision for loan losses	(467)	(845)	60	3	1	1	(1,247)
Balance at December 31, 2022	\$ 3,708	\$ 1,868	\$ 152	\$ 3	\$ 34	\$ 2	\$ 5,767
Balance at December 31, 2020	\$ 2,570	\$ 3,894	\$ 74	\$ —	\$ 16	\$ 1	\$ 6,555
Charge-offs	—	(553)	—	—	—	—	(553)
Recoveries	76	130	—	—	—	—	206
Provision for loan losses	1,500	(938)	18	—	17	—	597
Balance at December 31, 2021	\$ 4,146	\$ 2,533	\$ 92	\$ —	\$ 33	\$ 1	\$ 6,805

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

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

Loans held for sale were \$72, \$0, and \$0 at December 31, 2023, 2022, and 2021, respectively. Such loans are carried at the lower of cost or fair value.

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program, were borrower-specific, and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

The following tables present additional information regarding troubled debt restructurings that occurred during the period:

Year Ended December 31, 2022*					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 315	\$ 176	\$ —	\$ 491	
Production and intermediate-term	—	5,991	—	5,991	
Total	\$ 315	\$ 6,167	\$ —	\$ 6,482	
Post-modification:					
Real estate mortgage	\$ 315	\$ 179	\$ —	\$ 494	\$ —
Production and intermediate-term	—	5,997	—	5,997	—
Total	\$ 315	\$ 6,176	\$ —	\$ 6,491	\$ —

Year Ended December 31, 2021*					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ 1,595	\$ 5,549	\$ —	\$ 7,144	
Production and intermediate-term	1,425	998	—	2,423	
Total	\$ 3,020	\$ 6,547	\$ —	\$ 9,567	
Post-modification:					
Real estate mortgage	\$ 1,606	\$ 5,687	\$ —	\$ 7,293	\$ —
Production and intermediate-term	1,425	1,051	—	2,476	(8)
Total	\$ 3,031	\$ 6,738	\$ —	\$ 9,769	\$ (8)

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

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets. The majority of AgGeorgia's principal concessions are principal deferments. The post-modification balances for principal deferments may include fees that have been financed, which may cause the post-modification balances to be higher than the pre-modification balances.

There were no outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	December 31,		December 31,	
	2022*	2021*	2022*	2021*
Real estate mortgage	\$ 16,207	\$ 17,991	\$ 273	\$ 307
Production and intermediate-term	10,674	9,268	1,509	2,293
Rural residential real estate	5	9	—	—
Total loans	\$ 26,886	\$ 27,268	\$ 1,782	\$ 2,600
Additional commitments to lend	\$ —	\$ —		

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

Note 4 — Investments

Equity Investments in Other Farm Credit Institutions

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$20,390 for 2023, \$14,468 for 2022 and \$8,602 for 2021. The Association owned 3.92 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2023 net of any reciprocal investment. As of that date, the Bank's assets totaled \$45.0 billion and shareholders' equity totaled \$1.7 billion. The Bank's earnings were \$265 million for 2023. In addition, the Association had investments of \$1,282 related to other Farm Credit institutions at December 31, 2023.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2023	2022	2021
Land	\$ 3,384	\$ 2,301	\$ 2,307
Buildings and improvements	16,665	14,349	10,855
Furniture and equipment	5,044	4,816	4,678
	25,093	21,466	17,840
Less: accumulated depreciation	7,879	8,758	8,191
Total	\$ 17,214	\$ 12,708	\$ 9,649

Note 6 — Debt**Notes Payable to AgFirst Farm Credit Bank**

Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2023, the Association's notes payable were within the specified limitations.

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

The weighted average interest rates on the variable rate advances were 6.32 percent for Secured Overnight Financing Rate (SOFR)-based loans, and 6.24 percent for Prime-based loans, and the weighted average remaining maturities were 4.0 years and .7 years, respectively, at December 31, 2023. The weighted average interest rate on the fixed rate and adjustable rate mortgage (ARM) loans which are match funded by the Bank was 3.98 percent, and the weighted average remaining maturity was 13.0 years at December 31, 2023. The weighted average interest rate on all interest-bearing notes payable was 4.18 percent and the weighted average remaining maturity was 12.0 years at December 31, 2023. Gross notes payable consist of approximately 9.01 percent variable rate and 90.99 percent fixed rate portions, representing a match-funding of the Association's loan volume at December 31, 2023. Notes Payable to AgFirst Farm Credit Bank, as reflected on the Consolidated Balance Sheets, also includes a credit which reduces the notes payable balance and corresponding interest expense. The weighted average maturities described above are related to matched-funded loans. The Direct Note itself has an annual maturity as prescribed in the GFA.

Note 7 — Members' Equity

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

- A. Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 2.0 percent or \$1 thousand, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

- B. Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

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

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

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

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

The following sets forth the regulatory capital ratios:

		Capital	Minimum Requirement	Capital Ratios as of December 31,		
Ratio	Minimum	Conservation	including Capital			
	Requirement	Buffer	Conservation Buffer	2023	2022	2021
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	18.95%	21.00%	21.64%
Tier 1 Capital	6.0%	2.5%	8.5%	18.95%	21.00%	21.64%
Total Capital	8.0%	2.5%	10.5%	19.33%	21.46%	22.25%
Permanent Capital	7.0%	0.0%	7.0%	19.02%	21.10%	21.77%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	19.39%	21.10%	21.81%
URE and UREE Leverage	1.5%	0.0%	1.5%	15.53%	16.29%	15.86%

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

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

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

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

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
C Common/Voting	No	930,300	\$ 4,652
C Participation Certificates/Nonvoting	No	52,041	260
Total Capital Stock and Participation Certificates		982,341	\$ 4,912

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

Retained Earnings

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

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

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

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met.

At December 31, 2023, allocated members' equity consisted of \$48,272 of qualified distributions. Nonqualified distributions are tax deductible only when redeemed.

Dividends

The Association may declare non-cumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 8 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Class D Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends on Class C Common Stock and Class C participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Patronage Distributions

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

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

Transfer

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

Impairment

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

- a) **First**, allocated surplus in its entirety, with application to most recent allocation first and then in reverse order until all allocated surplus has been exhausted;
- b) **Second**, Class C Common Stock and Class C Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;
- c) **Third**, Class D Preferred Stock issued and outstanding, if any.

Impairments shall be considered as being applied pro rata to each share and/or unit outstanding in the class.

Liquidation

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

- a) **First**, to the holders of Class D Preferred Stock until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders;
- b) **Second**, pro rata to the holders of Class C Common Stock and Class C Participation Certificates, until an amount equal to the aggregate par value or face amount of all such shares or units then issued and outstanding has been distributed to such holders;
- c) **Third**, to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed to the holders;
- d) **Fourth**, all unallocated surplus issued after May 4, 1995 (the effective date of this bylaw amendment) shall be distributed to the holders of Class C Stock and Class C Participation Certificates on a patronage basis;
- e) **Fifth**, any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates.

All distributions to the holders of any class of stock and/or participation certificate holders shall be made pro rata in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

D. Accumulated Other Comprehensive Income (AOCI):

Changes in Accumulated Other Comprehensive income by Component (a)					
For the Year Ended December 31,					
	2023		2022		2021
Employee Benefit Plans:					
Balance at beginning of period	\$ 142	\$	(417)	\$	(499)
Other comprehensive income before reclassifications	(47)		547		65
Amounts reclassified from AOCI	—		12		17
Net current period OCI	(47)		559		82
Balance at end of period	\$ 95	\$	142	\$	(417)

Reclassifications Out of Accumulated Other Comprehensive Income (b)					
For the Year Ended December 31,					
	2023		2022		2021
					Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	\$ —	\$ (12)	\$ (17)		See Note 9.
Amounts reclassified	\$ —	\$ (12)	\$ (17)		

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 8 — Fair Value Measurement

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

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

December 31, 2023						
Fair Value Measurement Using						Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,801	\$ —	\$ —	\$		1,801
Nonrecurring assets						
Impaired loans	\$ —	\$ —	\$ 338	\$		338
Other property owned	\$ —	\$ —	\$ 37	\$		37

December 31, 2022						
	Fair Value Measurement Using			Total Fair Value		
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,816	\$ —	\$ —	\$ 1,816		
Nonrecurring assets						
Impaired loans	\$ —	\$ —	\$ 1,006	\$ 1,006		
Other property owned	\$ —	\$ —	\$ —	\$ —		

December 31, 2021						
	Fair Value Measurement Using			Total Fair Value		
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,866	\$ —	\$ —	\$ 1,866		
Nonrecurring assets						
Impaired loans	\$ —	\$ —	\$ 1,780	\$ 1,780		
Other property owned	\$ —	\$ —	\$ 1,091	\$ 1,091		

Valuation Techniques

Assets held in trust funds

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

Impaired loans

Fair values of impaired loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters.

Other property owned

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

Note 9 — Employee Benefit Plans

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

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

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

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

4. The expiration date(s) of collective-bargaining agreement(s).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$760 for 2023, \$887 for 2022, and \$2,755 for 2021. At December 31, 2023, 2022, and 2021, the total liability balance for the FAP Plan was \$33,660, \$32,568, and \$39,135, respectively. The FAP Plan was 95.43 percent, 95.81 percent, and 96.17 percent funded to the projected benefit obligation as of December 31, 2023, 2022, and 2021, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$813 for 2023, \$754 for 2022, and \$747 for 2021. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was \$160,980, \$167,895, and \$209,599 at December 31, 2023, 2022, and 2021, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes \$0.50 for each \$1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes \$1.00 for each \$1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were \$919, \$854, and \$738 for the years ended December 31, 2023, 2022, and 2021, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2023, 2022, and 2021, \$(47), \$559 and \$82, respectively, have been recognized as a net debit, a net credit, and a net credit to AOCI to reflect these elements.

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

In addition to the multiemployer plans described above, the Association sponsors nonqualified supplemental retirement and 401(k) plans. The supplemental retirement plan is unfunded and had a projected benefit obligation of \$1,732 and a net under-funded status of \$1,732 at December 31, 2023. Assumptions used to determine the projected benefit obligation as of December 31, 2023 included a discount rate of 5.00 percent. The expenses of these nonqualified plans included in noninterest expenses were \$103, \$94, and \$84 for 2023, 2022, and 2021, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortized schedule and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2023 amounted to \$30,442. During 2023, \$20,225 of new loans were made and repayments totaled \$19,692. In the opinion of management, none of these loans outstanding at December 31, 2023 to senior officers or directors as defined in FCA regulations involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would

not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

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

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2023, \$168,859 of commitments to extend credit and no commercial letters of credit were outstanding. A reserve for unfunded commitments of \$505 was included in Other Liabilities on the Consolidated Balance Sheets at December 31, 2023.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2023, standby letters of credit outstanding totaled \$104 with expiration dates ranging from January 1, 2024 to August 19, 2027. The maximum potential amount of future payments that may be required under these guarantees was \$104.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ —	\$ 8	\$ 2
State	—	2	(1)
	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 1</u>
Deferred:			
Federal	—	—	—
State	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Total provision (benefit) for income taxes	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 1</u>

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31,		
	2023	2022	2021
Federal tax at statutory rate	\$ 5,595	\$ 6,446	\$ 7,050
State tax, net	(10)	—	1
Effect of non-taxable FLCA subsidiary	(2,639)	(3,473)	(4,315)
Patronage distributions	(3,041)	(3,212)	(2,744)
Change in valuation allowance	76	293	11
Deferred tax rate change	—	—	—
Other	19	(44)	(2)
Provision (benefit) for income taxes	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 1</u>

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

	December 31,		
	2023	2022	2021
Deferred income tax assets:			
Allowance for loan losses	\$ 243	\$ 487	\$ 683
Annual leave	214	225	238
Nonaccrual loan interest	344	339	457
Pensions and other postretirement benefits	65	64	31
Loan Origination Fees	20	—	13
NOL Carry Forward	1,015	983	—
Depreciation	—	49	76
Gross deferred tax assets	1,901	2,147	1,498
Less: valuation allowance	(1,625)	(1,792)	(1,498)
Gross deferred tax assets, net of valuation allowance	276	355	—
Deferred income tax liabilities:			
Special Patronage	(248)	(248)	—
Fixed assets	(28)	—	—
Loan origination fees	—	(107)	—
Gross deferred tax liability	(276)	(355)	—
Net deferred tax asset (liability)	\$ —	\$ —	\$ —

At December 31, 2023, deferred income taxes have not been provided by the Association on approximately \$2.7 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of \$1,625, \$1,792 and \$1,498 as of December 31, 2023, 2022 and 2021, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

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

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

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 10,095	\$ 10,430	\$ 10,534	\$ 10,216	\$ 41,275
Provision for (reversal of) allowance for credit losses	636	(9)	995	(174)	1,448
Noninterest income (expense), net	(3,810)	(3,225)	(3,470)	(2,679)	(13,184)
Net income	\$ 5,649	\$ 7,214	\$ 6,069	\$ 7,711	\$ 26,643

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 9,389	\$ 9,370	\$ 10,212	\$ 9,819	\$ 38,790
Provision for (reversal of) allowance for loan losses	(1,312)	103	(12)	(26)	(1,247)
Noninterest income (expense), net	(4,066)	(3,259)	(3,787)	1,760	(9,352)
Net income	\$ 6,635	\$ 6,008	\$ 6,437	\$ 11,605	\$ 30,685

	2021				
	First	Second	Third	Fourth	Total
Net interest income	\$ 8,363	\$ 8,916	\$ 9,499	\$ 9,229	\$ 36,007
Provision for (reversal of) allowance for loan losses	151	538	132	(224)	597
Noninterest income (expense), net	(3,385)	(2,957)	(3,473)	7,974	(1,841)
Net income	\$ 4,827	\$ 5,421	\$ 5,894	\$ 17,427	\$ 33,569

Note 14 — Subsequent Events

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



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