Farm Credit East

Quarterly Report

March 31, 2024

Management's Discussion and Analysis

The following commentary is a review of the financial condition and results of operations of Farm Credit East, ACA (the Association) for the three-month period ended March 31, 2024. This commentary should be read in conjunction with the accompanying unaudited consolidated financial statements and notes included in this report, as well as the 2023 Annual Report. Dollar amounts are in thousands unless otherwise noted.

Farm Credit East's annual and quarterly reports to stockholders are available on the Association's website, **Farmcrediteast.com** or can be obtained upon request by calling the Association's main office at 860-741-4380. Annual reports are available 75 days after year end and quarterly reports are available 40 days after each calendar quarter end. Additionally the financial condition and results of operations of CoBank, ACB (Bank), materially affect the risk associated with stockholder investments in Farm Credit East, ACA. To obtain a free copy of the CoBank Annual Report to Stockholders, please contact us at one of our offices or by accessing **CoBank.com**.

The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Results of Operations

Farm Credit East posted strong financial results for the three months ending March 31, 2024. Net income was $74.2 million, an increase of $13.6 million as compared with the same period in 2023. The following table reflects the key performance results *($ in millions)*.

For the three months ended March 31	2024	2023
Net income	$ 74.2	$ 60.6
Net interest income	$ 89.3	$ 74.5
Net interest margin	3.11%	2.87%
Return on average assets	2.49%	2.21%
Return on average members' equity	13.21%	11.95%

Net Interest Income

Net interest income was $89.3 million for the three months ended March 31, 2024, a $14.8 million increase over the same period in 2023. The increase in net interest income is primarily a result of increased loan volume and return on Association equity in a higher interest rate environment compared to a year ago. Information regarding the average daily balances and average rates earned on our portfolio and interest paid on interest bearing liabilities follow:

For the three months ended March 31	2024	2023
Net interest income	$ 89,270	$ 74,540
Average balances:		
Average interest earning loans	$ 11,537,000	$ 10,549,430
Average interest-bearing liabilities	$ 9,633,297	$ 8,737,480
Average rates:		
Interest earning loans	7.29%	6.39%
Interest bearing liabilities	4.65%	3.84%
Interest rate spread	2.64%	2.55%
Net interest margin (net interest income as a percentage of average interest earning loans)	3.11%	2.87%

Noninterest income

Noninterest income was $28.2 million for the three months ended March 31, 2024, a $3.2 million increase over the same period in 2023. Patronage income is a significant part of the Association's noninterest income and totaled $19.4 million an increase of $2.5 million compared to a year ago. The Association receives patronage income based on its note payable with CoBank and for loans originated by the Association and sold to CoBank and other Farm Credit entities.

Noninterest income also includes fees for financial services, loan fees, compensation on participation loans and other noninterest income. These other noninterest income sources totaled $8.8 million for the three months ended March 31, 2024, an increase of $0.7 million compared to 2023.

Noninterest expense

Noninterest expenses totaled $34.7 million for the three months ended March 31, 2024, a $1.6 million increase from March 31, 2023. Salaries and employee benefits is the primary component of noninterest expense and totaled $19.9 million for the three months ended March 31, 2024, an increase of $1.8 million compared to the same period a year ago. This increase is primarily due to normal annual salary adjustments along with slightly higher staffing levels.

Insurance Fund premiums were $2.3 million for the three months ended March 31, 2024; a $1.3 million decrease compared to the same period a year ago. Insurance Fund premium rates are set by the Farm Credit System Insurance Corporation and were ten basis points of adjusted insured debt obligations for the first three months of 2024, as compared with eighteen basis points from the first three months of 2023.

Loan Portfolio

Loans outstanding were $11.7 billion at March 31, 2024, an increase of $239.2 million, or 2.1% from December 31, 2023. Compared to March 31, 2023, loan volume grew $1.1 billion or 10.4%. The year over year growth was driven by the capital markets portfolio which increased $550.3 million or 13.4% and our branch marketplace-based farm loan portfolio grew $446.9 million, or 8.6% as strong demand for agricultural products continues to benefit our local producers. While we make loans to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is also diversified by loan participations purchased and sold, geographic locations served, commodities financed and loan size.

Nonperforming Assets

Nonperforming assets are comprised of nonaccrual loans, loans 90 days past due still accruing interest and other property owned and are presented in the following table:

	March 31, 2024	December 31, 2023
Nonaccrual loans	$ 22,593	$ 23,401
Accruing loans 90 days or more past due	-	288
Other property owned (OPO)	-	-
Total nonperforming assets	$ 22,593	$ 23,689
Nonaccrual loans to total loans	0.19%	0.20%
Nonperforming assets to total loans and OPO	0.19%	0.21%
Delinquencies as a % of total performing loans	0.29%	0.35%

The $1.1 million decrease in nonperforming assets during the first three months was primarily due to a decrease in nonaccrual loans in the agribusiness industry. In general, the Association is adequately secured on much of the $22.6 million in nonaccrual loan volume at March 31, 2024. However, the Association has established specific loan loss allowances of $5.7 million in relation to $12.0 million of the nonaccrual portfolio.

Credit Quality

The Association reviews 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 (UCS). Overall credit quality remains strong with adverse loans at 2.1%. The following table presents statistics based on UCS classified as a percent of total loans.

March 31	2024	2023
Acceptable	94.05%	94.86%
Special mention	3.86	3.31
Substandard/doubtful	2.09	1.83
Total	100.00%	100.00%

To further manage portfolio risk, the Association is a Preferred Lender under the USDA's Farm Service Agency guarantee program and as of March 31, 2024, has guarantees totaling $315.8 million. In addition, the Association has loan guarantees with State agencies totaling $28.0 million.

Provision for Loan Losses and Allowance for Credit Losses

The Association monitors the loan portfolio on a regular basis to determine if an increase or decrease to the allowance for credit losses is required. The allowance for loan losses covers the funded portion of loans outstanding, while the reserve for unfunded commitments covers losses on unfunded lending commitments.

For the three months ended March 31, 2024, the Association recorded a $8.0 million provision for credit losses. The provision is primarily due to portfolio loan growth and to a lesser extent changes in credit quality. For the three months ended March 31, 2023, Farm Credit East recorded a $5.2 million provision for loan losses.

Information regarding comparative allowance coverage, as a percentage of key loan categories, are presented in the following table:

March 31	2024	2023
Components:		
Allowance for loan losses	$ 73,003	$ 66,148
Reserve for unfunded commitments	20,061	16,161
Allowance for credit losses (ACL)	$ 93,064	$ 82,309
ACL as a percentage of:		
Total loans	0.79%	0.77%
Nonaccrual loans	411.92%	162.50%
Nonperforming assets	411.92%	160.04%

For further discussion regarding the allowance for loan losses, refer to Note 2 to the consolidated financial statements "Loans and Allowance for Credit Losses".

Liquidity and Funding Sources

The Association's primary source of funding is CoBank. Funds are obtained through borrowing on a revolving line of credit governed by a General Financing Agreement. At March 31, 2024, the Association's note payable to CoBank totaled $9.8 billion.

The line of credit available to the Association is formula-driven based on Association loan volume and credit quality. Because of the funding relationship with CoBank, the Association does not maintain large balances in cash or other liquid investments. Substantially all of the Association's assets are pledged as security to CoBank. The Association is in full compliance with its financing agreement with CoBank and has capacity under the agreement to borrow funds needed to meet anticipated loan demand.

Members' Equity

In conjunction with its annual financial planning process, the Association's Board of Directors reviews and approves a Capitalization Plan. The objective of the plan is to build and maintain adequate capital for continued financial viability and to provide for growth necessary to meet customer needs. Members' equity, which is available as loanable funds, was $2.2 billion at March 31, 2024, and consisted of capital stock and participation certificates of $19.0 million, additional paid in capital of $354.2 million, unallocated retained earnings of $1.9 billion, and accumulated other comprehensive loss of ($50.3) million.

Capital Plan and Regulatory Requirements

The Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved as part of the Association's annual Business Plan.

Our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, our regulator the Farm Credit Administration (FCA) can impose restrictions, including limiting our ability to pay patronage distributions and retire equities. For additional information on Capital Regulations, see Note 3 to the consolidated financial statements "Members' Equity."

Critical Accounting Estimates

Management's discussion and analysis of the financial condition and results of operations are based on the Association's consolidated financial statements, which we prepare in accordance with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make estimates and assumptions. Our financial position and results of operations are affected by these estimates and assumptions, which are integral to understanding reported results. For a discussion of significant accounting policies, see Note 1 to the consolidated financial statements "Organization and Significant Accounting Policies".

Forward-Looking Statements

Certain information included in this report 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 "believes," "could," "estimates," "anticipates," "may," "should," "will," or other variations of these terms or similar expressions are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience, 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 fluctuations in the economy, the relative strengths, and weaknesses in the agricultural credit sectors and in the real estate market, and the actions taken by the Federal Reserve in implementing monetary policy.

Certification

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory and regulatory requirements and that the information contained herein is true, accurate and complete to the best of their knowledge and belief. There were no material changes in the internal control over financial reporting during the three months ended March 31, 2024.

Michael J. Reynolds	Andrew N. Grant	John P. Knopf
Chief Executive Officer	Chief Financial Officer	Chair of the Board

Dated: May 7, 2024

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	Unaudited March 31, 2024		December 31, 2023	
ASSETS				
Loans	$	11,742,758	$	11,503,603
Less: Allowance for loan losses		73,003		66,253
Net loans		11,669,755		11,437,350
Cash		27,981		31,259
Accrued interest receivable		67,815		64,958
Investment in CoBank, ACB		297,849		295,590
Premises and equipment, net		27,236		27,940
Other assets		56,975		103,495
Total Assets	$	12,147,611	$	11,960,592
LIABILITIES				
Notes payable to CoBank, ACB	$	9,759,600	$	9,498,822
Patronage distributions payable		33,250		130,000
Accrued interest payable		40,243		38,342
Reserve for unfunded commitments		20,061		19,767
Other liabilities		85,226		98,991
Total Liabilities	$	9,938,380	$	9,785,922
MEMBERS' EQUITY				
Capital stock and participation certificates	$	19,046	$	18,956
Additional paid-in capital		354,163		354,163
Unallocated retained earnings		1,886,333		1,845,429
Accumulated other comprehensive loss		(50,311)		(43,878)
Total Members' Equity	$	2,209,231	$	2,174,670
Total Liabilities and Members' Equity	$	12,147,611	$	11,960,592

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited and dollars in thousands)

	For the three months ended March 31, 2024	2023
INTEREST INCOME		
Loans	$ 210,464	$ 168,273
Other	590	395
Total interest income	211,054	168,668
INTEREST EXPENSE		
Notes payable to CoBank, ACB	121,778	94,123
Other	6	5
Total interest expense	121,784	19,128
Net interest income	89,270	74,540
Provision for credit losses	7,982	5,215
Net interest income after provision for credit losses	81,288	69,325
NONINTEREST INCOME		
Patronage income	19,419	16,951
Financially related services	7,046	6,560
Compensation on participation loans, net	1,465	921
Loan fees and other noninterest income	256	543
Total noninterest income	28,186	24,975
NONINTEREST EXPENSE		
Salaries and employee benefits	19,929	18,080
Insurance Fund premiums	2,297	3,649
Occupancy and equipment	1,108	1,052
Other operating expenses	11,322	10,294
Total noninterest expenses	34,656	33,075
Income before income taxes	74,818	61,225
Provision for income taxes	664	579
Net Income	$ 74,154	$ 60,646
OTHER COMPREHENSIVE INCOME (LOSS)		
Net change in retirement plan liabilities	122	(3)
Net change in cash flow hedges	(6,555)	16,647
Other Comprehensive Income (loss)	(6,433)	16,644
Comprehensive Income	$ 67,721	$ 77,290

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(unaudited and dollars in thousands)

	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 18,374	$ 354,163	$ 1,720,025	$ (84,950)	$ 2,007,612
Adjustment to beginning balance due to change in accounting for credit losses, net of tax	-	-	(14,644)	-	(14,644)
Balance at January 1, 2023, as adjusted	$ 18,374	$ 354,163	$ 1,705,381	$ (84,950)	$ 1,992,968
Comprehensive income	-	-	60,646	16,644	77,290
Capital stock and participation certificates issued	338	-	-	-	338
Capital stock and participation certificates retired	(307)	-	-	-	(307)
Patronage Distribution	-	-	(30,000)	-	(30,000)
Balance at March 31, 2023	$ 18,405	$ 354,163	$ 1,736,027	$ (68,306)	$ 2,040,289
Balance at December 31, 2023	$ 18,956	$ 354,163	$ 1,845,429	$ (43,878)	$ 2,174,670
Comprehensive income (loss)	-	-	74,154	(6,433)	67,721
Capital stock and participation certificates issued	471	-	-	-	471
Capital stock and participation certificates retired	(381)	-	-	-	(381)
Patronage Distribution	-	-	(33,250)	-	(33,250)
Balance at March 31, 2024	$ 19,046	$ 354,163	$ 1,886,333	$ (50,311)	$ 2,209,231

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
(unaudited and dollars in thousands except as noted)

NOTE 1 – Organization and Significant Accounting Policies

Farm Credit East, ACA (the Association or ACA) and its subsidiaries are part of the Farm Credit System. A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Stockholders (Annual Report). These unaudited first quarter 2024 financial statements should be read in conjunction with the 2023 Annual Report to Stockholders.

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

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

Recently Adopted or Issued Accounting Pronouncements
In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

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

NOTE 2 – Loans and Allowance for Credit Losses

Loans Outstanding
Loans outstanding by loan type are shown below.

	March 31, 2024		December 31, 2023	
Real estate mortgage	$ 4,463,854	38.0%	$ 4,453,459	38.7%
Production and intermediate	3,792,909	32.3	3,728,814	32.4
Agribusiness	2,683,457	22.8	2,563,179	22.3
Rural infrastructure	678,324	5.8	636,870	5.5
Rural residential real estate	82,508	0.7	80,044	0.7
Other	41,706	0.4	41,237	0.4
Total	$ 11,742,758	100.0%	$ 11,503,603	100.0%

Credit Quality

One credit quality indicator the Association utilizes is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

The following tables show loans classified under the Farm Credit Administration (FCA) Uniform Loan Classification System as a percentage of total loans by loan type.

March 31, 2024	Acceptable	OAEM	Substandard /Doubtful	Total
Real estate mortgage	35.4%	1.8%	0.8%	38.0%
Production and Intermediate term	30.6	1.2	0.5	32.3
Agribusiness	21.6	0.6	0.7	22.9
Rural infrastructure	5.4	0.2	0.1	5.7
Rural residential real estate	0.7	-	-	0.7
Other	0.4	-	-	0.4
Total	94.1%	3.8%	2.1%	100.0%

December 31, 2023	Acceptable	OAEM	Substandard /Doubtful	Total
Real estate mortgage	35.9%	1.9%	0.9%	38.7%
Production and Intermediate term	30.8	0.9	0.7	32.4
Agribusiness	21.3	0.5	0.5	22.3
Rural infrastructure	5.2	0.3	-	5.5
Rural residential real estate	0.7	-	-	0.7
Other	0.4	-	-	0.4
Total	94.3%	3.6%	2.1%	100.0%

Accrued interest receivable on loans of $67.8 million and $65.0 million at March 31, 2024, and December 31, 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets. The Association wrote off accrued interest receivable of $0.2 million for both the three months ended March 31, 2024, and 2023.

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

	March 31, 2024	December 31, 2023
Nonaccrual loans		
Real estate mortgage	$ 7,839	$ 7,510
Production and intermediate term	4,404	5,323
Agribusiness	7,592	7,792
Rural Infrastructure	2,183	2,223
Rural residential real estate	575	553
Total nonaccrual loans	$ 22,593	$ 23,401
Accruing loans 90 days or more past due		
Real estate mortgage	$ -	$ 126
Production and intermediate term	-	162
Total accruing loans 90 days or more past due	$ -	$ 288
Total nonperforming loans	$ 22,593	$ 23,689
Other property owned (OPO)	$ -	$ -
Total nonperforming assets	$ 22,593	$ 23,689
Nonaccrual loans to total loans	0.19%	0.20%
Nonperforming assets to total loans and OPO	0.19%	0.21%
Nonperforming assets as a percentage of capital	1.02%	1.09%

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

	March 31, 2024			For the Three Months Ended March 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Nonaccrual Loans:				
Real estate mortgage	$ 1,865	$ 5,974	$ 7,839	$ 365
Production and intermediate	2,687	1,717	4,404	253
Agribusiness	5,076	2,516	7,592	6
Rural infrastructure	2,183	-	2,183	-
Rural residential real estate	175	400	575	1
Total	$ 11,986	$ 10,607	$ 22,593	$ 625

The Association has established specific loan loss allowances of $5.7 million in relation to the $12.0 million nonaccrual portfolio.

	December 31, 2023			For the Three Months Ended March 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Nonaccrual Loans:				
Real estate mortgage	$ 1,968	$ 5,542	$ 7,510	$ 840
Production and intermediate	2,747	2,576	5,323	177
Agribusiness	5,082	2,710	7,792	(132)
Rural infrastructure	2,223	-	2,223	(42)
Rural residential real estate	144	409	553	(2)
Total	$ 12,164	$ 11,237	$ 23,401	$ 841

The Association has established specific loan loss allowances of $5.8 million in relation to the $12.2 million nonaccrual portfolio.

Loan Delinquencies

The following tables provide an aging of past due loans at amortized cost by loan type:

March 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 17,326	$ 3,199	$ 20,525	$4,443,329	$ 4,463,854	$ -
Production and intermediate term	15,240	3,258	18,498	3,774,411	3,792,909	-
Agribusiness	1,978	7,455	9,433	2,674,024	2,683,457	-
Rural infrastructure	-	-	-	678,324	678,324	-
Rural residential real estate	130	175	305	82,203	82,508	-
Other	-	-	-	41,706	41,706	-
Total	$ 34,674	$ 14,087	$ 48,761	$11,693,996	$ 11,742,758	$ -

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 21,004	$ 3,345	$ 24,349	$ 4,429,110	$ 4,453,459	$ 126
Production and intermediate term	12,315	4,379	16,694	3,712,120	3,728,814	162
Agribusiness	8,919	1,559	10,478	2,552,701	2,563,179	-
Rural infrastructure	-	-	-	636,870	636,870	-
Rural residential real estate	-	143	143	79,901	80,044	-
Other	-	-	-	41,237	41,237	-
Total	$ 42,238	$ 9,426	$ 51,664	$ 11,451,939	$ 11,503,603	$ 288

Loan Modifications to Borrowers Experiencing Financial Difficulties

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 term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted.

For the three months ended March 31, 2024,	Interest Rate Reduction	Term Extension	Combination – Interest Rate Reduction & Term Extension	Combination – Interest Rate Reduction & Payment Extension	Combination – Term Extension & Payment Extension	Total	Percent of Total by Loan Type
Real estate mortgage	$ 662	$ 1,876	$ 1	$ 328	$ -	$ 2,867	0.02%
Production and intermediate	162	476	-	-	143	781	0.01%
Total	$ 824	$ 2,352	$ 1	$ 328	$ 143	$ 3,648	0.03%

For the three months ended March 31, 2023,	Interest Rate Reduction	Term Extension	Combination – Interest Rate Reduction & Term or Payment Extension	Total	Percent of Total by Loan Type
Real estate mortgage	$ 117	$ 3,822	$ 272	$ 4,211	0.04%
Production and intermediate	-	7,891	58	7,949	0.07%
Total	$ 117	$ 11,713	$ 330	$ 12,160	0.11%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of March 31, 2024, was $9 thousand and $119 thousand as of March 31, 2023.

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

Financial Effect of Modifications Granted	
Real Estate Mortgage	
Interest Rate Reduction	Reduced weighted average interest rate by 225 basis points (bps)
Term Extension	Extended weighted average maturity by 2,542 days
Interest Rate & Term Extension	Reduced weighted average interest rate by 250 bps and Extended weighted average maturity by 167 days
Interest Rate & Payment Extension	Reduced weighted average interest rate by 250 bps and Extended weighted average payment terms by 91 days
Production and intermediate	
Interest Rate Reduction	Reduced weighted average interest rate by 350 bps
Term Extension	Extended weighted average maturity by 1,010 days
Term Extension & Payment Extension	Extended weighted average maturity by 92 days and Extended weighted average payment terms by 92 days

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

Financial Effect of Modifications Granted	
Real Estate Mortgage	
Interest Rate Reduction	Reduced weighted average interest rate by 150 basis points (bps)
Term or Payment Extension	Extended weighted average maturity by 222 days
Interest Rate & Term or Payment Extension	Reduced weighted average interest rate by 175 bps and Extended weighted average maturity by 214 days
Production and intermediate	
Term or Payment Extension	Extended weighted average maturity by 540 days
Interest Rate & Term or Payment Extension	Reduced weighted average interest rate by 100 bps and Extended weighted average maturity by 184 days

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

	Modified Loans that Subsequently Defaulted during the Three Months Ended March 31, 2024						
	Interest Rate Reduction	Term Extension	Payment Extension	Combination – Interest Rate Reduction & Payment Extension	Combination – Term Extension & Payment Extension	Total	Percent of Total by Loan Type
Real estate mortgage	$ 1,094	$ 693	$ 430	$ 328	$ -	$ 2,545	0.02%
Production and intermediate	170	17	-	-	31	218	-
Agribusiness	-	4,245	-	-	136	4,381	0.04%
Total	$ 1,264	$ 4,955	$ 430	$ 328	$ 167	$ 7,144	0.06%

There were no loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of Current Expected Credit Losses (CECL), through March 31, 2023, and that subsequently defaulted.

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

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 12,240	$ 225	$ 1,470
Production and intermediate	23,759	-	260
Agribusiness	10,928	-	4,245
Rural Home	-	-	60
Total	$ 46,927	$ 225	$ 6,035

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

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 3,358	$ 221	$ 632
Production and intermediate	6,723	-	1,226
Total	$ 10,081	$ 221	$ 1,858

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024, were $35 thousand.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting guidelines and internal lending limits. In addition, customer and commodity concentration lending limits have been established by the Association to manage credit exposure.

A summary of changes in the allowance for credit losses by loan type are as follows.

March 31, 2024	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans							
Beginning balance	$ 20,396	$ 18,292	$ 23,190	$ 3,692	$ 673	$ 10	$ 66,253
Charge-offs	-	(951)	(30)	-	-	-	(981)
Recoveries	-	12	31	-	-	-	43
Provision (reversal) for credit losses	(298)	2,651	4,375	907	58	(5)	7,688
Ending balance	$ 20,098	$ 20,004	$ 27,566	$ 4,599	$ 731	$ 5	$ 73,003
Reserve for Unfunded Commitments							
Beginning balance	$ 1,375	$ 6,342	$ 11,266	$ 433	$ 49	$ 302	$ 19,767
Provision (reversal) for credit losses	(158)	(210)	463	200	1	(2)	294
Ending balance	$ 1,217	$ 6,132	$ 11,729	$ 633	$ 50	$ 300	$ 20,061
Total Allowance for Credit Losses	$ 21,315	$ 26,136	$ 39,295	$ 5,232	$ 781	$ 305	$ 93,064

December 31, 2023	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans							
Beginning balance	$ 9,728	$ 25,326	$ 14,160	$ 2,004	$ 181	$ 66	$ 51,465
Adjustment due to change in accounting	10,190	(4,583)	2,416	609	312	(53)	8,891
Charge-offs	(78)	(855)	(2,010)	(710)	(7)	-	(3,660)
Recoveries	67	232	674	1	99	-	1,073
Provision for credit losses	489	(1,828)	7,950	1,788	88	(3)	8,484
Ending balance	$ 20,396	$ 18,292	$ 23,190	$ 3,692	$ 673	$ 10	$ 66,253
Reserve for Unfunded Commitments							
Beginning balance	$ 2,284	$ 4,346	$ 3,555	$ 504	$ 45	$ 17	$ 10,751
Adjustment due to change in accounting	(1,412)	844	5,866	167	4	285	5,753
Provision for credit losses	504	1,152	1,845	(238)	-	-	3,263
Ending balance	$ 1,376	$ 6,342	$ 11,266	$ 433	$ 49	$ 302	$ 19,767
Total Allowance for Credit Losses	$ 21,772	$ 24,634	$ 34,456	$ 4,124	$ 722	$ 312	$ 86,020

Discussion of Changes in Allowance for Credit Losses

The ACL increased $7.1 million to $93.1 million at March 31, 2024, as compared to $86.0 million at December 31, 2023. The increase is primarily due to portfolio loan growth and to a lesser extent changes in probability of default and loss given default ratings.

NOTE 3 – Members' Equity

Capital stock and participation certificates

In accordance with the Farm Credit Act, and the Association's capitalization Bylaws and Capitalization Plan, each Association borrower, as a condition of borrowing, is required at the time the loan is made, to invest in Class B stock for agricultural loans or Class B participation certificates for country home and farm related business loans. Association Bylaws require that borrowers acquire capital stock or participation certificates, as a condition of borrowing, at least the lesser of $1,000 or 2% of the amount of the loan, and not more than 10% of the amount of the loan. Pursuant to the Association Capitalization Plan, the Association Board has determined that Class B stock and Class B participation certificates shall be issued as follows:

All stock and participation certificates are retired at the discretion of the Association's Board of Directors after considering the capitalization plan as well as regulatory and other requirements.

Regulatory capitalization requirements

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements for Banks and Associations. At March 31, 2024, the Association's capital and leverage ratios exceeded regulatory minimums as shown in the following table.

March 31	2024	2023	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	15.33%	15.83%	7.00%
Tier 1 Capital Ratio	15.33%	15.83%	8.50%
Total Capital Ratio	16.00%	16.50%	10.50%
Permanent Capital Ratio	15.37%	15.87%	7.00%
Tier 1 Leverage Ratio	16.78%	17.17%	5.00%
UREE Leverage Ratio	16.62%	17.00%	1.50%

Patronage Distribution

In December 2023, the Board of Directors approved a patronage resolution. This resolution will allow the Association to pay a patronage refund on 2024 income provided the capital goals and earnings for the Association are achieved. The patronage program is described more fully in the 2023 Annual Report to Stockholders.

Accumulated Other Comprehensive (Loss)

The Association reports accumulated other comprehensive (loss) as a component of members' equity. Other comprehensive income refers to revenue, expenses, gains and losses that under GAAP are reported as an element of members' equity and comprehensive income but excluded from net income. Other comprehensive (loss) results from the recognition of the retirement plans net unamortized gains and losses and prior service costs or credits of ($29.4) million and ($29.5) million at March 31, 2024, and at December 31, 2023 respectively. Also included in accumulated other comprehensive income/loss is the unrealized holding gain or loss on cash flow derivatives of ($20.9) million and ($14.3) million at March 31, 2024, and December 31, 2023, respectively. There are no other items affecting comprehensive income or loss.

NOTE 4 – Fair Value Measurements

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. See Note 2 and Note 15 to the 2023 Annual Report to Stockholders for additional information.

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

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
March 31, 2024				
Derivative assets	$ -	$ 355	$ -	$ 355
Assets held in trust	$ 8,056	$ -	$ -	$ 8,056
December 31, 2023				
Derivative assets	$ -	$ 5,712	$ -	$ 5,712
Assets held in trust	$ 7,421	$ -	$ -	$ 7,421
Liabilities:				
March 31, 2024				
Derivative liabilities	$ -	$ 21,253	$ -	$ 21,253
December 31, 2023				
Derivative liabilities	$ -	$ 20,055	$ -	$ 20,055

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

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
March 31, 2024				
Loans	$ -	$ -	$ 16,895	$ 16,895
Other Property Owned	$ -	$ -	$ -	$ -
December 31, 2023				
Loans	$ -	$ -	$ 17,884	$ 17,884
Other Property Owned	$ -	$ -	$ -	$ -

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized below:

	March 31, 2024			December 31, 2023		
	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:						
Loans, net	$ 11,669,755	$ 11,362,133	Level 3	$ 11,437,350	$ 11,115,878	Level 3
Cash	$ 27,981	$ 27,981	Level 1	$ 31,259	$ 31,259	Level 1
Financial liabilities:						
Notes payable to ACB	$ 9,759,600	$ 9,415,077	Level 3	$ 9,498,822	$ 9,160,511	Level 3

Valuation Techniques

As more fully discussed in Note 2 to the 2023 Annual Report to Stockholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTE 5 – Derivative Instruments and Hedging Activities

Uses of Derivatives

The Association enters into interest rate swaps to stabilize net interest income on variable priced loan assets, to the extent they are funded with equity. Under interest rate swap arrangements, the Association agrees with other parties (CoBank) to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index. The Association's interest-earning assets, to the degree they are funded with debt, are matched with similarly priced and termed liabilities. Volatility in net interest income comes from equity funded variable priced assets. To the degree that variable priced assets are funded with equity, interest rate swaps in which the Association pays the floating rate and receives the fixed rate (receive fixed swaps) are used to reduce the impact of market fluctuations on the Association's net interest income.

The notional amounts of derivatives are shown in the following table:

	March 31, 2024	December 31, 2023
Interest rate contracts	$ 1,670,000	$ 1,620,000

Accounting for Derivative Instruments and Hedging Activities

The Association records derivatives as assets and liabilities at their fair value in the consolidated balance sheets and records changes in the fair value of a derivative in accumulated other comprehensive income (loss). The Association only enters into cash flow hedge transactions.

Cash Flow Hedges

The Association uses "receive fixed/pay variable" interest rate swaps to hedge the risk of overall changes in the cash flows of an asset. The asset is defined as a pool of long-term variable rate loans equal to the notional amount of the swaps, and not exceeding the Association's equity position. These swaps, which qualify for hedge accounting, have up to a nine-year term, with a pay rate indexed to a SOFR.

Summary of Derivative Instruments and Hedging Activities

A summary of the impact of derivative financial instruments in the consolidated balance sheets is shown in the following table:

	Derivative Assets [(1)]	Derivative Liabilities [(2)]
March 31, 2024		
Interest rate contracts	$ 355	$ 21,253
December 31, 2023		
Interest rate contracts	$ 5,712	$ 20,055

[(1)] Derivative assets are included in other assets in the consolidated balance sheets
[(2)] Derivative liabilities are included in other liabilities in the consolidated balance sheets

A summary of the impact of derivative financial instruments in the consolidated statements of comprehensive income is shown in the following tables:

	Net Amount of Gain or (Loss) Recognized in Income on Derivatives (1)	
March 31	**2024**	**2023**
Interest rate contracts	$ (10,626)	$ (11,579)

(1) Located in interest expense in the consolidated statements of income for each of the respective periods presented.

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (loss) on Derivatives	
March 31	**2024**	**2023**
Interest rate contracts	$ (20,898)	$ 16,647

Counterparty Credit Risk

The Association is exposed to credit loss in the event of nonperformance by other parties to the interest rate swap agreement. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Association's credit risk will equal the fair value gain in a derivative. The Association minimizes the credit (or repayment) risk by only entering into transactions with CoBank, its funding bank and are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying consolidated balance sheets.

NOTE 6 – Subsequent Events

The Association has evaluated subsequent events through May 7, 2024, which is the date the financial statements were issued or available to be issued. No additional subsequent event items met the criteria for disclosure.

Senior Officers

Michael J. Reynolds	President and Chief Executive Officer
William S. Bathel	Executive Vice President and Chief Alliance and Risk Officer
Briana S. Beebe	Executive Vice President and Chief Operating Officer
Janice P. Bitter	Executive Vice President and Chief Financial Services Officer
Thomas W. Cosgrove	Executive Vice President of Knowledge Exchange, Public Relations and Marketing
Alena C. Gfeller	Executive Vice President, General Counsel and Corporate Secretary
Andrew N. Grant	Executive Vice President and Chief Financial Officer
Roger E. Murray	Executive Vice President and Chief Marketplace Officer
Daniel Nicholson	Vice President and Chief Audit Executive
David H. Pugh	Executive Vice President and Chief Experience Officer

Board of Directors

John P. Knopf, Chair	Elected	Dairy	Canandaigua, NY
LouAnne F. King, Vice Chair	Elected	Dairy	Madrid, NY
Timothy Benjamin	Appointed	At Large	Naples, FL
Michael N. Brooks	Elected	Vegetable	Elmer, NJ
David F. Folino	Elected	Maple Syrup	Starksboro, VT
Laurie K. Griffen	Elected	Sod	Stillwater, NY
Philip J. Jones	Elected	Ag Retail	Shelton, CT
Brett D. Kreher	Elected	Poultry & Eggs	Clarence, NY
Joseph W. McWatters	Appointed	At Large	Hamburg, NY
James A. Robbins II	Elected	Forestry	Searsmont, ME
Lisa P. Sellew	Elected	Nursery	Lebanon, CT
Douglas W. Shelmidine	Elected	Dairy	Adams, NY
Kyle Thygesen	Elected	Dairy	Tunbridge, VT
Peter H. Triandafillou	Appointed	Customer	Orono, ME
Amy L Walker-Bailey	Elected	Dairy	Fort Ann, NY
Terry R. Zittel	Elected	Vegetables	Eden, NY

MAIN OFFICE
240 South Road
Enfield, CT 06082
800.562.2235
860.741.4380

LOCAL OFFICES

Auburn, ME
615 Minot Avenue
Auburn, ME 04210
800.831.4230
207.784.0193

Batavia, NY
4363 Federal Drive
Batavia, NY 14020
800.929.1350
585.815.1900

Bedford, NH
2 Constitution Drive
Bedford, NH 03110
800.825.3252
603.472.3554

Bridgeton, NJ
29 Landis Avenue
Bridgeton, NJ 08302
800.219.9179
856.451.0933

Burrville, NY
25417 NYS Route 12
Watertown, NY 13601
800.626.3276
315.782.6050

Claverack, NY
190 State Route 9H
Hudson, NY 12534
800.362.4404
518.851.3313

Cooperstown, NY
7397 State Highway 80
Cooperstown, NY 13326
800.762.3276
607.282.3002

Cortland, NY
One Technology Place
Homer, NY 13077
800.392.3276
607.749.7177

Country Living
7397 State Highway 80
Cooperstown, NY 13326
800.762.3276
607.282.3002

Crop Growers
One Technology Place
Homer, NY 13077
800.234.7012

Dayville, CT
785 Hartford Pike
Dayville, CT 06241
800.327.6785
860.774.0717

Derby, VT
250 Commerce Way
Newport, VT 05855
(Mailing)
Derby, VT 05829
(Physical)
800.370.2738
802.334.8050

Enfield, CT
240 South Road
Enfield, CT 06082
800.562.2235
860.741.4380

Flemington, NJ
9 County Road 618
Lebanon, NJ 08833
800.787.3276
908.782.5215

Geneva, NY
1450 Route 14
Phelps, NY 14532
800.929.7102
315.781.7100

Greenwich, NY
394 State Route 29
Greenwich, NY 12834
800.234.0269
518.692.0269

Hornell, NY
1155 Airport Road
Hornell, NY 14843
800.929.2025
607.324.2020

Mayville, NY
28 E. Chautauqua
Mayville, NY 14757
800.929.2144
716.451.1063

Middleboro, MA
67 Bedford Street
Middleboro, MA 02346
800.946.0506
508.946.4455

Middlebury, VT
320 Exchange St.
Middlebury, VT 05753
800.545.1169
802.388.2692

Middletown, NY
669 East Main Street
Middletown, NY 10940
888.792.3276
845.343.1802

Potsdam, NY
One Pioneer Drive
Potsdam, NY 13676
800.295.8431
315.265.8452

Presque Isle, ME
26 Rice Street
Presque Isle, ME 04769
800.831.4640
207.764.6431

Riverhead, NY
1281 Route 58
Riverhead, NY 11901
800.890.3028
631.727.2188

St. Albans, VT
130 Upper Welden St.
P.O. Box 240
St. Albans, VT 05478
800.545.1097
802.524.2938

White River Jct., VT
52 Farmvu Dr.
White River Jct., VT
05001
800.370.3276
802.295.3670