YOUR MONEY YOUR CO-OP

2023 ANNUAL REPORT

IN GOOD TIMES AND BAD

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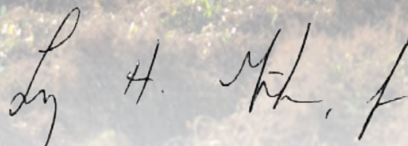
Every year brings new and different challenges. Last year did as well. At Alabama Ag Credit, we are here for our member-borrowers in good times and bad, and we successfully met the challenges we faced in 2023.

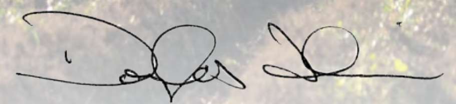
During the past year, we saw the overall economy continue to demonstrate inflationary pressures. Most of us first noticed this when our grocery bills increased by more than 25 percent over the past four years. Inflation can be caused by any one of several factors. Still, the simple description is inflation results when demand at a given price exceeds the available supply. To decrease that demand and bring inflation down, the Federal Reserve attempted to influence our buying behaviors by rapidly raising short-term interest rates. Based on available data, their strategy appears to be working, but not without consequences.

The consequences of the Federal Reserve's actions are negatively impacting our customers and our organization. Farmers already struggle with high input costs and declining commodity prices as they strive to generate profits. Now, the higher interest rates serve to exacerbate that struggle for them. The higher interest rates also caused our funding bank to exhibit some financial difficulties, which resulted in the bank returning fewer patronage dollars to their associations, including this one. The net result was lower net income for Alabama Ag Credit versus the previous year.

There is a positive side to this story. The financial strength of the Association and the commitment of our team allowed us to still grow our business to record levels and generate strong earnings. Further, we used that strength to declare a cash patronage distribution that was over 60 percent of net income and the equivalent of an almost one percent reduction in your cost of borrowing. Despite the challenges, we continued to enhance the quality of life for those in agriculture and rural Alabama.

The future will contain new challenges, and we are told to expect greater difficulties in the days and months ahead. Always remember, in good times or bad, Alabama Ag Credit will continue to serve as a valuable resource for you, today and tomorrow.





Larry Gibson
Chairman of the Board

Douglas Thiessen
President/Chief Executive Officer

ENVIRONMENT AND SUSTAINABILITY

With 97% of Alabama farms being family owned, sustainability is all about preserving the land for the next generation.

Alabama Ag Credit works with national, state, and local organizations to promote the sustainable practices that Alabama farmers, ranchers, and forest landowners have been voluntarily implementing for generations. Through collaborations with these organizations, we support our members as they invest in innovative ways to enhance climate-smart agriculture and sustainability practices on their own operations.

- Support Down to Earth - an Alabama collaborative public education campaign that answers questions and shares existing sustainability practices in Alabama's agricultural and forestry industries
- Support the Alabama Tree Farm Program - a program for woodland owners who are committed to sustainability by managing their properties for wood, water, wildlife and recreation
- Support for the Alabama Wildlife Federation Conservation Society - an organization that promotes conservation and wise use of wildlife and natural resources in the state of Alabama

__Temple Farms,__ which focuses on sustainability by implementing conservation practices and improving yield efficiency, was highlighted by our association

We sent members to __The DIRTT Project__ to learn about farm succession planning and how to keep it sustainable for the next generation

The __Conservation Awards__ were hosted by the Alabama Wildlife Federation to honor its members

Alabama had a turn in being the SunBelt Ag Expo Spotlight State. As a sponsor, it was a privilege & honor to promote **Sweet Grown Alabama**. Through this, we were able to provide a representation of the commodity diversification & sustainable agricultural practices that make our state unique.

YOUNG, BEGINNING, AND SMALL FARMERS

We recognize the specific challenges of financing beginning and small farming operations and are committed to working with them as they grow.

A critical component of our mission focuses on providing assistance to young, beginning, and small farmers. Young farmers are defined as those 35 years of age or younger, beginning farmers are defined as having 10 years or less of experience, and small farmers are defined as those having less than $350,000 in gross cash farm income.

$50,000 | AWARDED TO FARMERS through our JumpStart program for start-up farmers

- Sponsored Young AgVisory Council members to attend an educational graduation trip to a national agriculture event
- Supported AL Farmers Federation Young Farmers programs, Young Cattlemen's Leadership Program, FFA, 4-H Youth Programs, AL Forestry Young Leaders, among many other organizations
- Provided free registration to the AgBiz Basics program

***Young** AgVisory Council attending national ag education event*

***Beginning** farmers being awarded $10,000 JumpStart Grants*

***Small** farmers supported through our Vendor Voucher program and Farmer's Market Week purchases*

DIVERSITY AND INCLUSION

Just over 15% of Alabama farms are operated by minorities. While most of our activities naturally reach out to all farmers, we realize more must always be done to reach potentially underserved markets.

As awareness has grown around the importance of sustainable agriculture and non-traditional farming, we have continued our focus on educational opportunities surrounding these topics. This includes idea-sharing with minority, non-traditional farmers and the general public. When possible, we not only provide monetary support, but also educate participants on programs we offer for financing, through public speaking opportunities, and through exhibits staffed with Association personnel ready to engage with attendees.

- Distributed Tuskegee University Scholarship of $5,000 to students pursuing an education in the College of Agriculture (CAENS)
- Participated in a VIP scholarship through Farm Credit and MANRRS to bring interns to our Association
- Supported Urban Ag Programs such as Mobile Urban Growers
- Sponsored and participated in the 2023 Farmers Conference whose theme was "Enhancing Access to Knowledge, Partnerships, and Infrastructure for Resilient Communities"

We were able to sponsor a team of students from Tuskegee University to attend the National Black Growers Council **Model Farm Field Day** in Byromville, GA. Students, interns, faculty, & industry experts were able to learn about corn & soybean genetics & crop protection, cotton production practices, USDA programs, careers in agriculture, & muscadine production practices.

*With **Mobile Urban Gardeners** summer program, our team helped cultivate and plant food for the surrounding community*

***Women In Ag Events** were hosted across the state, and we shared how our Association can be a partner in their growth*

*Continued to support HBCU & MANNRS students through the **Launching Leaders** Intern Program, which fosters a more equitable and inclusive agricultural workforce*

SUPPORTING OUR RURAL COMMUNITIES

We are committed to the rural communities that our customers and employees call home. Whether this means volunteering at a food bank, or providing disaster relief, we're here to help.

Engaging with the communities we serve is an important part of our mission. We are passionate about rural communities and agriculture. Across the state, you will find us joining in on local efforts to make our communities stronger, get more people involved in agriculture, and create a brighter future for Alabama producers.

$5,658 | DONATED BY EMPLOYEES during our annual giving campaign to The Fallen Outdoors, which helps veterans cope and connect with the outdoors

- Supported local mental health programs and promoted training materials focused on mental health and stress
- Donated 5,760 lbs. of peanut butter to both the AICC Autauga Interfaith Care Center and the Selma Area Food Bank, which were struggling to feed their residents after tornado damage
- Provided 8 hours of paid time to employees to volunteer in their communities

The Fallen Outdoors *was the recipient of funds from annual charity campaign*

Central Alabama Community Foundation *received funds to get food & supplies delivered to those in need after a deadly tornado in Dallas, Autauga, and Elmore counties*

Angel Tree Recipients *were adopted by Monroeville branch office*

OUR FINANCIAL RESULTS REMAIN STRONG

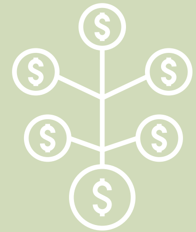
LOAN VOLUME

$1.34 BILLION

NET INCOME

$20.5 MILLION

TOTAL CAPITAL



$229 MILLION

CREDIT QUALITY

99.43%

PATRONAGE PAYMENT

$12.1 MILLION

LOAN VOLUME
The total loan volume oustanding

NET INCOME
The amount that remains after all costs are deducted from total income

TOTAL CAPITAL
The difference between our total assests and total liabilites, which is used to protect the association from potential losses and keep your money secure

CREDIT QUALITY
The measurement of loan portfolio risk. The higher the number, the less likely the Association is to incur losses related to outstanding loans

PATRONAGE PAYMENT
The amount of earnings we shared to our member-borrowers this year. It effectively lowers your borrowing costs

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA ("Association") are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

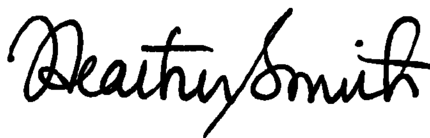
To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that 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 our knowledge or belief.

Douglas Thiessen, President/Chief Executive Officer
March 8, 2024

Larry H. Gibson, Jr., Chairman, Board of Directors
March 8, 2024



Heather Smith, Sr. VP/Chief Financial Officer
March 8, 2024

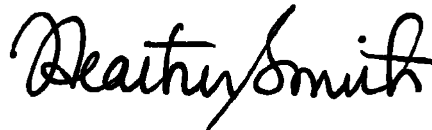
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, 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 boards 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, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

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

Douglas Thiessen, President/Chief Executive Officer
March 8, 2024



Heather Smith, Sr. VP/Chief Financial Officer
March 8, 2024

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of the entire board of directors of Alabama Ag Credit, ACA. In 2023, five committee meetings were held. The committee oversees the scope of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the Association's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2023.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2023 (audited consolidated financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and the Association's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from the Association. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2023.

Audit Committee Members

Richard M. Stabler, CPA (retired), Chairman
Larry H. Gibson, Jr.
John Carl Sanders
Annie Dee
Richard H. Meadows
Ray Petty
Mark D. Platt
Roman McLeod
Bradfield Evans

March 8, 2024

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2023	2022	2021	2020	2019
Balance Sheet Data					
Assets					
Cash	**$ 11**	$ 10	$ 9	$ 10	$ 11
Loans	**1,344,189**	1,292,527	1,229,614	1,160,465	1,063,795
Less: allowance for credit losses on loans	**8,797**	8,412	8,804	8,141	7,758
Net loans	**1,335,392**	1,284,115	1,220,810	1,152,324	1,056,037
Investment in and receivable from the Farm Credit Bank of Texas	**24,556**	24,058	22,469	20,502	21,182
Other property owned, net	**-**	-	-	100	-
Other assets	**21,475**	19,346	15,658	16,756	18,174
Total assets	**$ 1,381,434**	$ 1,327,529	$1,258,946	$1,189,692	$1,095,404
Liabilities					
Obligations with maturities of one year or less	**$ 20,821**	$ 22,373	$ 21,351	$ 19,603	$ 17,718
Obligations with maturities greater than one year	**1,131,321**	1,084,114	1,027,316	970,073	886,771
Total liabilities	**1,152,142**	1,106,487	1,048,667	989,676	904,489
Members' Equity					
Capital stock and participation certificates	**4,467**	4,485	4,438	4,289	4,196
Unallocated retained earnings	**224,466**	216,119	206,271	196,386	187,094
Accumulated other comprehensive income (loss)	**359**	438	(430)	(659)	(375)
Total members' equity	**229,292**	221,042	210,279	200,016	190,915
Total liabilities and members' equity	**$ 1,381,434**	$ 1,327,529	$1,258,946	$1,189,692	$1,095,404
Statement of Income Data					
Net interest income	**$ 35,378**	$ 32,676	$ 31,271	$ 29,207	$ 28,463
(Provision for loan losses) loan loss reversal	**(303)**	260	(614)	(813)	(420)
Income from the Farm Credit Bank of Texas	**4,268**	7,991	7,356	6,123	4,796
Other noninterest income	**621**	517	603	1,266	651
Noninterest expense	**(19,497)**	(18,508)	(16,598)	(15,261)	(14,375)
Net income	**$ 20,467**	$ 22,936	$ 22,018	$ 20,522	$ 19,115
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.8%	1.8%	1.8%	1.8%
Return on average members' equity	**8.8%**	10.4%	10.6%	10.3%	10.0%
Net interest income as a percentage of average earning assets	**2.7%**	2.6%	2.6%	2.6%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2023	2022	2021	2020	2019
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**16.3%**	16.7%	16.7%	16.8%	17.4%
Debt as a percentage of members' equity	**509.5%**	500.6%	498.7%	494.8%	473.8%
Allowance for credit losses on loans as a percentage of loans	**0.7%**	0.7%	0.7%	0.7%	0.7%
Common equity tier 1 ratio	**15.5%**	15.4%	15.6%	16.0%	16.5%
Tier 1 capital ratio	**15.5%**	15.4%	15.6%	16.0%	16.5%
Total capital ratio	**16.2%**	16.0%	16.3%	16.7%	17.2%
Permanent capital ratio	**15.6%**	15.5%	15.7%	16.1%	16.6%
Tier 1 leverage ratio	**15.9%**	15.6%	15.9%	16.3%	16.7%
UREE leverage ratio	**15.6%**	15.3%	17.0%	17.4%	17.8%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 13,068**	$ 12,132	$ 11,201	$ 9,767	$ 9,130

The Association’s ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2023. For more information, see Note 10, “Members Equity,” in the accompanying consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called the Association) for the years ended December 31, 2023, 2022 and 2021, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

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, legal, regulatory 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 in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- disruption of operations or disclosures 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 and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary policy; and
- credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Commodity Review and Outlook:

The Association's portfolio is diversified across approximately 45 commodities, with regions of the territory supported by various commodity types. Timber is the largest commodity type, representing approximately 49.9 percent of the portfolio. Cattle, with 13.8 percent of the portfolio, is the second largest concentration and has a strong presence in all regions. Crop loans for commodities such as soybean, corn and other row crops have the third-largest concentration, with 9.0 percent. Poultry, primarily in the Wiregrass Region, represents the fourth-largest concentration, at 8.5 percent.

The Association's territory is divided into four geographic regions. The Central Alabama Region's primary commodities include timber, cattle, cotton and some poultry and eggs. The Wiregrass Region is led by poultry and eggs, with agricultural enterprises such as peanuts, cotton, timber and cattle also present. The Gulf Coast Region is diverse within its territory. The area along the Gulf Coast features many greenhouse, nursery and floriculture operations. The northern part of the region is heavily supported by timber, lumber mills and pulp/paper manufacturing and row crop operations. The central part of this region has multiple peanut buying points and cotton gins. The area also includes a concentration of peanut and cattle production. The West Alabama Region features large recreational land tracts. Additionally, timber and cattle, along with some cotton, soybeans and peanuts, are major agricultural enterprises.

Management analyzes each commodity segment quarterly as part of the Asset/Liability Committee. Additionally, the cattle and poultry segments are analyzed more in depth annually by the Association's Credit department.

Significant Events:

Adoption of New Accounting Standard:

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance-sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment at January 1, 2023, reflecting an increase in the Association's ACL of $2,169 on outstanding loans and unfunded commitments and a corresponding decrease in retained earnings.

Refer to Note 2, "Summary of Significant Accounting Policies," in the accompanying consolidated financial statements for disclosures of additional accounting pronouncements that may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Patronage Refunds Received from Farm Credit Bank of Texas:

In December 2023, the Association received a direct loan patronage of $3,030,038 from the Farm Credit Bank of Texas ("Bank"), representing 27.3 basis points on the average daily balance of the Association's direct loan with the Bank. This was a significant decline from previous years. As the Bank evaluated economic conditions and portfolio performance throughout the year, its earnings and capital position were markedly behind its business plan forecasts. The Bank notified the District associations that the business plan was being modified to reflect these deficits. Notably, the amount of direct loan patronage would be significantly reduced and would be partially distributed as equity allocations. During 2023, the Association received $702,556 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $394,487 from the Bank, representing 90 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2022, the Association received a direct loan patronage of $6,899,848 from the Bank, representing approximately 64 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $472,649 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2022, the Association received a capital markets patronage of $452,662 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

In December 2021, the Association received a direct loan patronage of $6,377,901 from the Bank, representing approximately 63 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $372,061 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2021, the Association received a capital markets patronage of $425,091 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

The Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Patronage Refunds by Association:

In March 2023, the Association paid a patronage of $13,068,058 in cash from 2022 earnings to the Association's stockholders and in December 2023 declared another patronage of $12,118,389 from 2023 earnings to be paid in March 2024.

In March 2022, the Association paid a patronage of $12,152,884 in cash from 2021 earnings to the Association's stockholders and in December 2022 declared another patronage of $13,068,058 from 2022 earnings to be paid in March 2023.

In March 2021, the Association paid a patronage of $11,194,069 in cash from 2020 earnings to the Association's stockholders and in December 2021 declared another patronage of $12,132,310 from 2021 earnings to be paid in March 2022.

COVID Discussion:

The United States had been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). The emergency declaration officially ended May 11, 2023. The potential impact of COVID-19 on the global, U.S. and local economies created a high degree of economic uncertainty, with business disruptions in supply chains in both the non-ag and the ag sectors. The Bank and the Association continued during these unprecedented times to fulfill their mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Bank was able to maintain access to the financial markets to redeem and replace preferred stock and callable debt and fund incremental needs. There were no significant changes to its funding strategies or interest rate risk profile. The credit quality of the Bank's loan portfolio remained strong, and capital levels remained strong, as well.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $1,344,188,480, $1,292,527,515, and $1,229,614,367 as of December 31, 2023, 2022 and 2021, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses," in the accompanying consolidated financial statements.

Purchase and Sales of Loans:

During 2023, 2022 and 2021, the Association was participating in loans with other lenders. As of December 31, 2023, 2022 and 2021, these participations totaled $138,886,258, $95,319,878, and $69,199,270, or 10.3 percent, 7.4 percent and 5.6 percent of loans, respectively. There were no participations purchased from entities outside the District for these years. The Association has also sold participations of $79,426,111, $66,479,334, and $58,125,326 as of December 31, 2023, 2022 and 2021, respectively. Included in these amounts are participations sold to entities outside the District of $3,654,067, $0, and $0, as of December 31, 2023, 2022, and 2021, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net. The following table illustrates the Association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

Nonperforming Assets

	2023		**2022**		**2021**	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual loans	**$ 870,502**	**100.0%**	$ 1,285,695	18.8%	$ 4,056,983	46.6%
Formally restructured*	**-**	**0.0%**	5,559,397	81.2%	4,642,443	53.4%
Nonperforming assets	**$ 870,502**	**100.0%**	$ 6,845,092	100.0%	$ 8,699,426	100.0%

* Prior to the January 1, 2023, adoption of updated FASB guidance, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured. To conform with prior years' reporting, formally restructured loans are included for 2022 and 2021.

At December 31, 2023, 2022 and 2021, nonperforming loans were $870,502, $6,845,092, and $8,699,426, representing 0.1 percent, 0.5 percent and 0.7 percent of loan volume, respectively.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that

would affect any agricultural or rural real estate lender. To help mitigate and diversify credit risk, the Association has employed practices including obtaining credit guarantees and engaging in loan participations. The Association also has the option of securitizing loans if considered prudent to manage risk.

Allowance for Credit Losses on Loans:

Effective January 1, 2023, the Association employs a disciplined process and methodology to establish its allowance for credit losses on loans 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 allowance for credit losses.

In estimating the component of the allowance for credit losses on 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.

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 are 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 allowances for loan losses, which include, but are 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.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $8,796,563, $8,412,353 and $8,804,126 at December 31, 2023, 2022 and 2021, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2023, was $20,467,837, as compared to $22,935,721 for the year ended December 31, 2022, reflecting a decrease of $2,467,884, or 10.8 percent. The Association's net income for the year ended December 31, 2021, was $22,071,688. Net income increased $918,033, or 4.2 percent, in 2022 versus 2021.

Net interest income for 2023, 2022 and 2021 was $35,377,935, $32,676,251, and $31,270,592, respectively, reflecting increases of $2,701,684, or 8.3 percent, for 2023 versus 2022 and $1,405,659, or 4.5 percent, for 2022 versus 2021. 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 tables:

	2023		2022		2021	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,316,840,735**	**$ 71,749,699**	$ 1,271,848,212	$ 58,144,679	$ 1,205,565,963	$ 52,366,901
Interest-bearing liabilities	**1,108,823,850**	**36,371,764**	1,071,600,517	25,468,428	1,013,964,904	21,096,309
Impact of capital	**$ 208,016,885**		$ 200,247,695		$ 191,601,059	
Net interest income		**$ 35,377,935**		$ 32,676,251		$ 31,270,592

	2023 Average Yield	**2022 Average Yield**	**2021 Average Yield**
Yield on loans	**5.4%**	4.6%	4.3%
Cost of interest-bearing liabilities	**3.3%**	2.4%	2.1%
Interest rate spread	**2.2%**	2.2%	2.3%
Impact of capital	**0.5%**	0.4%	0.3%
Net interest income/average earning assets	**2.7%**	2.6%	2.6%

	2023 vs. 2022			**2022 vs. 2021**		
	Increase (decrease) due to			**Increase (decrease) due to**		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 2,057,042**	**$ 11,547,978**	**$ 13,605,020**	$ 2,878,590	$ 2,899,188	$ 5,777,778
Interest expense	**884,687**	**10,018,649**	**10,903,336**	1,199,167	3,172,952	4,372,119
Net interest income	**$ 1,172,355**	**$ 1,529,329**	**$ 2,701,684**	$ 1,679,423	$ (273,764)	$ 1,405,659

Interest income for 2023 increased by $13,605,020, or 23.4 percent, compared to 2022, primarily due to significantly higher interest rates and increased loan volumes. The Association recognized interest income of $143,624 from nonaccrual loans in 2023. Without the additional nonaccrual interest income, the yield on loans for 2023 would have been 5.44 percent, interest rate spread would have been 2.16 percent, and net interest income/average earning assets would have been 2.68 percent. Interest expense for 2023 increased by $10,903,336, or 42.8 percent, compared to 2022 due to significantly cost of funds and higher average loan volumes. The interest rate spread decreased by 3 basis points to 2.17 percent in 2023 from 2.20 percent in 2022, primarily because the rising interest rates created a less favorable lending environment. The interest rate spread decreased by 6 basis points to 2.20 percent in 2022 from 2.26 percent in 2021, primarily because of the rising interest rate environment.

Noninterest income for 2023 decreased by $3,618,021, or 42.5%, compared to 2022, due primarily to the reduction in patronage income received from the Bank. The Bank reduced the amount of direct loan patronage percentage from approximately 64 basis points of the average daily balance of the Association's direct note with the Bank in 2022 to approximately 27 basis points in 2023. This reduction was enacted to bolster the Bank's capital position as the rising interest rates created financial challenges. Noninterest income for 2022 increased by $547,805, or 6.9 percent, compared to 2021, due primarily to increased patronage from the Bank and gains on sales of equipment.

The Association recorded provisions for loan losses in the amount of $302,672 as compared to a reversal of loan loss provision in the amount of $259,914 in 2022. This change is due primarily to the change in methodology after CECL adoption. Additionally, the state of the economy resulted in some decrease in credit quality. Collateral-based loans with a risk rating of 11 were individually evaluated to determine if the CECL model captured sufficient exposure in the allowance calculations. This additional exposure was reflected through a qualitative adjustment in the allowance calculation.

Operating expenses consist primarily of salaries and employee benefits, insurance fund premiums, advertising, public and member relations, and occupancy and equipment. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by $988,961, or 5.3 percent, from 2022 to 2023. The increase in operating expenses included an increase of $1,051,905 in salaries and benefits.

Additionally, increases in advertising of $104,033 contributed to the total operating expense increase. The increases were offset by a decrease in premiums to the Insurance Fund, resulting from a decrease in the premium rates from 20 basis points in 2022 to 18 basis points in 2023. Operating expenses increased by $1,909,665, or 11.5 percent, from 2021 to 2022. The increase was primarily due to a $532,480 increase in Insurance Fund premiums, resulting from an increase in the premium rates from 16 basis points in 2021 to 20 basis points in 2022. Salaries and benefits also increased by $527,423 from 2021 to 2022 as the workforce was expanded. Additional increases were seen in occupancy and equipment due to the new administrative office space, and travel expenses due to increased costs and additional travel incurred.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $644,846, $1,353,009, and $1,815,198 for 2023, 2022 and 2021, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $638,145, $1,398,418, and $1,588,796 for 2023, 2022, and 2021 respectively, related to the origination of loans.

For the year ended December 31, 2023, the Association's return on average assets was 1.5 percent, as compared to 1.8 percent and 1.8 percent for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2023, the Association's return on average members' equity was 8.8 percent, as compared to 10.4 percent and 10.5 percent for the years ended December 31, 2022 and 2021, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association. As mentioned above, the Bank's capital-related decision regarding direct loan patronage distribution caused a significant decrease in the Association's noninterest income for 2023.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,127,940,073, $1,081,493,220, and $1,025,517,581 as of December 31, 2023, 2022 and 2021, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.63 percent, 2.86 percent and 2.00 percent at December 31, 2023, 2022 and 2021, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2022, is due to increased loan volume and associated interest rate increases. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $217,484,275, $211,993,843 and $204,959,259 at December 31, 2023, 2022 and 2021, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,355,095,666, as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2024. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $229,292,006, $221,041,770 and $210,279,336 at December 31, 2023, 2022 and 2021, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the Farm Credit Administration. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity

to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2023, 2022 and 2021 was 15.6 percent, 15.5 percent, and 15.7 percent, respectively. The Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The Association's common equity tier 1 ratio was 15.4 percent, tier 1 capital ratio was 15.5 percent, and total capital ratio was 16.2 percent at December 31, 2023. The Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum UREE leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio was 15.5 percent and UREE leverage ratio was 15.6 percent at December 31, 2023. The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Regulatory Matters:

At December 31, 2023, the Association was not under written agreements with the FCA.

On January 13, 2023, FCA issued an advance notice of proposed rulemaking on the regulatory capital framework for Farmer Mac. The comment period ended on April 26, 2023.

On October 5, 2023, the FCA 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 institution board reporting requirements. The final rule will become effective on January 1, 2025.

On October 12, 2023, FCA approved a final rule on young, beginning and small (YBS) farmer and rancher activity, effective February 1, 2024. The objectives of the rule are to expand the YBS activities of direct-lender associations to a diverse population of borrowers, to reinforce the supervisory responsibilities of the banks that fund the direct-lender associations and require the banks to annually review and approve the associations' YBS programs and to require each direct-lender association to enhance the strategic plan for its YBS program. FCA will transition to a new YBS reporting system in 2024 to provide a clearer picture of YBS lending by allowing the agency to better break down and categorize loan data.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank's ability to access capital of the Association is discussed in Note 2, "Summary of Significant Accounting Policies," in the accompanying consolidated financial statements within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12, "Related Party transactions," in the accompanying consolidated financial statements, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Alabama Ag Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Alabama Ag 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, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Austin, Texas
March 8, 2024

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2023	**2022**	**2021**
Assets			
Cash	**$ 10,995**	$ 10,074	$ 8,686
Loans	**1,344,188,480**	1,292,527,515	1,229,614,367
Less: allowance for credit losses on loans	**8,796,563**	8,412,353	8,804,126
Net loans	**1,335,391,917**	1,284,115,162	1,220,810,241
Accrued interest receivable	**13,050,872**	10,874,358	8,457,988
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**22,137,880**	21,327,170	20,155,010
Accrued patronage receivable	**394,487**	167,975	181,005
Allocated equities	**909,011**	-	-
Other	**1,115,018**	2,562,575	2,132,556
Premises and equipment	**6,664,139**	6,551,637	6,308,781
Other assets	**1,760,138**	1,920,291	891,353
Total assets	**$ 1,381,434,457**	$ 1,327,529,242	$ 1,258,945,620
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 1,127,940,073**	$ 1,081,493,220	$ 1,025,517,581
Accrued interest payable	**3,380,799**	2,621,259	1,798,078
Drafts outstanding	**170,052**	-	146,759
Patronage distributions payable	**12,125,139**	13,092,453	12,139,695
Other liabilities	**8,526,388**	9,280,540	9,064,171
Total liabilities	**1,152,142,451**	1,106,487,472	1,048,666,284
Members' Equity			
Capital stock and participation certificates	**4,467,215**	4,484,775	4,437,945
Unallocated retained earnings	**224,465,834**	216,118,555	206,271,466
Accumulated other comprehensive income (loss)	**358,957**	438,440	(430,075)
Total members' equity	**229,292,006**	221,041,770	210,279,336
Total liabilities and members' equity	**$ 1,381,434,457**	$ 1,327,529,242	$ 1,258,945,620

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
Interest Income			
Loans	**$ 71,749,699**	$ 58,144,679	$ 52,366,901
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**36,371,764**	25,468,428	21,096,309
Net interest income	**35,377,935**	32,676,251	31,270,592
Provision for loan losses (loan loss reversal)	**302,672**	(259,914)	614,320
Net interest income after provision for losses (loan loss reversal)	**35,075,263**	32,936,165	30,656,272
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**4,268,210**	7,990,540	7,356,308
Loan fees	**236,770**	193,788	423,662
Financially related services income	**1,915**	1,939	1,072
Gain on other property owned, net	**-**	-	52,020
Gain on sale of premises and equipment, net	**229,462**	209,468	55,246
Other noninterest income	**153,130**	111,773	71,395
Total noninterest income	**4,889,487**	8,507,508	7,959,703
Noninterest Expenses			
Salaries and employee benefits	**11,689,163**	10,637,258	10,109,835
Directors' expense	**447,796**	392,438	370,826
Purchased services	**621,727**	568,824	592,456
Travel	**932,596**	932,090	720,490
Occupancy and equipment	**1,233,766**	1,377,722	1,031,503
Communications	**302,572**	356,863	356,326
Advertising	**489,458**	385,425	377,979
Public and member relations	**744,205**	715,461	467,034
Supervisory and exam expense	**450,659**	422,514	392,451
Insurance Fund premiums	**2,115,504**	2,249,540	1,717,060
Other components of net periodic postretirement benefit cost	**90,034**	174,176	122,753
Other noninterest expense	**379,433**	295,641	339,574
Total noninterest expenses	**19,496,913**	18,507,952	16,598,287
NET INCOME	**20,467,837**	22,935,721	22,017,688
Other comprehensive income:			
Change in postretirement benefit plans	**(79,483)**	868,515	229,081
COMPREHENSIVE INCOME	**$ 20,388,354**	$ 23,804,236	$ 22,246,769

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 4,289,225	$ 196,386,088	$ (659,156)	$ 200,016,157
Net income	-	22,017,688	-	22,017,688
Other comprehensive income	-	-	229,081	229,081
Capital stock/participation certificates issued	992,040	-	-	992,040
Capital stock/participation certificates retired	(843,320)	-	-	(843,320)
Patronage dividends:				
Cash	-	(12,132,310)	-	(12,132,310)
Change in patronage declared and paid	-	-	-	-
Balance at December 31, 2021	4,437,945	206,271,466	(430,075)	210,279,336
Net income	-	22,935,721	-	22,935,721
Other comprehensive income	-		868,515	868,515
Capital stock/participation certificates issued	695,845			695,845
Capital stock/participation certificates retired	(649,015)			(649,015)
Patronage dividends:				
Cash	-	(13,068,058)		(13,068,058)
Change in patronage declared and paid	-	(20,574)		(20,574)
Balance at December 31, 2022	4,484,775	216,118,555	438,440	221,041,770
Cumulative effect of a change in accounting principle	-	(2,169)	-	(2,169)
Balance at January 1, 2023	4,484,775	216,116,386	438,440	221,039,601
Net income	-	20,467,837	-	20,467,837
Other comprehensive income	-	-	(79,483)	(79,483)
Capital stock/participation certificates issued	521,525	-	-	521,525
Capital stock/participation certificates retired	(539,085)	-	-	(539,085)
Patronage dividends:				
Cash	-	(12,118,389)	-	(12,118,389)
Change in patronage declared and paid	-	-	-	-
Balance at December 31, 2023	**$ 4,467,215**	**$ 224,465,834**	**$ 358,957**	**$ 229,292,006**

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Net income	**$ 20,467,837**	$ 22,935,721	$ 22,017,688
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**302,672**	(259,914)	614,320
Provision for acquired property	**-**	-	(36,000)
Gain on sale of other property owned, net	**-**	-	(16,020)
Depreciation	**650,178**	657,996	465,232
Gain on sale of premises and equipment, net	**(228,608)**	(209,468)	(55,246)
(Increase) decrease in accrued interest receivable	**(2,176,514)**	(2,416,370)	1,202,175
Decrease (increase) in other receivables from the Farm Credit Bank	**312,034**	(416,989)	(353,082)
Decrease (increase) in other assets	**1,002,921**	(186,170)	(81,739)
Increase (decrease) in accrued interest payable	**759,540**	823,181	(6,329)
(Decrease) increase in other liabilities	**(1,622,556)**	240,821	1,139,355
Net cash provided by operating activities	**19,467,504**	21,168,808	24,890,354
Cash flows from investing activities:			
Increase in loans, net	**(51,745,720)**	(63,204,501)	(69,097,404)
Cash recoveries of loans previously charged off	**29,860**	35,268	41,911
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(810,710)**	(1,172,160)	(1,613,760)
Purchases of premises and equipment	**(813,679)**	(879,671)	(516,385)
Proceeds from sales of premises and equipment	**364,362**	313,808	107,945
Proceeds from sales of other property owned	**-**	-	38,000
Net cash used in investing activities	**(52,975,887)**	(64,907,256)	(71,039,693)

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2023	**2022**	**2021**
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**46,446,853**	55,975,639	57,249,279
Increase (decrease) in drafts outstanding	**170,052**	(146,759)	(56,248)
Issuance of capital stock and participation certificates	**521,525**	670,205	992,040
Retirement of capital stock and participation certificates	**(539,085)**	(623,375)	(843,320)
Patronage distributions paid	**(13,090,041)**	(12,135,874)	(11,194,069)
Net cash provided by financing activities	**33,509,304**	43,739,836	46,147,682
Net increase (decrease) in cash	**921**	1,388	(1,657)
Cash at the beginning of the year	**10,074**	8,686	10,343
Cash at the end of the year	**$ 10,995**	$ 10,074	$ 8,686
Supplemental schedule of noncash investing and financing activities:			
Financed sales of other property owned	**$ -**	$ -	$ 150,000
Loans transferred to other property owned	**-**	-	36,480
Loans charged off	**-**	165,832	15,985
Patronage distributions declared	**12,120,558**	13,068,058	12,132,310
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 35,612,186**	$ 24,645,247	$ 21,102,638

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called "the Association"), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington, and Wilcox in the state of Alabama.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2023, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2023, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico, and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) 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, (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 the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which 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 other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. 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 makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life and term life insurance to its borrowers.
The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. The Bank's Annual Report to Stockholders discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the Bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation
The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loan, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conforms to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated 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 could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements include the accounts of Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance titled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current 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. 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 titled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure." 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 who are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

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

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 8,412,353	$ 61,137	$ 8,473,490
Liabilities:			
Allowance for credit losses on unfunded commitments	102,415	(58,968)	43,447
Retained earnings:			
Unallocated retained earnings, net of tax	$ 8,514,768	$ 2,169	$ 8,516,937

In December 2022, the FASB issued an update titled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that included or was subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022.

Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be June 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief. All loans were converted from LIBOR to other products prior to June 30, 2023.

In March 2022, the FASB issued an update titled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of this guidance did not impact the Association's financial condition or results of operation as the System does not have a current derivative hedging strategy in which the last-of-layer method is used.

B. Cash and Cash Equivalents: Cash and cash equivalents, as included in the financial statements, represents cash on hand and deposits at banks.

C. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not 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 a 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 deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (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 recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments 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 is no longer in doubt. 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 elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the balance sheet. The Association has 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, CECL allows a 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 losses 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 Effective 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 credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet 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 balance sheet.

Determining the appropriateness of the ACL 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.

Allowance for Credit Losses on Loans The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge

accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default).

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

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. 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 allowance for credit losses.

In estimating the components of the ACLL 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 and credit quality rating, 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 and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL 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 credit losses in the existing portfolio.

The Association’s macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The Bank also considers loan and borrower characteristics, such as internal risk ratings, industry, 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 ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged off or expected recoveries on collateral-dependent loans where recovery is expected through sale of the collateral. 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 are 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 allowances for loan losses, which include, but are 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 sheet. 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 institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. 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. On at least an annual basis, 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 and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance 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 sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors. The Association had advance conditional payments of $9,815,769, $20,107,767, and $18,605,779 at December 31, 2023, 2022, and 2021, respectively, all of which was restricted and therefore was all netted against the related loan balances in the consolidated balance sheet.

H. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2023, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability in the consolidated balance sheet. The Association recognized pension costs for the DC plan of $205,822, $666,633, and $398,083 for the years ended December 31, 2023, 2022 and 2021 respectively. For the DB plan, the Association recognized pension costs of $348,799, $629,369, and $705,350 for the years ended December 31, 2023, 2022 and 2021, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $353,447, $208,920, and $286,448 for the years ended December 31, 2023, 2022 and 2021, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans.

I. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. 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 retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: 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. Commercial letters of credit are conditional 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. The credit risk associated with commitments to extend credit and commercial 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.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

Loan Type	2023 Amount	2023 %	2022 Amount	2022 %	2021 Amount	2021 %
Real estate mortgage	**$ 992,052,287**	**73.8%**	$1,013,944,826	78.4%	$998,985,301	81.2%
Production and intermediate-term	**160,374,838**	**12.0%**	126,122,570	9.8%	113,307,883	9.2%
Agribusiness:						
Loans to cooperatives	**9,234,189**	**0.7%**	9,583,687	0.7%	5,625,925	0.5%
Processing and marketing	**57,485,304**	**4.3%**	50,185,010	3.9%	35,054,092	2.9%
Farm-related business	**34,079,473**	**2.5%**	22,718,221	1.8%	22,633,008	1.8%
Communication	**4,162,940**	**0.3%**	-	0.0%	-	0.0%
Energy	**5,788,110**	**0.4%**	1,008,908	0.1%	1,214,708	0.1%
Water and waste-water	**13,331,425**	**1.0%**	8,012,493	0.6%	1,336,337	0.1%
Rural residential real estate	**60,352,910**	**4.5%**	58,435,280	4.5%	49,880,090	4.1%
Agricultural export finance	**7,327,004**	**0.5%**	2,516,520	0.2%	1,577,023	0.1%
Total	**$ 1,344,188,480**	**100.0%**	$1,292,527,515	100.0%	$1,229,614,367	100.0%

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 table presents information regarding participations purchased and sold as of December 31, 2023:

	Other Farm Credit Institutions		**Non-Farm Credit Institutions**		**Total**	
	Participations Purchased	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Agribusiness	$ 64,091,359	$ 41,776,547	$ -	$ -	$ 64,091,359	$ 41,776,547
Production and intermediate-term	31,952,466	11,605,225	-	-	31,952,466	11,605,225
Water and waste-water	13,331,425	-	-	-	13,331,425	-
Real estate mortgage	12,232,954	26,044,339	-	-	12,232,954	26,044,339
Agricultural export finance	7,327,004	-	-	-	7,327,004	-
Energy	5,788,110	-	-	-	5,788,110	-
Communication	4,162,940	-	-	-	4,162,940	-
Total	$ 138,886,258	$ 79,426,111	$ -	$ -	$ 138,886,258	$ 79,426,111

Geographic Distribution: Distribution is based on collateral location.

County	2023	2022	2021
Baldwin	**10.6%**	5.7%	6.4%
Mobile	**7.0%**	2.7%	2.3%
Montgomery	**6.6%**	3.8%	4.0%
Marengo	**5.0%**	3.5%	3.9%
Lee	**4.3%**	1.9%	2.0%
Elmore	**4.2%**	2.0%	1.9%
Tuscaloosa	**4.0%**	2.5%	2.7%
Houston	**3.7%**	2.7%	2.8%
Dale	**3.3%**	3.8%	4.2%
Monroe	**3.0%**	2.4%	2.7%
Jefferson	**3.0%**	3.2%	2.9%
Coffee	**2.5%**	3.1%	3.2%
Geneva	**2.3%**	2.5%	2.8%
Hale	**2.2%**	2.6%	2.6%
Dallas	**1.9%**	3.7%	4.3%
Henry	**1.9%**	3.6%	3.7%
Pike	**1.7%**	2.4%	2.3%
Clarke	**1.7%**	1.3%	1.1%
Pickens	**1.5%**	1.5%	1.7%
Barbour	**1.5%**	2.1%	2.3%
Autauga	**1.5%**	2.0%	2.0%
Escambia	**1.4%**	2.3%	1.9%
Shelby	**1.0%**	1.3%	1.1%
Other Counties	**13.4%**	26.2%	4.8%
Other States	**10.8%**	11.2%	30.4%
	100.0%	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, 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. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2023		**2022**		**2021**	
Operation/Commodity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Timber	**$ 674,033,799**	**50.1%**	$ 668,827,933	51.7%	$ 661,347,156	53.8%
Livestock, except dairy and poultry	**189,939,595**	**14.1%**	168,452,208	13.0%	166,287,277	13.5%
Poultry and eggs	**109,634,323**	**8.2%**	116,733,521	9.0%	114,726,329	9.3%
General farms, primarily crops	**101,903,332**	**7.6%**	21,568,406	1.7%	23,694,777	1.9%
Rural home loans	**66,310,577**	**4.9%**	64,383,598	5.0%	57,809,792	4.7%
Lumber and wood products, except furniture	**33,071,689**	**2.5%**	24,475,452	1.9%	24,333,973	2.0%
Food and kindred products	**29,353,952**	**2.2%**	32,645,927	2.5%	19,772,934	1.6%
Wholesale trade - nondurable goods	**19,170,854**	**1.4%**	15,558,577	1.2%	14,934,222	1.2%
Chemical and allied products	**18,803,961**	**1.3%**	16,338,547	1.3%	9,329,393	0.8%
Field crops except cash grains	**11,820,826**	**0.9%**	94,138,607	7.3%	76,732,087	6.2%
Other	**90,145,572**	**6.8%**	69,404,739	5.4%	60,646,427	5.0%
Total	**$ 1,344,188,480**	**100.0%**	$ 1,292,527,515	100.0%	$ 1,229,614,367	100.0%

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 secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 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 the loan-to-value ratios in excess of the regulatory maximum.

Credit Quality

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

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

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

The following table shows loans and related accrued interest classified under the FCA's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2023		2022		2021	
Real estate mortgage						
Acceptable	**98.4**	%	98.4	%	98.6	%
OAEM	**1.0**		1.0		0.6	
Substandard/doubtful	**0.6**		0.6		0.8	
	100.0		100.0		100.0	
Production and intermediate term						
Acceptable	**99.1**		98.8		97.3	
OAEM	**0.1**		1.1		1.2	
Substandard/doubtful	**0.8**		0.1		1.5	
	100.0		100.0		100.0	
Loans to cooperatives						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Processing and marketing						
Acceptable	**84.4**		100.0		100.0	
OAEM	**15.6**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Farm-related business						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Communication						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Energy						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Water and waste-water						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Rural residential real estate						
Acceptable	**99.8**		99.7		99.8	
OAEM	**0.1**		0.1		0.1	
Substandard/doubtful	**0.1**		0.2		0.1	
	100.0		100.0		100.0	
Agricultural export finance						
Acceptable	**100.0**		100.0		100.0	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100.0		100.0		100.0	
Total Loans						
Acceptable	**98.4**		98.6		98.6	
OAEM	**1.5**		0.9		0.6	
Substandard/doubtful	**0.1**		0.5		0.8	
	100.0	%	100.0	%	100.0	%

Nonperforming assets (including related accrued interest, if any) and related credit quality statistics are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Nonaccrual loans:			
Real estate mortgage	**$ 870,502**	$ 5,635,556	$ 6,912,846
Production and intermediate-term	**-**	1,173,417	1,725,971
Rural residential real estate	**-**	36,119	60,572
Total nonperforming assets	**$ 870,502**	$ 6,845,092	$ 8,699,389
Nonaccrual loans as a percentage of total loans	**0.1%**	0.5%	0.7%
Nonperforming assets as a percentage of total loans and other property owned	**0.1%**	0.5%	0.7%
Nonperforming assets as a percentage of capital	**0.4%**	3.1%	4.1%

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 during the period:

	December 31, 2023			
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized for the Year Ended December 31, 2023**
Nonaccrual loans:				
Real estate mortgage	$ 570,767	$ 299,735	$ 870,502	$ 143,624

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2023:

December 31, 2023:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 3,374,124**	**$ -**	**$ 3,374,124**	**$ 988,678,163**	**$ 992,052,287**	**$ -**
Production and intermediate-term	**3,805,109**	**-**	**3,805,109**	**156,569,729**	**160,374,838**	**-**
Loans to cooperatives	**-**	**-**	**-**	**9,234,189**	**9,234,189**	**-**
Processing and marketing	**-**	**-**	**-**	**57,485,304**	**57,485,304**	**-**
Farm-related business	**-**	**-**	**-**	**34,079,473**	**34,079,473**	**-**
Communication	**-**	**-**	**-**	**4,162,940**	**4,162,940**	**-**
Energy	**-**	**-**	**-**	**5,788,110**	**5,788,110**	**-**
Water and waste-water	**-**	**-**	**-**	**13,331,425**	**13,331,425**	**-**
Rural residential real estate	**16,155**	**-**	**16,155**	**60,336,755**	**60,352,910**	**-**
Agricultural export finance	**-**	**-**	**-**	**7,327,004**	**7,327,004**	**-**
Total	**$ 7,195,388**	**$ -**	**$ 7,195,388**	**$ 1,336,993,092**	**$ 1,344,188,480**	**$ -**

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

December 31, 2022:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	$ 2,806,127	$ 276,680	$ 3,082,807	$ 1,019,318,707	$ 1,022,401,514	$ -
Production and intermediate-term	50,777	-	50,777	127,795,525	127,846,302	-
Loans to cooperatives	-	-	-	9,605,579.32	9,605,579	-
Processing and marketing	-	-	-	50,428,252	50,428,252	-
Farm-related business	-	-	-	22,908,124	22,908,124	-
Energy	-	-	-	1,014,137	1,014,137	-
Water and waste-water	-	-	-	8,014,810	8,014,810	-
Rural residential real estate	86,713	36,119	122,832	58,503,862	58,626,694	-
Agricultural export finance	-	-	-	2,556,461	2,556,461	-
Total	$ 2,943,617	$ 312,799	$ 3,256,416	$ 1,300,145,457	$ 1,303,401,873	$ -

December 31, 2021:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,830,400	$ 1,231,486	$ 5,061,886	$ 1,000,844,097	$ 1,005,905,983	$ -
Production and intermediate-term	-	432,736	432,736	114,108,886	114,541,622	-
Loans to cooperatives	-	-	-	5,635,136	5,635,136	-
Processing and marketing	-	-	-	35,167,242	35,167,242	-
Farm-related business	-	-	-	22,673,453	22,673,453	-
Energy	-	-	-	1,216,646	1,216,646	-
Water and waste-water	-	-	-	1,336,396	1,336,396	-
Rural residential real estate	48,896	27,126	76,022	49,941,263	50,017,285	-
Agricultural export finance	-	-	-	1,578,592	1,578,592	-
Total	$ 3,879,296	$ 1,691,348	$ 5,570,644	$ 1,232,501,712	$ 1,238,072,355	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral-dependent loans are primarily real estate mortgage.

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon adoption of the CECL accounting guidance, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2023, disaggregated by loan type and type of modification granted.

	Year Ended December 31, 2023		
	Payment Deferral	Total	Percentage of Total by Loan Type
Production and intermediate-term	$ 117,921	$ 117,921	100.0%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during 2023 was $1,084 at December 31, 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2023:

	Financial Effect For the Year Ended December 31, 2023
	Term Extension Financial Effect
Production and intermediate-term	Term extended for 365 days

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 the guidance noted above, through December 31, 2023:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 117,921	$ -	$ -
Total	**$ 117,921**	**$ -**	**$ -**

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified as of December 31, 2023.

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022 and 2021:

	For the Year Ended December 31, 2022	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$ 1,559,017	$ 1,563,937
Production and intermediate-term	-	-
Total	$ 1,559,017	$ 1,563,937

	For the Year Ended December 31, 2021	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$ 1,589,937	$ 3,395,157
Production and intermediate-term	1,131,175	1,217,102
Total	$ 2,721,112	$ 4,612,259

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

There were no additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2022 and December 31, 2021.

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

	December 31, 2022	
	Loans Modified as Troubled Debt Restructurings	Troubled Debt Restructurings in Nonaccrual Status*
Real estate mortgage	$ 5,190,834	$ 822,994
Production and intermediate-term	1,137,127	-
Total	$ 6,327,961	$ 822,994

* represents the portion of loans modified as TDRs that are in nonaccrual status

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 standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of the Association's lending and leasing limit base, but the Association's board of directors has generally established more restrictive lending limits.

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 for the year ended December 31, 2023, is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy / Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:								
Balance at December 31, 2022	$ 7,744,133	$ 443,269	$ 130,793	$ -	$ 7,173	$ 84,321	$ 2,664	$ 8,412,353
Cumulative effect of a change in accounting principal	(570,293)	$ 337,591	$ 108,787	$ -	$ 5,909	$ 174,622	$ 4,520	$ 61,136
Balance at January 1, 2023	7,173,840	780,860	239,580	-	13,082	258,943	7,184	8,473,489
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	29,860	-	-	-	-	-	-	29,860
Provision for loan losses (loan loss reversal)	921,951	(562,826)	(62,800)	4,764	4,612	(10,624)	(1,863)	293,214
Balance at December 31, 2023	**$ 8,125,651**	**$ 218,034**	**$ 176,780**	**$ 4,764**	**$ 17,694**	**$ 248,319**	**$ 5,321**	**$ 8,796,563**
Allowance for Credit Losses on Unfunded Commitments:								
Balance at December 31, 2022	$ 8,643	$ 67,822	$ 23,380	$ -	$ -	$ 117	$ 2,451	$ 102,413
Cumulative effect of a change in accounting principal	(2,330)	(50,674)	(6,493)	-	-	8	522	(58,967)
Balance at January 1, 2023	6,313	17,148	16,887	-	-	125	2,973	43,446
Provision for unfunded commitments	(402)	10,721	(3,137)	-	1,021	761	494	9,458
Balance at December 31, 2023	**$ 5,911**	**$ 27,869**	**$ 13,750**	**$ -**	**$ 1,021**	**$ 886**	**$ 3,467**	**$ 52,904**

The allowance for credit losses as of December 31, 2023, was $8.8 million, reflecting an increase of $0.4 million from December 31, 2022. Excluding the impact of the adoption of the CECL accounting guidance of $2,169 as previously discussed, the increase was driven by evaluation of collateral-based loans with a high risk-rating (11) that warranted a higher allowance than calculated in the model. These amounts comprise the qualitative adjustment.

The economic scenarios utilized in the December 31, 2023, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2024; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario.

Allowance for Credit Losses - Prior to CECL Adoption

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/ Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2021	$ 8,000,301	$ 617,395	$104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 8,804,126
Charge-offs	-	(165,832)	-	-	-	-	-	(165,832)
Recoveries	34,591	677	-	-	-	-	-	35,268
Provision for loan losses	(283,392)	(11,348)	23,058	-	(1,302)	10,227	2,843	(259,914)
Other	(7,367)	2,377	3,409	-	783	938	(1,435)	(1,295)
Balance at December 31, 2022	$ 7,744,133	$ 443,269	$130,793	$ -	$ 7,173	$ 84,321	$ 2,664	$ 8,412,353

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/ Waste-water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2020	$ 7,116,942	$ 755,490	$188,161	$ 2,090	$ 6,668	$ 71,515	$ -	$ 8,140,866
Charge-offs	(15,448)	(537)	-	-	-	-	-	(15,985)
Recoveries	40,465	1,446	-	-	-	-	-	41,911
Provision for loan losses	858,775	(140,317)	(107,769)	(2,090)	1,807	1,642	2,272	614,320
Other	(433)	1,313	23,934	-	(783)	(1)	(1,016)	23,014
Balance at December 31, 2021	$ 8,000,301	$ 617,395	$104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 8,804,126

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Bank is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Bank is not practicable because the stock is not traded. The Association owned 4.5 percent, 4.5 percent, and 4.9 percent of the issued stock of the Bank as of December 31, 2023, 2022 and 2021. As of those dates, the Bank's assets totaled $37.3 billion, $36.0 billion and $33.1 billion and members' equity totaled $1.7 billion, $1.6 billion and $2.0 billion. The Bank's earnings were $199.9 million, $269.9 million, and $254.6 million during 2023, 2022 and 2021.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2023	2022	2021
Land and improvements	**$ 1,500,108**	$ 1,500,108	$ 1,500,108
Building and improvements	**4,761,398**	4,750,998	4,745,450
Furniture and equipment	**767,523**	734,325	654,429
Computer equipment and software	**479,752**	439,121	363,112
Automobiles	**2,039,711**	1,900,980	1,882,679
Construction in progress	**67,980**	39,866	-
	9,616,472	9,365,398	9,145,778
Accumulated depreciation	**(2,952,333)**	(2,813,761)	(2,836,997)
Total	**$ 6,664,139**	$ 6,551,637	$ 6,308,781

The Association owns its office space in Montgomery (Branch), Dothan, Enterprise, Opelika, Monroeville, and Spanish Fort. The Association leases office space in Montgomery (Administration), Demopolis, Selma, and Tuscaloosa, all in Alabama. Lease expenses were $329,965, $286,506, and $263,828 for 2023, 2022 and 2021, respectively. Minimum annual lease payments for the next five years are as follows:

	Leases
Year ended December 31,	
2024	$ 331,706
2025	308,523
2026	257,412
2027	58,107
Total	$ 955,748

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2023	2022	2021
Gain on sale, net	**$ -**	$ -	$ 16,020
Operating income, net	**-**	-	36,000
Net gain (loss) on other property owned	**$ -**	$ -	$ 52,020

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2023	2022	2021
Captive insurance savings	**$ 548,858**	$ 558,050	$ 501,693
Right to use asset	**912,868**	1,048,265	205,497
Other assets	**298,412**	313,976	184,163
Total	**$ 1,760,138**	$ 1,920,291	$ 891,353

Other liabilities comprised the following at December 31:

	2023	2022	2021
Accumulated postretirement benefit obligation	**$ 2,669,614**	$ 2,533,599	$ 3,297,898
Accrued incentive bonus and related benefits	**1,706,391**	2,073,120	2,449,719
FCS insurance premiums payable	**1,862,189**	2,002,311	1,514,276
Lease liability	**912,868**	1,048,265	205,497
Other liabilities	**1,375,326**	1,623,245	1,596,781
Total	**$ 8,526,388**	$ 9,280,540	$ 9,064,171

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2023, 2022 and 2021, was $1,127,940,073 at 3.66 percent, $1,081,493,220 at 2.86 percent and $1,025,517,581 at 2.00 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have 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, 2022 and 2021, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,355,095,666, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies

specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2023, 2022 and 2021, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 9 — MEMBERS' EQUITY:

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

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock or participation is equal to 2 percent of the aggregate of all the borrower's loans, up to a maximum amount of 1,000. If needed to meet regulatory capital adequacy requirements, the maximum amount to which the board of directors may increase the stock requirement is 5 percent of the individual loan amounts.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. 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 capital stock or participation certificates.

The Association's bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2023, the Association exceeded the prescribed standards. Further, neither management nor the board of directors anticipates any significant changes in capital that would affect the normal retirement of stock.

Each owner of Class A stock (for farm loans) is entitled to a single vote, while participation certificates (for rural home and farm-related business loans) provide no voting rights to their owners.

Within two years of repayment of a loan, the Association's capital bylaws require the conversion of any borrower's outstanding Class A stock to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class C stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2023, 2022, and 2021, the Association had no Class C capital stock.

Class P stock may be issued only for allocated surplus distributions, stock dividends, and patronage distributions to borrowers eligible to hold Class A stock. Class P stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class P stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class P shares is made solely at the discretion of the Association's board of directors. At December 31, 2023, 2022, and 2021, the Association had no Class P capital stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A stock, Class C stock, Class P stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2023, 2022 and 2021, respectively:

Date Declared	Date Paid	Patronage
December 2023	**March 2024**	**$12,118,389**
December 2022	March 2023	$13,068,058
December 2021	March 2022	$12,132,310

FCA sets minimum regulatory capital requirements for banks and associations. As of December 31, 2023, the Association is not prohibited from retiring stock or distributing earnings. Furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2023:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2023
Common equity tier 1 ratio	4.5%	7.0%	15.5%
Tier 1 capital ratio	6.0%	8.5%	15.5%
Total capital ratio	8.0%	10.5%	16.2%
Permanent capital ratio	7.0%	7.0%	15.6%
Non-risk-weighted:			
Tier 1 leverage ratio	4.0%	5.0%	15.9%
UREE leverage ratio	1.5%	1.5%	15.6%

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

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.

- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions, divided by average assets less regulatory deductions subject to tier 1 capital.

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

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The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2023:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**231,492,490**	**231,492,490**	**231,492,490**	**231,492,490**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,463,094**	**4,463,094**	**4,463,094**	**4,463,094**
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	**8,775,796**	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(21,364,294)**	**(21,364,294)**	**(21,364,294)**	**(21,364,294)**
	214,591,290	214,591,290	223,367,086	214,591,290
Denominator:				
Risk-adjusted assets excluding allowance	**1,404,575,072**	**1,404,575,072**	**1,404,575,072**	**1,404,575,072**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(21,364,294)**	**(21,364,294)**	**(21,364,294)**	**(21,364,294)**
Allowance for loan losses				**(8,717,238)**
	1,383,210,778	1,383,210,778	1,383,210,778	1,374,493,540

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2023:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**231,492,490**	**231,492,490**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,463,094**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(21,364,294)**	**(21,364,294)**
	214,591,290	**210,128,196**
Denominator:		
Total Assets	**1,373,222,660**	**1,373,222,660**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(24,311,320)**	**(24,311,320)**
	1,348,911,340	1,348,911,340

The Association’s board of directors has established a Capital Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association’s capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations

under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

As mentioned in Note 2, "Summary of Significant Accounting Policies," the Association is required to purchase stock in the Bank. The level of stock required is calculated annually based on the average borrowings of the Association from the Bank. The required level is currently 2 percent of the average borrowing from the previous 12 months. This stock investment in the Bank reduces the amount of Association capital available for inclusion in the Association's capital adequacy calculations.

An FCA regulation empowers the FCA 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.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2023	2022	2021
Class A stock	**772,715**	779,582	782,268
Participation certificates	**120,728**	117,373	105,321
Total	**893,443**	896,955	887,589

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Accumulated Other Comprehensive Income (Loss)			
December 31, 2023	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 358,957**	**$ -**	**$ 358,957**
December 31, 2022	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	**$ 438,440**	$ -	$ 438,440
December 31, 2021	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	**$ (430,075)**	$ -	$ (430,075)

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2023	**2022**	**2021**
Accumulated other comprehensive income (loss) at January 1,	**$ 438,440**	$ (430,075)	$ (659,156)
Actuarial gains (losses)	**(39,870)**	867,002	200,102
Amortization of prior service credit included in salaries and employee benefits	**(20,233)**	(20,233)	(20,223)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(19,380)**	21,746	49,202
Other comprehensive income (loss), net of tax	**(79,483)**	868,515	229,081
Accumulated other comprehensive income at December 31,	$ 358,957	$ 438,440	$ (430,075)

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	2023	2022	2021
Federal tax at statutory rate	$ **4,298,246**	$ 4,816,501	$ 4,623,714
State tax, net	**1,330,409**	1,490,822	1,431,150
Effect of nontaxable FLCA subsidiary	**(5,807,495)**	(6,157,425)	(5,886,061)
Change in valuation allowance	**(99,812)**	(14,691)	104,230
Other	**278,652**	(135,207)	(273,033)
Provision for (benefit from) income taxes	$ **-**	$ -	$ -

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2023	2022	2021
Deferred Tax Assets			
Allowance for loan losses	$ **22,034**	$ 94,541	$ 186,949
Loss carryforwards	**977,217**	977,217	977,217
Other	**(7,057)**	(23,261)	(22,447)
Gross deferred tax assets	**992,194**	1,048,497	1,141,719
Deferred tax asset valuation allowance	**(992,194)**	**(1,048,497)**	**(1,141,719)**
Net deferred tax asset (liability)	$ **-**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded a full valuation allowance of $992,194, $1,048,497 and $1,141,719 during 2023, 2022 and 2021, respectively, based on management's estimate that it is more likely than not that the deferred tax assets will not be realized. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association follows FASB guidance on accounting for uncertainty in income taxes. At December 31, 2023, 2022, and 2021, the Association did not recognize a tax liability for any uncertain tax positions.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year. For the DB plan, the Association recognized pension costs of $348,799, $629,369 and $320,564 for the years ended December 31, 2023, 2022 and 2021, respectively. The Association recognized pension costs for the DC plan of $353,446, $666,633 and $398,083 for the years ended December 31, 2023, 2022 and 2021, respectively.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year

- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan

- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in the Restored Employer and Elective Deferrals programs of the Supplemental 401(k) Plan. For the Restored Employer Contributions program, the Association contributed $21,119, $21,920 and $18,923 for 2023, 2022, and 2021, respectively. To date, no employees have made contributions to the Elective Deferrals program. There were no payments made from the Supplemental 401(k) Plan to active employees during 2023, 2022 and 2021.

The DB Plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund current-year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2023.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Funded status of plan	**73.3** %	70.9 %	70.5 %
Association's contribution	**$ 348,799**	$ 629,369	$ 705,350
Percentage of Association's contribution to total	**5.4** %	6.0 %	4.7 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 73.3 percent, 71.8 percent and 72.0 percent at December 31, 2023, 2022 and 2021, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost-sharing basis, predicated on length of employment service. Employees hired before this date who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2023	2022	2021
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 2,533,599**	$ 3,297,898	$ 3,382,079
Service cost	**42,006**	69,805	71,023
Interest cost	**129,647**	102,857	93,774
Plan participants' contributions	**47,682**	46,549	35,137
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**39,870**	(867,002)	(200,101)
Benefits paid	**(123,190)**	(116,508)	(84,014)
Accumulated postretirement benefit obligation, end of year	**$ 2,669,614**	$ 2,533,599	$ 3,297,898
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**75,508**	69,959	48,877
Plan participants' contributions	**47,682**	46,549	35,137
Benefits paid	**(123,190)**	(116,508)	(84,014)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (2,669,614)**	$ (2,533,599)	$ (3,297,898)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (2,669,614)**	$ (2,533,599)	$ (3,297,898)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (334,487)**	$ (393,747)	$ 494,992
Prior service cost (credit)	**(24,470)**	(44,693)	(64,916)
Net transition obligation (asset)	**-**	-	-
Total	**$ (358,957)**	$ (438,440)	$ 430,076
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2023**	**12/31/2022**	**12/31/2021**
Discount rate	**5.50%**	5.20%	3.15%
Interest crediting rate			
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.50%/8.40%**	7.20%/7.70%	6.80%/6.00%
Health care cost trend rate assumed for next year - Rx			
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034/2034**	2031/2031	2030/2030

Total Cost	2023	2022	2021
Service cost	**$ 42,006**	$ 69,805	$ 71,023
Interest cost	**129,647**	102,857	93,774
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(20,223)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**(19,390)**	21,737	49,202
Net postretirement benefit cost	**$ 132,040**	$ 174,176	$ 193,776
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 39,870**	$ (867,002)	$ (200,101)
Amortization of net actuarial loss (gain)	**19,390**	(21,737)	(49,202)
Prior service cost (credit)	**20,223**	20,223	20,223
Amortization of prior service cost	**-**	-	-
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ 79,483**	$ (868,516)	$ (229,080)
AOCI Amounts Expected to be Amortized Into Expense in 2024			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**(20,223)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**(9,843)**	(19,390)	21,737
Total	**$ (30,066)**	$ (39,613)	$ 1,514
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2022**	**12/30/2021**	**12/31/2020**
Discount rate	**5.20%**	3.15%	2.80%
Interest crediting rate	**7.20%/7.70%**	6.80%/6.00%	6.60%/6.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical			
Health care cost trend rate assumed for next year - Rx			
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2031/2031**	2030/2030	2029/2029

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2024	**$ 90,110**		$ -
Fiscal 2025	**101,468**		-
Fiscal 2026	**118,053**		-
Fiscal 2027	**126,117**		-
Fiscal 2028	**136,448**		-
Fiscal 2029–2033	**848,279**	-	-
Expected Contributions			
Fiscal 2024	**$ 90,110**	$ -	$ -

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2023, 2022 and 2021 for the Association amounted to $8,382,907, $8,460,951 and $4,992,470. During 2023, 2022 and 2021, $6,095,369, $11,793,998 and $3,133,951 of new loans were made, and repayments totaled $6,173,414, $8,635,517 and $3,667,000, respectively. In the opinion of management, no such loans outstanding at December 31, 2023, 2022 and 2021 involved more than a normal risk of collectability.

Expenses included in purchased services may include administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled $1,961,324, $2,315,836, and $1,596,888 in 2023, 2022 and 2021, respectively.

The Association received patronage payments from the Bank totaling $4,127,081, $7,990,540 and $7,356,308 during 2023, 2022 and 2021, respectively.

NOTE 13 — 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. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023, 2022 and 2021 for each of the fair value hierarchy values are summarized below:

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 201,325**	**$ -**	**$ -**	**$ 201,325**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 165,430	$ -	$ -	$ 165,430

December 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 166,221	$ -	$ -	$ 166,221

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

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 356,405**	**$ 356,405**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 6,720,193	$ 6,720,193

December 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 6,247,772	$ 6,247,772

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2023 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 10,995**	**$ 10,995**	**$ -**	**$ -**	**$ 10,995**
Net loans	**1,335,035,512**	**-**	**-**	**1,229,674,953**	**1,229,674,953**
Total Assets	**$ 1,335,046,507**	**$ 10,995**	**$ -**	**$ 1,229,674,953**	**$ 1,229,685,948**
Liabilities:					
Note payable to Bank	**$ 1,127,940,073**	**$ -**	**$ -**	**$ 1,039,492,001**	**$ 1,039,492,001**
Total Liabilities	**$ 1,127,940,073**	**$ -**	**$ -**	**$ 1,039,492,001**	**$ 1,039,492,001**

	December 31, 2022 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,074	$ 10,074	$ -	$ -	$ 10,074
Net loans	1,277,394,969	-	-	1,146,306,254	1,146,306,254
Total Assets	$ 1,277,405,043	$ 10,074	$ -	$ 1,146,306,254	$ 1,146,316,328
Liabilities:					
Note payable to Bank	$ 1,081,493,220	$ -	$ -	$ 971,031,459	$ 971,031,459
Total Liabilities	$ 1,081,493,220	$ -	$ -	$ 971,031,459	$ 971,031,459

	December 31, 2021				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 8,686	$ 8,686	$ -	$ -	$ 8,686
Net loans	1,214,562,469	-	-	1,197,942,971	1,197,942,971
Total Assets	$ 1,214,571,155	$ 8,686	$ -	$ 1,197,942,971	$ 1,197,951,657
Liabilities:					
Note payable to Bank	$ 1,025,517,581	$ -	$ -	$ 1,011,560,820	$ 1,011,560,820
Total Liabilities	$ 1,025,517,581	$ -	$ -	$ 1,011,560,820	$ 1,011,560,820

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented above. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represents a summary of the valuation techniques used by the Association for assets and liabilities:

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

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

When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

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

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial 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. At December 31, 2023, the Association had outstanding unfunded commitments totaling $157,245,232. Included in that total were, through participations, letters of credit of $81,450.

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.

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 8,692**	**$ 8,653**	**$ 8,924**	**$ 9,109**	**$ 35,378**
(Provision for) reversal of loan losses	**(251)**	**16**	**12**	**(80)**	**(303)**
Noninterest income (expense), net	**(3,389)**	**(2,810)**	**(4,040)**	**(4,369)**	**(14,608)**
Net income	**$ 5,052**	**$ 5,859**	**$ 4,896**	**$ 4,660**	**$ 20,467**

	2022				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 7,900	$ 7,955	$ 8,253	$ 8,567	$ 32,675
(Provision for) reversal of loan losses	216	(41)	138	(53)	260
Noninterest income (expense), net	(2,703)	(2,772)	(2,824)	(1,700)	(9,999)
Net income	$ 5,413	$ 5,142	$ 5,567	$ 6,814	$ 22,936

	2021				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 7,552	$ 7,678	$ 8,126	$ 7,915	$ 31,271
(Provision for) reversal of loan losses	(5)	(74)	(74)	(461)	(614)
Noninterest income (expense), net	(2,449)	(2,871)	(2,975)	(344)	(8,639)
Net income	$ 5,098	$ 4,733	$ 5,077	$ 7,110	$ 22,018

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 8, 2024, which is the date the financial statements were issued or available to be issued, and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

DESCRIPTION OF PROPERTY

The Alabama Ag Credit, ACA (Association) serves its 40-county territory through its main administrative and lending office at 7480 Halcyon Pointe Drive, Suite 201 Montgomery, Alabama 36117. Additionally, there are nine branch lending offices located throughout the territory. The Association owns the office buildings in Montgomery (branch), Opelika, Enterprise, Dothan, Monroeville and Spanish Fort, free of debt. The Association leases the office buildings in Montgomery (administrative), Demopolis, Selma, and Tuscaloosa.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, “Members’ Equity,” included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, “Note Payable to the Bank,” Note 11, “Employee Benefit Plans,” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, “Summary of Significant Accounting Policies” and “Commitments and Contingencies,” respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association’s financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders’ investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by emailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end, and the Association's annual stockholder report will be available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end. Copies of the reports can also be obtained by writing to Alabama Ag Credit, ACA, 7480 Halcyon Pointe Dr., Suite 201, Montgomery, Alabama 36117 or calling (334) 270-8687. In addition, copies of the reports can also be requested by emailing *info@alabamaagcredit.com.*

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2023, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES	TIME IN POSITION
Larry H. Gibson, Jr.	Chairman	April 2010	2025	-
John Carl Sanders	Vice Chairman	April 2015	2024	-
Annie Dee	Director	June 2019	2025	-
Richard H. Meadows	Director	July 2020	2026	-
Ray Petty	Director-Elected Director	January 2007	2025	-
Mark D. Platt	Director	April 2016	2026	-
Richard M. Stabler	Director-Elected Director	August 2020	2026	-
Roman McLeod	Director-Elected Director	June 2021	2024	-
Bradfield Evans	Director	June 2021	2024	-
Douglas Thiessen	President/Chief Executive Officer	February 2007	-	17 years
Chris Higbe	Sr. VP/Chief Credit Officer	May 2011	-	12 years
Heather Smith	Sr. VP/Chief Financial Officer	January 2022	-	2 years
J. Scott McCall	Sr. VP/Chief Relationship Officer*	January 2011	-	13 years
Keith McKinley	Sr. VP/Chief Relationship Officer*	January 2024	-	0 years

* Keith McKinley was appointed Sr. VP/Chief Relationship Officer, effective January 2024, and J. Scott McCall resigned from the Association in February 2024.

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Larry H. Gibson, **Jr**. – Mr. Gibson resides in Aliceville, Alabama, and is president and owner of Gibson Forest Management, Inc., a forestry consulting firm established in 1994, and Gibson Timberlands, LLC, a land and timber company. He manages approximately 60,000 acres of timberland for clients in West Alabama and East Mississippi, where he provides complete forest management services, and he owns approximately 2,000 acres of timberland, where timber and wildlife are the primary commodities. Mr. Gibson is a member of the Alabama Forestry Association, the Society of American Foresters (past state chair), the Association of Consulting Foresters (past state chair), and Alabama Farmers Federation of Pickens County, having served on the boards of each organization. He currently serves as a member of the Pickens County Industrial Board (industrial development). Mr. Gibson earned a bachelor's degree in Forest Management from Mississippi State University. He is a trustee at Hebron United Methodist Church. Mr. Gibson serves as chairman of the Association's board of directors and previously served as vice chairman of the board.

John Carl Sanders – Mr. Sanders resides in Roeton, Alabama, and has been farming full time all of his adult life. He farms in partnership with his son on 1,000 acres, where the primary commodities produced are peanuts, cotton and corn. In addition, Mr.

Sanders has a 100-head brood cow operation. Mr. Sanders serves as president of the Alabama Peanut Producers Association (peanut promotion), a director of the American Peanut Council (peanut promotion), a member of the Peanut Standards Board (peanut promotion), president of the Coffee County Farmers Federation (agricultural federation), and a director of the Alabama 4-H Club Foundation (resources for promotion of youth in agriculture). Mr. Sanders earned a bachelor's degree in Agricultural Science from Auburn University. Mr. Sanders serves as vice chairman of the Association's board of directors and formerly served as chairman of the board.

Annie Dee – Ms. Dee resides in Aliceville, Alabama, and has been farming all of her adult life. She is president and part owner of Dee River Ranch, a family-operated 10,000-acre farm where the principal commodities produced are corn and soybeans. In addition, Dee River Ranch has over 1,000 head of Brahman and Angus crossbred cattle, along with pine and hardwoods planted on part of the farm. Ms. Dee is part owner and manager of Dee Farm, a general partnership that runs the farming operations located at Dee River Ranch, and Dee Farm Equipment, LLC. The farm also engages in collaborations with several universities in irrigation research projects, and crop variety and fungicide trials. In addition to her work on the farm, Ms. Dee's affiliations and board service include the Alabama Soybean and Corn Association (agricultural commodity promotion), the Pickens County Farmers Federation (agricultural federation), the West Alabama Food Bank (storing and distributing food for hunger relief), the Advisory Board for the Soybean Innovation Lab administered through University of Illinois, and the USDA Cover Crop Advisory Board. Ms. Dee is a Soil Health Partner for the National Association of Conservation Districts and also serves as a lead farmer for the Farm Journal Foundation. In addition, she serves on the NRCS State Advisory Board, the Simplot Grower Solutions Grower Council, and the Agriculture Advisory Council of the Birmingham branch of the Federal Reserve Bank of Atlanta. Formerly, Ms. Dee was a member of Pickens County Cattlewomen (past president), New Era Arts Club (past president), and Corpus Christi Parish Council (past president). She also served on the advisory committee for Auburn University Forestry Department and Auburn University Integrated Pest Management. Additionally, she served on the boards of the United Soybean Board and the Alabama Soybean Producers and has worked with the Howard G. Buffett Foundation on "Invest an Acre" and "Harvesting the Potential" programs. Ms. Dee earned a bachelor's degree in Animal Industries from Clemson University, attends Corpus Christi Church, and serves as the chair of the Association's compensation committee.

Richard H. Meadows – Mr. Meadows resides in Columbia, Alabama, with his wife, Kathy, and they have three sons. He has been involved in the farming business most of his life. Mr. Meadows is an area sales manager for WB Fleming Mineral Company, where he has worked for 17 years. The company is a producer of livestock minerals and is based in Tifton, Georgia, with Mr. Meadows' sales territory covering central and south Alabama and the Florida panhandle. Mr. Meadows is a partner with his brother and other family members in Meadows Creek Farm, LLC, a cattle operation partnership formed in 1985 and based in Houston County, Alabama, focusing on seedstock production of Charolais, Angus and SimAngus cattle. He also raises commercial cattle and market feeder calves through SAFE feeder calf sale. Meadows Creek Farm also grows corn silage, grain sorghum and small grains for cattle feed. Mr. Meadows is past president and current board member of Houston County Cattlemen's Association (treasurer) and Alabama Charolais Association. He is also a past president and now treasurer of Alabama Cattlemen's Association (cattle promotion). Mr. Meadows earned a Bachelor of Science degree in Animal and Dairy Science from Auburn University and a Master of Business Administration degree with concentration in Agricultural Economics from Auburn University. Mr. Meadows is a deacon at Watermark Church in Ashford, Alabama.

Ray Petty – Mr. Petty resides in Birmingham, Alabama, and serves on the Montgomery Advisory Board for an independent commercial bank, ServisFirst Bank, based in Birmingham, Alabama. Mr. Petty was serving on the board of directors of ServisFirst at the time of his appointment as chief development officer in July 2008, a position he held until 2019. Previously, Mr. Petty was retired after a 34-year career in commercial banking with SouthTrust Bank. Mr. Petty served for 27 years in Montgomery, the last 20 as the Montgomery area president. During the last nine years of his Montgomery tenure, Mr. Petty also served as South Alabama/Mississippi regional president. In addition, he taught commercial lending for 15 years at University of South Alabama's banking school. Mr. Petty earned a bachelor's degree in History from Auburn University. He previously served as the chair of the compensation committee.

Mark D. Platt – Mr. Platt resides in Fruitdale, Alabama, and has been farming full time for the past 23 years. He is co-owner of Platt Farms, a Washington County-based operation that includes 950 acres where principal commodities produced are poultry, soybeans, hay, peanuts, feed grains, cattle and timber. Mr. Platt serves on the boards of Washington County Soil and Water Conservation District (soil and water conservation), Washington County Farmers Federation (agricultural federation) and the Clark-Washington Farm Service Agency (USDA programs). Mr. Platt is a member of Alabama Farmers Federation, Alabama Cattlemen's Association, and Alabama Peanut Producers Association. Mr. Platt attended Alabama Southern, where he earned an associate degree in Industrial and Business Technology.

Richard M. Stabler – Mr. Stabler resides in Fairhope, Alabama, and is a retired CPA. Mr. Stabler has over 42 years of experience in public accounting and is retired from service as a member/partner with the accounting firm Warren Averett, LLC. He served on the firm's Executive Committee and was chair of the firm's Office Managing Member Council for nine years and served as the office managing member of the Montgomery office of the firm for 10 years. Mr. Stabler also serves on the board of directors of Montgomery-based Whitfield Foods Inc., a company specializing in packaging of beverage, retail syrup and other food products, and on the board of CDG Inc., a southeast regional engineering and consulting firm based in Andalusia. Mr. Stabler also serves on the board of Leadership Alabama, an Alabama-focused leaders educational organization, and the Alabama Shakespeare Festival, a Montgomery-based nonprofit organization that provides a variety of theatrical performances and educational and community programs. Mr. Stabler earned a bachelor's degree in Accounting from Troy University and serves as the chairman of the Association's audit committee.

Roman L. McLeod – Mr. McLeod resides in Pike Road, Alabama, and has 25 years of experience in the financial industry. He currently serves as the director of the Office of Cash Management at Auburn University, a position he has held for nine years. Previously he served in leadership positions with the State of Alabama, Office of State Treasurer for 11 years. Mr. McLeod has also served in various roles in commercial banking for six years. He is a certified public manager and is a graduate of Leadership Montgomery. Mr. McLeod earned a Bachelor of Science degree in Business at the University of North Alabama. Mr. McLeod also serves on the board of trustees for Beulah Baptist Church.

Bradfield Evans – Mr. Evans resides in Hope Hull, Alabama, and has been raising cattle since 2010 and doing so full time for the past nine years. He and his family operate CK Cattle, a Lowndes County-based farming operation that encompasses 3,100 acres of owned and leased pastureland. The cattle operation includes a base herd of approximately 700 registered Angus, Chiangus and Simangus cows. The farm markets over 250 bulls each year. They also grow 200 acres of corn silage and 400 acres of Bermuda hay. Mr. Evans is the immediate past president of the Lowndes County Cattlemen's Association (beef promotion), chairman of the Dallas/Lowndes FSA County Committee (USDA programs), and he also serves on the board of the Alabama Farmer's Federation for Lowndes County (agricultural federation). Mr. Evans formerly served as state chair of Alabama Cattlemen's Association Young Cattlemen's Leadership Program Council (developing leadership qualities in young farmers) and has participated as Alabama's delegate to NCBA's Young Cattlemen's Conference (2018). Mr. Evans is chairman of the deacons at Hayneville Baptist Church and teaches a third- through sixth-grade boys Sunday school class.

Douglas Thiessen, President/Chief Executive Officer – Mr. Thiessen has been with the Association since February 2007. Prior to joining the Association, Mr. Thiessen served for four years as Senior Vice President/Chief Financial Officer of First Ag Credit, FCS, based in Lubbock, Texas. In addition, he held various financial positions with computer manufacturer Dell Computer and the Farm Credit Bank of Texas, and also served as a commissioned examiner with the Farm Credit Administration. He has a total of 25 years of service within the Farm Credit System. Mr. Thiessen serves as president of the board of the Alabama Future Farmers of America Foundation (youth in agriculture) and is a director on the board of the Alabama Future Farmers of America Association (youth in agriculture). Mr. Thiessen also serves on the boards of the Alabama Poultry and Egg Association (poultry promotion), Goodwill Industries of Central Alabama Inc. (nonprofit charity), and the Montgomery Area Chamber of Commerce (industrial development). Additionally, he serves on the steering committee of the Montgomery Chamber's Wright Flyers (military support). He is a member of the Presidents Planning Committee for the Farm Credit System and the AgFirst/FCBT Plan Fiduciary Committee. Mr. Thiessen is a graduate of the LSU Graduate School of Banking, and he also has a Bachelor of Science degree in Agricultural Economics from Texas Tech University and an executive Master of Business Administration degree from Troy University.

Chris Higbe, Senior Vice President/Chief Credit Officer – Mr. Higbe joined the Association in May 2011 as the Association's VP-Credit, and in May 2012 was named Chief Credit Officer. Prior to joining the Association, Mr. Higbe was employed in various credit-related positions in the commercial banking industry for approximately 19 years, most recently serving for two years as credit manager of a de-novo bank in Prattville, Alabama. Mr. Higbe serves on the board of the Alabama Agribusiness Council (agriculture and forestry promotion). Mr. Higbe is a graduate of Auburn University Montgomery with a Bachelor of Science degree in General Business and a Bachelor of Science degree in Accounting.

Heather Smith, Senior Vice President/Chief Financial Officer – Ms. Smith joined the Association in January 2022 as the Chief Financial Officer. Previously she served as Vice President/Controller for another Farm Credit association for eight years, and before that held various positions in public accounting, government and private businesses. Altogether, Ms. Smith has 26 years of accounting and finance experience. Ms. Smith is a graduate of Athens State University with a Bachelor of Business Administration degree in Accounting.

J. Scott McCall, Chief Relationship Officer – Mr. McCall has been with the Association since January 2011, serving in the roles of Regional President and VP-Senior Lender. He was named Chief Relationship Officer, effective February 2019. Prior to joining the Association, Mr. McCall was employed by Sterling Bank in Montgomery, Alabama, for 22 years, most recently serving as executive vice president/commercial banking lead for five years. Mr. McCall is a past chairman of the board and executive committee of the Baptist Health Care Foundation, and he also serves on the Advisory Board for Auburn University Montgomery School of Business. Mr. McCall is a graduate of the Southwestern Graduate School of Banking in Dallas, Texas, and also has a Bachelor of Science degree in Business Administration from Auburn University Montgomery. Mr. McCall served as the Sr. VP/Chief Relationship Officer during 2023 and resigned from the Association in February 2024.

Keith McKinley, Senior Vice President/Chief Relationship Officer – Mr. McKinley joined the Association in May of 2017. He was named Vice President/Relationship Manager for the Gulf Coast branch, effective January 2022. In January 2024, Mr. McKinley was named Sr. VP/Chief Relationship Officer. Prior to joining the Association, Mr. McKinley served in other management roles in other commercial lending institutions and has 17 years' experience in the finance industry. He is a 2004 graduate of Auburn University with a Bachelor of Arts degree in Political Science.

COMPENSATION OF DIRECTORS

The directors' compensation program includes a monthly retainer and a per-day honorarium. A retainer of $1,750 per month was paid to the board chairman and audit committee chairman, and $1,250 per month to all other directors. The honorarium rate of $500 was paid for each day served in any official capacity as an Association board member. An additional travel-related honorarium of $200 is paid to directors traveling over 100 miles but less than 200 miles to a board or committee meeting, and an additional honorarium of $400 is paid to directors traveling over 200 miles. For multi-day meetings, the increased travel honorarium applies to the first day only. In addition, if multiple meetings are held on the same day (for example, audit committee and board meeting held on the same day), the directors receive an honorarium of $150 for the additional meeting. The directors are also compensated for scheduled conference calls at the rate of $200 per day. Additionally, they are reimbursed for certain expenses incurred while representing the Association in an official capacity. There were no changes to the compensation program during 2021, 2022, or 2023.

Mileage for attending official meetings during 2023, 2022, and 2021 was paid at the IRS-approved rate prevailing at the time. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	Board Meetings	Other Official Activities	Total Compensation in 2023
Larry H. Gibson, Jr.	15	20	$ 42,200
John Carl Sanders	16	16	31,000
Annie Dee	13	13	31,600
Richard H. Meadows	15	13	33,200
Ray Petty	15	9	30,900
Mark D. Platt	14	14	34,100
Richard M. Stabler	15	12	38,000
Roman McLeod	15	15	31,300
Bradfield Evans	14	15	31,900
			$ 304,200

The aggregate compensation paid to directors in 2023, 2022, and 2021 was $304,200, $276,450, and $285,603, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2023:

Director	Committee Audit		Compensation	
Larry H. Gibson, Jr.	$	2,500	$	900
John Carl Sanders		2,000		900
Annie Dee		2,000		900
Richard H. Meadows		2,500		900
Ray Petty		1,500		900
Mark D. Platt		2,500		900
Richard M. Stabler		2,500		900
Roman McLeod		2,500		900
Bradfield Evans		2,500		900
	$	**20,500**	**$**	**8,100**

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $143,596, $115,988, and $85,223. in 2023, 2022, and 2021, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

A critical factor to the Association's success is its ability to attract, develop, and retain staff members who are knowledgeable and efficient in their ability to support the Association in the execution of its strategic objectives and delivery of results that maximize value to the stockholders. This objective holds particularly true for the Association's chief executive officer (CEO) and senior officers. The Association employs a compensation program that focuses on the performance and contributions of its employees in achieving the Association's financial and operational objectives, all for the ultimate benefit of its stockholder/members. The Association's board of directors, through its compensation committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the Association's evaluation and establishment of salary and incentive plans used by the Association.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is set by the board, through its compensation committee, using the compensation market data of independent third-party specialists, as well as peer comparisons of CEOs of similar sized Farm Credit associations, as a guideline to determine a fair and competitive salary. Factors considered by the compensation committee and board in determining the final established compensation amounts for the CEO include personal performance evaluation, Association performance relative to goals established in the annual business plan, profitability, credit quality and administration, ability to pay patronage to members, and overall abilities exhibited by the CEO. The CEO's incentive bonus is determined at the discretion of the compensation committee and board.

Summary Compensation Tables

The following tables summarize the compensation paid to the CEO and all senior officers of the Association during 2023, 2022, and 2021. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of CEO	Year	Salary (a)	Bonus (b)	Deferred/ Perquisite (c)	Other (d)	Total
Douglas Thiessen	2023	**$ 443,920**	**$ 77,432**	**$ 55,014**	**$ 4,035**	**$ 580,401**
	2022	416,000	104,000	52,042	3,829	575,871
	2021	395,381	98,843	51,727	3,829	549,780

(a) Gross salary
(b) Bonuses paid within the first 31 days of the subsequent calendar year

(c) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, and automobile benefits
(d) Amounts in the "Other" column include premiums paid for life insurance

The employment relationship between the Association and the CEO is "at-will," meaning the Association may terminate the CEO's employment at any time, and the CEO may choose to leave at any time.

Name of Group (a)	Year	Salary (b)	Bonus (c)	Deferred/ Perquisite (d)	Other (e)	Total
Aggregate of five	**2023**	**$ 926,080**	**$ 189,185**	**$ 133,305**	**$ 6,786**	**$1,255,356**
highest paid	2022	913,796	250,311	133,405	4,810	1,302,322
officers	2021	877,737	261,454	129,551	6,231	1,274,973

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO
(b) Gross salary
(c) Bonuses paid within the first 31 days of the subsequent calendar year
(d) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, and automobile benefits
(e) Amounts in the "Other" column include premiums paid for life insurance, gift cards, and physical fitness program reimbursements. All amounts for gift cards were grossed up for taxes.

Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

The CEO and a senior officer participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (the Plan). The Plan is a defined contribution plan and is sponsored and maintained by the AgFirst/FCBT Plan Sponsor Committee for the benefit of participating employers in the AgFirst Farm Credit Bank/Farm Credit Bank of Texas Agreement Regarding Employee Benefit Plans (the Administrative Agreement) and their eligible employees. One of the purposes of the Plan is to allow a means for participating employers to restore benefits lost due to limitations under the Internal Revenue Code as it relates to the Association's existing pension plan. During 2023, 2022, and 2021 the Association evaluated the benefits lost as a result of these limitations with regard to the CEO and a senior officer and funded the shortfall. The Association contributed $21,920, $18,923 and $21,915 to the Plan in 2023, 2022, and 2021, respectively.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the past fiscal year to the CEO or any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits

The Association participates in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes, with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the participants are married on the date the annuity begins, that the spouse is exactly two years younger than the participant, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions is incorrect, the benefit is recalculated to be the actuarial equivalent benefit. Neither the CEO nor any of the highest paid officers (including senior officers) are participants in the pension plan.

Employee Success-Sharing Plan

Association employees, including senior officers, can earn compensation above base salary through the Association's Employee Success Sharing Plan (Incentive Plan). Incentive compensation is available to all full-time, permanent employees and is based upon the achievement of predetermined, board approved performance goals (as stated in the annual Business Plan) pertaining to the Association's profitability, credit quality, and loan growth. Performance against these criteria is measured on a calendar year basis. Incentive compensation, if any, is accrued prior to December 31 of the given year, with payout being made generally by the end of the following January. In each program described below, the incentive compensation is correlated to the achievement of results compared to the performance goals – the more results exceed the performance goal, the higher the potential payout, subject to limitations described below. Likewise, the lower the results compared to the performance goals, the lower the potential payout. The Association's Incentive Plan and total incentive compensation dollars are approved annually by the compensation committee and are at the full discretion of the board of directors.

The Success-Sharing Plan has three major programs, as follows:

- Administrative Program – Incentive compensation for all administrative employees is based on the Association's total actual results in four key performance areas, with each area receiving equal weight. The four key performance areas are: 1) accrual loan growth, 2) return on equity (ROE) ratio, 3) adverse assets ratio, and 4) efficiency ratio. Total incentive compensation under the Administrative Program is limited to 25 percent of base salary.
- Relationship Manager Program – Incentive compensation for relationship managers is based on their respective branch's actual results in four key performance areas, with each area receiving equal weight. The four key performance areas are: 1) accrual loan growth, 2) ROE, 3) adverse assets ratio, and 4) delinquencies. In addition to incentive compensation from the Relationship Manager Program, employees in this program may also receive one-half of the incentive compensation from the Administrative Program (limited to 12.5 percent of base salary). Relationship managers may also receive an incentive based on their respective retail branch office performance, an incentive of up to 15 percent of base salary based on individual new loan volume, and once the new volume incentive is achieved, an incentive based on Title II lending of 10 percent of base salary. Total incentive compensation under the Relationship Manager Program is limited to 50 percent of base salary.
- Senior Management Program – In addition to the Administrative Program, the Senior Management Team (CEO, CCO, CFO and CRO) are eligible to receive an additional incentive based on Association performance. The Association performance metric for this program is net income. An additional 5 percent of base salary will be paid if the Association meets the criteria set annually for this program.

Other Compensation Plans Funded by the Association on Behalf of Senior Officers and Employees

Relationship managers participate in a YBS incentive program that encourages lending activity to young, beginning and small farmers. In this program, $500 is paid to the relationship manager(s) who originates the highest number of loans in each of the young, beginning, and small categories, for a total of $1,500 per quarter. The results are measured on a quarterly basis, and the payout is made in the month following quarter end.

Association employees have the opportunity to earn commissions on revenue generated from sales of term or credit life insurance. The Association participates in a program with an outside insurance company to provide borrowers the opportunity to purchase the insurance. Employees who generate the insurance sales receive a portion of the commissions received by the Association.

The Association provides certain employees use of Association-owned vehicles. Personal use of these vehicles is governed by the Association's board-approved travel and vehicle policies as well as IRS rules. Employees assigned an Association vehicle are required to maintain a business mileage log, and the calculated value of personal use of the vehicles is included in respective employees' taxable earnings, in accordance with IRS regulations. Amounts for personal use of an Association vehicle are included in the "Deferred/Perquisite" column in the compensation tables above.

Employees who use their personal automobiles for business purposes were reimbursed during 2023 at the IRS-approved rate prevailing at the time.

As discussed in Note 2, "Summary of Significant Accounting Policies" and Note 11, "Employee Benefit Plans," the Association participates in the Farm Credit Benefits Alliance 401(k) Plan and the Defined Contribution (DC) Plan. Amounts contributed by the

Association to the 401(k) and DC plans on behalf of the CEO and senior officers are included in the “Deferred/Perquisite” column in the compensation tables above.

The Association provides group term life insurance to all employees in an amount equal to double the employees’ respective salaries. To the extent that the value of the insurance exceeds $50,000, an amount must be added to the employees’ taxable earnings using the IRS-approved calculation. Amounts relating to excess life insurance are included in the “Other” column in the compensation tables above.

Association policy allows for reimbursement of tuition and related education expenses incurred in connection with approved undergraduate and/or graduate level coursework. The program is available to all full-time, permanent employees.

The Association employs a program for the health and well-being of its employees. All full-time permanent employees are eligible to participate in the program, which allows for reimbursement of physical-fitness-related expenses up to $480 per year, per employee. Amounts paid for physical fitness reimbursements to the CEO and senior officers are included in the “Other” column in the compensation tables above.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2023, 2022, or 2021.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association’s travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS’ AND SENIOR OFFICERS’ INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in §620.6(f) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association’s audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association’s financial statements included in this annual report. The fees paid during 2023 for professional services rendered for the Association by PwC were $121,918 for audit services, $11,900 for tax return preparation services and $900 for an automated disclosure checklist license. No other services were performed by PwC during the reporting period. All audit and non-audit services performed by PwC during the reporting period were approved by the audit committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has formed an unincorporated business entity for the purpose of acquiring and managing unusual or complex collateral associated with loans. The entity is a single-member limited liability company (LLC), with the Association being the sole member. SA Alabama Properties III, LLC was organized for the purpose of holding and managing a foreclosed property. This entity will be dissolved in early 2024.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 8, 2024, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: Ten years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2017 USDA Census of Agriculture for Alabama (Census) indicates that in the Association's territory, 4.9 percent of farm operators are "young," 28.4 percent are "beginning" and 92.5 percent of the farms are "small."

Slight differences noted between the Census and our YBS information are as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm in a class up to nine years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- USDA data is based on the number of farms, whereas the Association's data is based on the number of loans.

The Association's YBS loans, as a percentage of total loans outstanding on December 31 are reflected in the table below for the past three years.

	Young	Beginning	Small
2021	17.58 percent	55.14 percent	74.16 percent
2022	17.28 percent	55.36 percent	73.03 percent
2023	17.55 percent	56.38 percent	73.35 percent

The Association's goals over the succeeding three-year period are to reach the percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	Beginning	Small
2024	19.75 percent	53.76 percent	65.75 percent
2025	20.00 percent	54.00 percent	66.00 percent
2026	20.25 percent	54.25 percent	66.25 percent

The Association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.

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