

**First Quarter
Financial Report
March 31, 2024**



Frontier Farm Credit, ACA

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

The following commentary reviews the consolidated financial position and consolidated results of operations of Frontier Farm Credit, ACA, and its subsidiaries Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA. The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2023 Annual Report for a description of our organization, operations and significant accounting policies.

Due to the nature of our financial relationship with CoBank, ACB, the financial condition and results of operations of CoBank, ACB may materially affect our shareholders' investment in Frontier Farm Credit, ACA. To request a free copy of the CoBank, ACB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to [\\$sr@frontierfarmcredit.com](mailto:$sr@frontierfarmcredit.com). You may also obtain copies by accessing CoBank, ACB's website at www.cobank.com.

Notice of Significant or Material Events

The Boards of Directors of Frontier Farm Credit, ACA, Farm Credit Services of America, ACA, and AgCountry Farm Credit Services, ACA entered into an agreement with an effective date of December 29, 2023. Beginning April 15, 2024, the three associations are jointly managed and share income and losses. Mark Jensen, serves as the joint President and CEO and Marc Knisely, former President and CEO of AgCountry Farm Credit Services, serves on the newly formed executive leadership team for all three associations. The associations will deploy a common business approach to the development and delivery of products and services and use common technology platforms which accommodate differences in local marketplace conditions. While the associations are jointly managed and will operate under jointly developed strategic business plans and supporting plans, they remain separate organizations with strong local representation through independent boards of directors and distinct patronage programs.

Forward-Looking Information

Any forward-looking statements in this Quarterly Financial Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Commodity Review and Outlook Update

Corn prices began the first quarter lower as the United States Department of Agriculture (USDA) increased final yields for the 2023 crop from 174.9 to 177.3 bushels per acre. Despite weather-related concerns in Brazil, total corn production from the combination of Brazil and Argentina is expected to be at a record high. At the end of the quarter, USDA reported corn planted for all purposes in 2024 was estimated at 90 million acres, down 5 percent from 2023.

Like corn, soybean prices began the first quarter lower as USDA increased final yields for the 2023 crop from 49.9 to 50.6 bushels per acre. United States soybean exports continued to remain weak due to Brazil's record soybean production and higher demand for crush in the United States. For the 2024 United States soybean crop, planted acreage intentions were estimated at 86.5 million acres, up 3 percent from 2023.

Cattle prices during the first quarter remained strong as limited supply and strong demand continue to provide price support for the United States cattle sector. USDA's January Cattle Inventory report estimated 87.2 million head of cattle and calves on farms in the United States as of January 1, 2024, the lowest level of inventory since 1951. The calf crop was estimated at 33.6 million head, down 2 percent from 2023 and the smallest calf crop since 1948. Despite higher prices, domestic consumer demand for beef remained relatively strong. United States beef exports in January remain behind the pace from 2023 due to low domestic beef production.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2023 Annual Report for further analysis of farmland prices and industry conditions.

Loan Portfolio

Total loans were \$2.9 billion at March 31, 2024, an increase of \$1.5 million, or 0.1 percent from December 31, 2023. The increase was primarily due to an increase in our long-term agricultural mortgage portfolio, offset by a decrease in our agribusiness portfolio.

Portfolio Credit Quality

The credit quality of our portfolio experienced a small deterioration from December 31, 2023. Our adversely classified assets increased during the first three months of 2024 ending the quarter at 2.52 percent of the portfolio, compared to 2.24 percent of the portfolio at December 31, 2023. Adversely classified loans are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses, and in our opinion, the allowance for credit losses was reasonable in relation to the risk in our loan portfolio at March 31, 2024.

Nonperforming Assets

The following table summarizes nonperforming assets and delinquency information (dollars in thousands):

	March 31, 2024	December 31, 2023
Loans:		
Nonaccrual	\$ 38,007	\$ 15,864
Accruing loans 90 days or more past due	255	109
Total nonperforming loans	<u>38,262</u>	<u>15,973</u>
Nonperforming loans as a percentage of total loans	1.31%	0.55%
Nonaccrual loans as a percentage of total loans	1.30%	0.54%
Current nonaccrual loans as a percentage of total nonaccrual loans	93.0%	76.5%
Total delinquencies as a percentage of total loans	0.19%	0.27%

Total nonperforming assets have increased since year-end. The increase is primarily due to an increase in nonaccrual loans in the swine portfolio. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and were eligible to remain in accruing status. Nonperforming loans as a percentage of total loans remained at acceptable levels.

Allowance for Credit Losses

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

Allowance for Credit Losses on Loans Coverage Ratios:

	March 31, 2024	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Total loans	0.28%	0.29%
Nonaccrual loans	21.84%	53.58%
Total nonperforming loans	21.69%	53.21%

Total allowance for credit losses was \$9.3 million at March 31, 2024, and \$9.5 million at December 31, 2023. The decrease from December 31, 2023 was primarily related to charge offs in the first quarter of 2024 on accounts that previously had specific reserves. In our opinion, the allowance for credit losses on loans and unfunded commitments is reasonable in relation to the risk in our loan portfolio at March 31, 2024.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the three months ended	
	March 31,	
	<u>2024</u>	<u>2023</u>
Net income	\$13,064	\$10,744
Return on average assets	1.71%	1.55%
Return on average members' equity	9.00%	7.84%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the three months ended March 31, 2024 compared to the same period in 2023 are outlined in the following table (dollars in thousands):

For the three months ended March 31,	2024	2023	Increase (decrease) in net income
Net interest income	\$ 19,787	\$ 16,358	\$ 3,429
Provision for credit losses	406	142	(264)
Noninterest income	4,541	4,184	357
Noninterest expense	10,858	9,656	(1,202)
Net income	<u>\$ 13,064</u>	<u>\$ 10,744</u>	<u>\$ 2,320</u>

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the three months ended March 31, (dollars in thousands):

	<u>2024 vs. 2023</u>
Change in volume	\$ 1,232
Change in rates	2,188
Change in nonaccrual income	9
Net change	<u>\$ 3,429</u>

The increase in net interest income is due to higher loan volume and an increase in income earned on earning assets funded by our noninterest-bearing source (capital).

We recorded a \$406 thousand provision for credit losses on loans for the first three months of 2024, as compared with recording an \$142 thousand provision for credit losses on loans during the first three months of 2023. The increase in provision was related to an increase in new loans. We recorded no provision for credit losses on unfunded commitments for the first three months of 2024, or during the first three months of 2023. Net charge offs for the first three months of 2024 was \$606 thousand compared to net recovery of charge offs of \$58 thousand in the same period a year ago. The change in the provision for credit losses on loans and unfunded commitments reflects our assessment of risk in the loan portfolio.

The increase in noninterest income is primarily due to an increase in patronage and insurance income.

The increase in noninterest expense is primarily due to an increase in operating expenses under the income and expense sharing provisions of the alliance agreement. The Farm Credit System Insurance expense decreased in 2024, primarily due to a decrease in the Farm Credit System Insurance Fund premium rate. The premium rate, which is primarily impacted by System growth, was 10 basis points for the three months ended March 31, 2024, compared to 18 basis points for the same period in 2023. The Farm Credit System Insurance Corporation Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Refer to Note 1 in our 2023 Annual Report for additional information on the Farm Credit System Insurance Fund.

We recorded \$8.4 million of operating expenses under the income and expense sharing provisions of the alliance agreement with Farm Credit Services of America in the first three months of 2024 compared to \$7.1 million for the first three months of 2023. Refer to Note 1 in our 2023 Annual Report for additional information on the alliance.

We may receive patronage from CoBank, ACB and other Farm Credit entities. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the three months ended	
	March 31,	
	2024	2023
Patronage from CoBank, ACB	\$ 2,854	\$ 2,559
AgDirect patronage distribution	344	333
Other patronage	20	—
Total patronage income	<u>\$ 3,218</u>	<u>\$ 2,892</u>

Patronage from CoBank, ACB primarily includes wholesale patronage and is usually in the form of cash. All other patronage from other Farm Credit institutions is typically distributed in cash.

Funding, Liquidity and Members' Equity

We borrow from CoBank, ACB under a note payable, in the form of a line of credit. The note payable is collateralized by a pledge of substantially all our assets and is governed by a General Financing Agreement (GFA), which provides for an open-ended revolving line of credit. The line of credit was renegotiated as of June 1, 2023 and was renewed for \$2.6 billion with a maturity of May 31, 2024 at which time the note will be renegotiated, if not sooner. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as Frontier Farm Credit is a stockholder of CoBank, ACB, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. CoBank, ACB has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At March 31, 2024 and at December 31, 2023 we were within the specified limitations.

Our members' equity increased to \$592.5 million at March 31, 2024 compared to \$579.3 million at December 31, 2023. The increase was primarily due to the net income recorded for the first three months of 2024.

Our Board also adopted a patronage program for 2024. The 2024 patronage program will be based on each customer's average daily balance of eligible loans outstanding during 2024 to be paid in 2025 on eligible originations, participations purchased and participations sold volume.

Farm Credit Administration regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2023 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section and off-balance sheet commitments, as disclosed in Note 12 in our 2023 Annual Report.

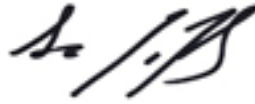
	As of March 31, 2024	As of December 31, 2023	Regulatory Minimums	Capital Conservation Buffers
Risk-adjusted:				
Common equity tier 1 ratio	14.91%	15.44%	4.50%	7.00%
Tier 1 capital ratio	14.91%	15.44%	6.00%	8.50%
Total capital ratio	15.19%	15.60%	8.00%	10.50%
Permanent capital ratio	14.94%	15.46%	7.00%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	17.08%	18.02%	4.00%	5.00%
Unallocated retained earnings and equivalents leverage ratio	17.08%	18.02%	1.50%	1.50%

Certification

This report has been prepared under the oversight of the Board's Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.



Mark Jensen
President and CEO
May 7, 2024



Shane Tiffany
Chairperson, ACA Board of Directors
May 7, 2024



Craig P. Kinnison
Executive Vice-President and CFO
May 7, 2024

Frontier Farm Credit, ACA
Consolidated Statements of Condition

(dollars in thousands)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Loans	\$ 2,927,545	\$ 2,926,057
Allowance for credit losses on loans	8,300	8,500
Net loans	2,919,245	2,917,557
Accrued interest receivable	35,715	40,034
Investment in CoBank , ACB	68,500	68,447
Investment in AgDirect, LLP	10,714	9,516
Investment in RBIC	6,588	5,363
Premises and equipment, net	20,559	20,723
Prepaid benefit expense	7,806	7,908
Other assets	4,393	28,087
Total assets	\$ 3,073,520	\$ 3,097,635
LIABILITIES		
Notes payable to CoBank, ACB	\$ 2,464,514	\$ 2,477,811
Accrued interest payable	8,562	8,330
Patronage payable	—	23,900
Allowance for credit losses on unfunded commitments	1,000	1,000
Accrued benefits liability	178	180
Other liabilities	6,804	7,093
Total liabilities	2,481,058	2,518,314
Commitments and contingencies (Note 5)		
MEMBERS' EQUITY		
At-risk capital:		
Class B common stock	9,311	9,252
Class C common stock	180	179
Less: Capital stock receivable	(9,491)	(9,431)
Retained earnings	592,462	579,321
Total members' equity	592,462	579,321
Total liabilities and members' equity	\$ 3,073,520	\$ 3,097,635

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

Frontier Farm Credit, ACA
Consolidated Statements of Income

(dollars in thousands)

(unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
NET INTEREST INCOME		
Interest income	\$ 44,996	\$ 34,703
Interest expense	25,209	18,345
Net interest income	19,787	16,358
Provision for credit losses	406	142
Net interest income after provision for credit losses	19,381	16,216
NONINTEREST INCOME		
Patronage income	3,218	2,892
Loan fees	455	497
Insurance services	385	240
Mineral income	317	380
Rural 1st program fees	148	171
Other noninterest income	18	4
Total noninterest income	4,541	4,184
NONINTEREST EXPENSE		
Salaries and employee benefits	5,907	5,316
Occupancy and equipment expense	814	771
Other operating expenses	3,340	2,600
Insurance fund premiums	623	969
Loss on RBIC	174	—
Total noninterest expense	10,858	9,656
Income before income taxes	13,064	10,744
Provision for income taxes	—	—
Net income	<u>\$ 13,064</u>	<u>\$ 10,744</u>

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

Frontier Farm Credit, ACA
Consolidated Statements of Changes in Members' Equity

(dollars in thousands)

(unaudited)

	<u>At-risk Capital</u>		<u>Total Equity</u>
	<u>Capital Stock</u>	<u>Retained Earnings</u>	
Balance at December 31, 2022	\$ —	\$ 551,815	\$ 551,815
Net income		10,744	10,744
Cumulative effect of change in accounting principle		100	100
Patronage accrual adjustment		98	98
Capital stock:			
Issuance of stock in exchange for customer stock receivable	159		159
Release of customer stock receivable associated with retired stock	(149)		(149)
Less: Capital stock receivable	(10)		(10)
Balance at March 31, 2023	<u>\$ —</u>	<u>\$ 562,757</u>	<u>\$ 562,757</u>
Balance at December 31, 2023	\$ —	\$ 579,321	\$ 579,321
Net income		13,064	13,064
Patronage accrual adjustment		77	77
Capital stock:			
Issuance of stock in exchange for customer stock receivable	186		186
Release of customer stock receivable associated with retired stock	(125)		(125)
Less: Capital stock receivable	(61)		(61)
Balance at March 31, 2024	<u>\$ —</u>	<u>\$ 592,462</u>	<u>\$ 592,462</u>

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

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

The consolidated financial statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent) and Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

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

Note 2 – Loans and Allowance for Credit Losses

Loans by type consisted of the following (dollars in thousands):

	March 31, 2024		December 31, 2023	
	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	\$ 1,572,017	53.7 %	\$ 1,552,683	53.1 %
Production and intermediate term	674,670	23.0	671,101	22.9
Agribusiness	421,028	14.4	446,434	15.3
Rural infrastructure	183,225	6.3	179,280	6.1
Rural residential real estate	44,705	1.5	46,019	1.6
Agricultural export finance	31,900	1.1	30,540	1.0
Total loans	<u>\$ 2,927,545</u>	<u>100.0 %</u>	<u>\$ 2,926,057</u>	<u>100.0 %</u>

Credit Quality

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

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

We had no loans categorized as loss at March 31, 2024 or December 31, 2023.

The following table shows loans classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type at amortized cost (dollars in thousands):

	As of March 31, 2024						Total Amount
	Acceptable		OAEM		Substandard/Doubtful		
	Amount	%	Amount	%	Amount	%	
Long-term agricultural mortgage	\$1,522,986	96.88 %	\$ 16,787	1.07 %	\$ 32,244	2.05 %	\$1,572,017
Production and intermediate term	634,429	94.04 %	11,805	1.75 %	28,436	4.21 %	674,670
Agribusiness	406,153	96.47 %	3,413	0.81 %	11,462	2.72 %	421,028
Rural infrastructure	179,383	97.90 %	2,892	1.58 %	950	0.52 %	183,225
Rural residential real estate	43,901	98.20 %	273	0.61 %	531	1.19 %	44,705
Agricultural export finance	31,900	100.00 %	—	—	—	—	31,900
Total	<u>\$2,818,752</u>	<u>96.28 %</u>	<u>\$ 35,170</u>	<u>1.20 %</u>	<u>\$ 73,623</u>	<u>2.52 %</u>	<u>\$2,927,545</u>

	As of December 31, 2023						Total Amount
	Acceptable		OAEM		Substandard/Doubtful		
	Amount	%	Amount	%	Amount	%	
Long-term agricultural mortgage	\$1,505,339	96.95 %	\$ 16,698	1.08 %	\$ 30,646	1.97 %	\$1,552,683
Production and intermediate term	630,413	93.94 %	16,041	2.39 %	24,647	3.67 %	671,101
Agribusiness	432,732	96.93 %	4,348	0.97 %	9,354	2.10 %	446,434
Rural infrastructure	174,337	97.24 %	4,433	2.47 %	510	0.29 %	179,280
Rural residential real estate	45,206	98.23 %	275	0.60 %	538	1.17 %	46,019
Agricultural export finance	30,540	100.00 %	—	—	—	—	30,540
Total	<u>\$2,818,567</u>	<u>96.33 %</u>	<u>\$ 41,795</u>	<u>1.43 %</u>	<u>\$ 65,695</u>	<u>2.24 %</u>	<u>\$2,926,057</u>

Delinquency

The following table provides an aging analysis of past due loans by loan type at amortized cost (dollars in thousands):

<u>As of March 31, 2024</u>	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	Accruing Loans 90 Days or More Past Due
	Long-term agricultural mortgage	\$ 1,532	\$ 2,328	\$ 3,860	\$ 1,568,157	\$ 1,572,017
Production and intermediate term	1,103	405	1,508	673,162	674,670	196
Agribusiness	—	—	—	421,028	421,028	—
Rural infrastructure	—	—	—	183,225	183,225	—
Rural residential real estate	171	—	171	44,534	44,705	—
Agricultural export finance	—	—	—	31,900	31,900	—
Total	<u>\$ 2,806</u>	<u>\$ 2,733</u>	<u>\$ 5,539</u>	<u>\$ 2,922,006</u>	<u>\$ 2,927,545</u>	<u>\$ 255</u>

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Long-term agricultural mortgage	\$ 1,990	\$ 2,595	\$ 4,585	\$ 1,548,098	\$ 1,552,683	\$ —
Production and intermediate term	2,393	369	2,762	668,339	671,101	109
Agribusiness	630	—	630	445,804	446,434	—
Rural infrastructure	—	—	—	179,280	179,280	—
Rural residential real estate	24	—	24	45,995	46,019	—
Agricultural export finance	—	—	—	30,540	30,540	—
Total	<u>\$ 5,037</u>	<u>\$ 2,964</u>	<u>\$ 8,001</u>	<u>\$ 2,918,056</u>	<u>\$ 2,926,057</u>	<u>\$ 109</u>

Nonperforming Loans

The following table reflects nonperforming loans, which consist of nonaccrual loans and accruing loans 90 days or more past due, at amortized cost (dollars in thousands):

	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Long-term agricultural mortgage	\$ 20,660	\$ 5,143
Production and intermediate term	17,336	9,537
Agribusiness	2	1,174
Rural residential real estate	9	10
Total nonaccrual loans	<u>\$ 38,007</u>	<u>\$ 15,864</u>
Accruing loans 90 days or more past due:		
Long-term agricultural mortgage	\$ 59	\$ —
Production and intermediate term	196	109
Total accruing loans 90 days or more past due	<u>\$ 255</u>	<u>\$ 109</u>
Total nonperforming loans	<u>\$ 38,262</u>	<u>\$ 15,973</u>

The following table provides the amortized cost for nonperforming loans with and without a related allowance for credit losses on loans as well as, interest income recognized on nonaccrual during the period (dollars in thousands):

	As of March 31, 2024		For the three months ended March 31, 2024
	Amortized Cost with Specific Allowance	Amortized Cost without Specific Allowance	Interest Income Recognized
Nonaccrual loans:			
Long-term agricultural mortgage	\$ 2,269	\$ 18,391	\$ 4
Production and intermediate term	8,975	8,361	—
Agribusiness	—	2	3
Rural residential real estate	—	9	—
Total nonaccrual loans	<u>\$ 11,244</u>	<u>\$ 26,763</u>	<u>\$ 7</u>
Accruing loans 90 days or more past due:			
Long-term agricultural mortgage	\$ —	\$ 59	\$ —
Production and intermediate term	—	196	2
Total accruing loans 90 days or more past due	<u>\$ —</u>	<u>\$ 255</u>	<u>\$ 2</u>

	As of December 31, 2023		For the three months ended March 31, 2023
	Amortized Cost with Specific Allowance	Amortized Cost without Specific Allowance	Interest Income Recognized
Nonaccrual loans:			
Long-term agricultural mortgage	\$ 2,269	\$ 2,874	\$ 5
Production and intermediate term	9,057	480	(6)
Agribusiness	822	352	—
Rural residential real estate	—	10	—
Total nonaccrual loans	\$ 12,148	\$ 3,716	\$ (1)
Accruing loans 90 days or more past due:			
Production and intermediate term	\$ —	\$ 109	\$ —
Total accruing loans 90 days or more past due	\$ —	\$ 109	\$ —

Reversals of interest income on loans that moved to nonaccrual status were not material for the three months ended March 31, 2024, or 2023.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Our loans classified as modified loans at March 31, 2024, or 2023, and activity on these loans during the three months ended, March 31, 2024, or 2023, were not material. We did not have any material commitments to lend to borrowers whose loans have been modified during the three months ended March 31, 2024, or during the year ended December 31, 2023.

Allowance for Credit Losses

We utilize multiple macroeconomic scenarios, including base, adverse and optimistic, in the estimate of allowance for credit losses during a reasonable and supportable forecast period of two years. We revert to long-run historical economic conditions on an exponential basis to inform the estimate of losses for the remaining contractual life of the loan portfolio.

An analysis of changes in the allowance for credit losses for the three months ended March 31, 2024 follows (dollars in thousands):

	For the three months ended March 31,	
	2024	2023
Allowance for credit losses on loans		
Balance at beginning of year	\$ 8,500	\$ 3,600
Cumulative effect of change in accounting principle	—	400
Provision for credit losses on loans	406	142
Recoveries	140	67
Charge-offs	(746)	(9)
Balance at end of period	\$ 8,300	\$ 4,200
Allowance for credit losses on unfunded commitments		
Balance at beginning of year	\$ 1,000	\$ 1,100
Cumulative effect of change in accounting principle	—	(500)
Provision for credit losses on unfunded commitments	—	—
Balance at end of period	\$ 1,000	\$ 600
Total allowance for credit losses	\$ 9,300	\$ 4,800

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by charge offs in the first quarter of 2024 on loans that previously had specific reserves.

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in nine Rural Business Investment Companies (RBIC). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. As of March 31, 2024, our current total commitment is \$21.0 million of which \$13.9 million is unfunded with varying commitment end dates through June 2034. Certain commitments may have an option to extend under specific circumstances.

Note 4 – Fair Value Measurements

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

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2024, or December 31, 2023. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

As of March 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	—	—	\$ 8,384	\$ 8,384
As of December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	—	—	\$ 9,289	\$ 9,289

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

Note 5- Commitments and Contingencies

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

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

Refer to Note 12 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

Note 6- Subsequent Events

We have evaluated subsequent events through May 7, 2024 which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the notes to consolidated financial statements.