GREENSTONE FCS

ANNUAL REPORT 2023

YOUR FIRST CHOICE

Our Vision:

GreenStone Farm Credit Services will be rural America's *first choice* for financial services.

A Message From the Board Chair and CEO

DEAR GREENSTONE MEMBERS –

A vision is the plan for the future, a declaration of what is being sought through wisdom and purpose. Each of our 28,000 members hold a vision – whether verbalized or held in their heart – and our vision at GreenStone is to be their partner through it all…to be rural America's *first choice* for financial services.

This report provides an annual opportunity to highlight our steps toward that commitment, and while there's plenty to commend our members and teammates for over the last 365 days, our vision remains and propels us forward with a solid foundation rooted in members, teammates and financial vigor to continue building onward.

A strong 2023 was possible as a result of those deep roots; it was another important year to not only celebrate being your *first choice*, but our efforts to continue to be here for years to come. GreenStone ended with $285.0 million in net income for 2023, just above 2022's record of $284.6 million. This is the result of new members choosing GreenStone as their financial services provider and joining with existing members who choose to continue to work with GreenStone, all together producing owned and managed loan growth of nearly 8% next to a solid, profitable year for both crop insurance and tax and accounting services. That growth comes alongside equally important strong credit quality and operating efficiency rates.

While you could consider these numbers important all on their own – because they are outstanding – they are only a part of what makes this cooperative your *first choice*.

These results are what provide the ability of your cooperative to continue to deliver back to you patronage matching last year's record! $120 million of that profit, just over 40%, is put right back in our members' hands through our Patronage program. It is a significant benefit of choosing GreenStone as your *first choice*, but it's only one reason our members feel extremely satisfied with their cooperative - 96% satisfaction to be exact.

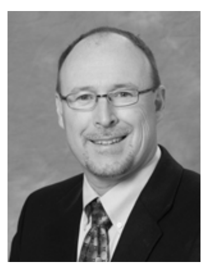
As highlighted in the coming pages from just a few member representatives, the reason for that satisfaction is different for everyone. In the end, we believe our culture of people first is what not only drives people to GreenStone, but more importantly, what provides that superior experience and makes them want to continue to choose GreenStone as their *first choice* partner.

The people in that culture aren't just our customers; we have always believed that to be our customer's *first choice*, we first need to be our employees' *first choice*. We strive to provide a culture of inclusion and engagement, along with the support and challenge in a career backed with recognition and compensation. Just as the needs and desires of our members evolve, the way we preserve and mature that culture to motivate and accommodate our employees must adapt as well. For some, GreenStone had always been their vision for *first choice* employment, for others, it's been a welcomed surprise, and with an employee engagement score that rivals the 90th percentile of all companies, it's an important aspect we credit for helping make your cooperative special.

Our employees aren't just important partners to our members. They bring important contributions to the hundreds of communities and organizations around us that positively impact our members. Focused on pillars of education and support for youth, members, and the communities where both our members and employees live, thousands of hours and dollars combine to be a *first choice* resource for farmers and consumers alike.

We began 2023 with the same vigor to achieving our vision as we hold onto today. Our commitment to you is to remain steadfast on our values and mission, all aligned to keep growing in our vision of being rural America's *first choice* – your *first choice* – for financial services!

In partnership,



Edward L. Reed
Chair of the Board

Travis D. Jones
Chief Executive Officer

96

Customer Satisfaction

%

Dedicated to our 28,000+ members, GreenStone strives to be the *first choice* solution for financing in rural America.

№ 1 Providing stability and support to our communities.

The experienced team at GreenStone understands two very important things: agriculture is the backbone of a sustainable society, and that the hardworking people living on the side streets and backroads of America make an important contribution to society. That's why it's important that we provide financial solutions and support to rural residents and farmers alike.

It's people like Rod Bednaryczk, who works tirelessly on his multi-generational row crop farm in Marlette, Michigan, who keep America fed. And it's families like Michael and Lynda Bredeweg who built their country home adjacent to the family Christmas tree farm in Stevensville, Michigan who keep local economies thriving and communities tight knit. We are proud to call them, along with all 28,000 members, part of the GreenStone cooperative.

Pride and Heritage

Rod Bednaryczk works from sunrise to sunset behind the wheel of his combine. The 3,000 acres of soybeans, sugar beets and corn are fields that he knows very well. Growing up on the family farm, agriculture is in his blood.

"I thought since I was little, I was going to farm," Rod said. "As early as I was able to walk, I was involved with the farm. I was pitching hay, feeding livestock and cleaning manure. "

Feeding cattle and cleaning manure turned into planting crops and managing harvest when Rod decided to turn the family dairy farm into a full-time row crop operation 25 years ago.

Since that transition, Rod, his father, brother, and son have worked hard to expand the operation.

That's right – his son! Rod is elated that his 22-year-old son Isaac is learning to take over the ropes of the farm – keeping it in the family.

"It's very cool. I wanted to pass the farm along to him to be able to make decisions quicker than I was able to. We give him a lot of control at this point."

One of those decisions: making sure their farm is protected with a crop insurance plan to fit their unique needs. For that, the farm turns to GreenStone. The cooperative has been a *first choice* resource for the farm for years – working with GreenStone's lending team to secure land and operating loans, and most recently, the crop insurance team to protect the year's production.

"For as long as I have been a part of the farm's management team, we have been working with GreenStone," said Rod. "It was natural that we started using crop insurance through GreenStone because we were already banking with them."

In 2023, after a large storm that just missed his farm and looking at the projected forecast for the remainder of the season, Rod gave Crop Insurance Specialist Nicole Lindke a call.

"Up until this past year, we always utilized a bare minimum insurance plan," Rod explained. "We sat down with Nicole and she walked me through the best choice for our money. I decided to put hail insurance onto my plan," Rod explained.

And thank goodness he did. Later that season, many of their crops took a hit from a large hailstorm – and Rod was covered.

"It feels good to help farmers secure that protection," said Nicole. "A lot of people think crop insurance is another added expense, but it's that one guarantee you can rely on. When you have a disastrous year, it's a tool for your operation."

A tool that Rod plans to keep in his back pocket moving forward.

"I was extremely happy to have something that covers the damage of the hail storm," Rod reflected.

Rod plans to continue working with his family to expand the farm when he can, and when that time comes, GreenStone will continue to be a trusted partner.

"Farmers just have a special way about them where they're so easy to talk to," said Nicole. "I wanted to be able to help them in this aspect of their farming operation."

"Farming takes determination and drive. You have to really want it," Rod explained.

Determination and Drive

Determination and drive are common themes among GreenStone members. It was those two virtues that put people like Mike and Lynda Bredeweg on the path to building their cozy modern farmhouse in Stevensville, Michigan.

It was a do-it-yourself home build that all started with a simple idea.

"One day I had an idea," said Lynda. "I told Mike we should buy the piece of property next to his parents' Christmas tree farm and build a house there."

And that they did. The two spent nearly a year clearing the land of trees and debris for a home build in 2018, and in the meantime, searched for financing. After other lending institutions turned them away, the two connected with GreenStone Financial Services Officer Kyle Griffiths, who greenlit their do-it-yourself dream. Kyle was no stranger to the Bredeweg family – a testament to GreenStone's localized servicing to hometowns across Michigan and northeast Wisconsin.

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– Rod Bednaryczk

"One day I had an idea... I told Mike we should buy the piece of property next to his parents' Christmas tree farm and build a house there."

– Lynda Bredeweg

"This was our first time building anything... We really did do it by ourselves. We had a lot of mentoring. We had to ask for a lot of advice. We had to connect with the people around us who were able to help us make decisions."

– Lynda Bredeweg

"I don't think there's any better legacy to leave behind than farming," said Rod. "It's a way of life. It gives you a lot of pride."

– Rod Bednaryczk

"I had been going to their family's Christmas tree farm for years," explained Kyle. "He knew a lot of the same people I did so it was a natural relationship from the get-go."

Once all of the papers were signed, and GreenStone became the *first choice* lender for Mike and Lynda, the two broke ground on what would become their cozy country home one year later.

The building process was just that: a process. Never building a home before, there were plenty of things to learn, and decisions to make along the way. Leaning on experts like contractors and builders, Mike and Lynda were able to acquire the knowledge and expertise to tackle the project head-on.

"This was our first time building anything," said Lynda. "We really did do it by ourselves. We had a lot of mentoring. We had to ask for a lot of advice. We had to connect with the people around us who were able to help us make decisions."

"Lynda really acted as the designer and she would make decisions around what she wanted it to look like," Mike explained. "I tried to live that out and build what she wanted it to look like."

The long hours and hard work of building and designing paid off when the couple moved into their eclectic modern farmhouse in 2020. The home, equipped with four bedrooms, two and a half baths and an open floor concept is the perfect place to relax with friends and family – after so many of those family and friends helped make the dream a reality.

"We had so many people who helped cut down trees and put up trim," said Mike. "It ended up being a family and friends project. It was a whole community of people we couldn't have done it without."

Some of those trees even make up the home – in the form of flooring and trim, which are just a few examples of the unique and personal features throughout the 2,300 square foot home.

When asked if they would build again, Lynda had a simple answer.

"We don't need to. I would never want to move out of this house because we built our dream house."

For the team at GreenStone, it's helping create those dreams that make it all worth it – whether it's a brand new home, financial solutions for farmers feeding America, risk management strategies – and everything in between. For GreenStone staff like Kyle and Nicole, this partnership comes naturally.

"I enjoy helping our members," said Kyle. "It's satisfying to help them through the home buying or building process. A lot of this is a learning experience from them."

"Agriculture is my background. My husband is a farmer. My grandparents had a dairy operation, and I was always on their farm, so I just gravitate toward the farming life," said Nicole. "I look forward to continuing to grow my relationships with my customers and helping them with their crop insurance needs."

Above all, it's the passion our members bring to the table that fuels our success.

"As I look over the experience, we couldn't have done this without GreenStone. Their belief that people can accomplish a home build on their own made all the difference for us," said Mike.

"I don't think there's any better legacy to leave behind than farming," said Rod. "It's a way of life. It gives you a lot of pride."

$14.4

Billion in Total Assets

(owned and managed)

$285.0

Million in Net Income

GreenStone is a *first choice* career for the 630+ passionate people dedicated to serving you.

Sarah King

Sarah joined GreenStone more than seven years ago and serves as a regional operations manager in west Michigan. Prior to this role, Sarah worked on GreenStone's crop insurance team. She grew up on a cattle and hog farm and became involved with 4-H by showing cows at state fairs and local shows. Since then, she has stayed involved in agriculture and loves serving customers in rural America.

№ 2 Tackling challenges as a team to open new doors for our members.

GreenStone's group of dedicated employees not only bring a wealth of experience to the table to service the needs of rural America, but a deep passion for what they do – many choosing GreenStone because of their roots in agriculture and upbringing in the country.

Emily Kropf

Emily has worked for GreenStone for four years, currently serving as an associate crop insurance specialist working out of the Grand Rapids, Michigan branch. Prior to this role, Emily started as a learning and development intern in GreenStone's human resources department, and later as a sales intern for GreenStone. Growing up around agriculture, Emily became extremely involved in Future Farmers of America (FFA) in high school, and recently participated in the United States NextGen Apple Fellowship. In her free time, Emily serves as a youth group leader for young women at her local church.

Joe Schlies

Joe has been with GreenStone since 2023 and has hit the ground running as a financial services officer in the Manitowoc, Wisconsin branch. Growing up on a farm and being a long-time member of the FFA, Joe brings an enthusiastic passion for serving customers in agriculture. Joe had dreamed of working for GreenStone since high school and made that dream a reality straight out of college. In his free time, Joe mentors FFA state officers and assists them with professional development.

630+

Total staff across 94 counties in Michigan & Wisconsin*.

Rallying around GreenStone's CoreFour Values, employees work as a team to create a company fueled by the desire to best serve each other and our customers every day.

"I remember getting the job offer from GreenStone, and I couldn't believe it was true. When you're young, you think that 20 years down the line you'll find your dream job. Next thing I knew, it was here."

– Joe Schlies

"When I was first looking into first-time jobs, I put all my eggs in one basket and only applied for GreenStone"

– Emily Kropf

"It's a passion I have. I've been fortunate to always have worked in agriculture in different facets. Now, I'm not riding on a combine, but I'm helping farmers build their dreams and expand their businesses. It's very rewarding."

– Sarah King

One GreenStone

The dedicated team at GreenStone takes "service with a smile" to new levels. Each of our 630+ staff members bring an unwavering passion to their positions. For many, that passion is rooted in their love for rural America.

Joe Schlies, a financial services officer in GreenStone's Manitowoc, Wisconsin branch, has aspired to join team GreenStone since high school. That dream became an exciting reality in July when he came aboard.

"It's very crazy to think. It's kind of surreal," Joe recalled. "I remember getting the job offer from GreenStone, and I couldn't believe it was true. When you're young, you think that 20 years down the line you'll find your dream job. Next thing I knew, it was here."

Growing up on his family farm and participating in FFA for years, Joe has a deep respect for the agricultural community. Joe's commitment to FFA landed him a spot as a State FFA Officer following high school, taking on the role of State President in Wisconsin.

"FFA allowed me to develop the soft skills that college didn't teach me. Things like critical thinking, basic communication skills and working with others in a professional manner – those are skills that I learned through FFA that prepared me for my role at GreenStone."

That role includes working with customers and helping them secure the financing they need to run their operations.

Emily Kropf, an associate crop insurance specialist at GreenStone, is also no stranger to FFA. She joined her home chapter in Lowell, Michigan in high school, and now dedicates her time to help mentor students involved in the program.

A product of rural America, Emily began her journey with GreenStone as a learning and development intern in the human resources department after her freshman year, and later went on to intern with GreenStone's sales department. Following graduation from Michigan State University, Emily says the unmatched positive culture at GreenStone made her want to stay – and that she did.

In Emily's role, she is able to assist GreenStone's team of crop insurance specialists to help customers find the best risk mitigation plan for their operations.

"When I was first looking into first-time jobs, I put all my eggs in one basket and only applied for GreenStone," Emily explained. "My family understood why because of the success I had as an intern. The culture is amazing, and it rules my decision to be here. I can't think of anywhere else I'd want to work."

The culture at GreenStone can't be produced just from the top but is a testament to the hearts and dedication of people on all levels; people like Sarah King who serves as a regional operations manager in west Michigan. Sarah is in charge of onboarding many teammates, helping role out new systems internally to better serve our customers and manages the customer service and loan processing teams—among many other tasks.

"Working in agriculture was something I've always wanted to do," said Sarah. "It's a passion I have. I've been fortunate to always have worked in agriculture in different facets. Now, I'm not riding on a combine, but I'm helping farmers build their dreams and expand their businesses. It's very rewarding."

Starting out in GreenStone's crop insurance team before transitioning to her current role, Sarah loves to be able to serve our customers both one-on-one and by creating a better customer experience behind the scenes.

"They're helping feed the world, and that's something to be proud of," Sarah remarked.

That pride is felt by all across the company. GreenStone's team doesn't just set out to serve with a smile, but rather to serve with a passion, and that passion comes from within. It's that passion that makes GreenStone a *first choice* career for employees like Sarah, Emily, and Joe, along with the rest of GreenStone's dedicated team.

$960

Million in Patronage returned to members over 19 years

Our unwavering commitment to being your *first choice* in the financial and agriculture industry remains an ongoing goal at GreenStone, extending to our outreach efforts when supporting agriculture and rural communities.

№ 3 Creating a positive impact as a community partner.

GreenStone remains committed in our pledge to cultivate a robust, thriving community and empower farmers through collaborations with industry partners. In addition to numerous year-round activities, GreenStone is honored to partner with countless organizations with similar missions of serving rural communities and agriculture. As we reflect on the past year, two of those key partners are Dairy Girl Network and Michigan Grown, Michigan Great. Both are resource-driven and crucial contributors to agriculture and the communities we serve. Their valuable resources and impact have a ripple effect creating vast opportunity of knowledge, awareness and growth for all they touch.

Dairy Girl Network

GreenStone partners with the Dairy Girl Network to further solidifying our commitment to being your *first choice*.

Through an ongoing collaboration, GreenStone Farm Credit Services and the Dairy Girl Network have joined forces on a mission—to sprinkle a bit of magic on women and farmers in the ever evolving agricultural dairy industry. Based in Wisconsin with members from across the nation, Dairy Girl Network is designed by women in dairy for women in dairy. They understand the challenges women often face in the industry and have joined together to offer a safe space to connect and strengthen one another through connection and knowledge.

This dynamic partnership is all about creating a strong support system for women in dairy by providing resources to assist in navigating the ever-changing landscapes of today's market. These resources range from monthly webinars covering current topics and decision-making insight to participation during the annual World Dairy Expo and countless opportunities to create connections through networking. These connections instill confidence in women, both in their ability to lead their families and make sound business decisions on their farm.

"At Dairy Girl Network, we believe in the power of community and knowledge-sharing. Our collaboration with GreenStone is more than just a partnership; it's a shared commitment to creating a supportive space for women in dairy. Together, we strive to sprinkle a bit of magic on the challenges faced by women and farmers in the ever-evolving agricultural dairy industry," says Amanda Borkowski, Dairy Girl Network Partnership Lead. "With Farm Credit's generosity and resources, we're not just addressing immediate needs; we're cultivating connections that empower women, fostering confidence in their ability to lead and make sound business decisions on their farms."

By fostering a supportive community, this partnership not only addresses immediate challenges but also contributes to the long-term sustainability of agriculture. As GreenStone continues its collaboration with the Dairy Girl Network, extending generosity and resources, we further solidify our commitment to being your *first choice* by helping empower women and farmers in the ever-evolving agricultural dairy industry.

Michigan Grown, Michigan Great

Supporting rural America goes beyond providing farmers and growers with resources; it entails educating and informing consumers about agriculture, the origins of their food, the meticulous care farmers take, and their dedication to feeding the world. To champion the diverse commodities Michigan offers, GreenStone proudly serves as a supporting partner on the Michigan Ag Council, a pivotal force behind the Michigan Grown, Michigan Great (MGMG) brand. The Michigan Ag Council, comprised of commodity groups and agribusinesses, collaborates to enhance awareness of food and agriculture today, contributing to the state's enjoyment of over 300 high-quality fresh foods and products from more than 46,000 local farming families.

MGMG represents these fine foods and products, along with the farmers and agribusinesses committed to providing them to our neighbors and communities. By promoting Michigan farmers and agriculture, MGMG aims to heighten awareness of locally grown produce, ultimately encouraging consumers to buy and support local.

Farm families take pride in mastering the art and science of cultivating fresh, high-quality foods and products year after year. Together with their partners, the Michigan Ag Council, under the MGMG brand, spotlights Michigan commodities, agricultural practices, and the diligent farm families tirelessly working to supply Michigan with safe, high-quality foods and products.

MGMG annually hosts the Down on MI Farm event, shedding light on agriculture through engaging gatherings. At each of the three 2023 Down on MI Farm events, attendees, including dietitians and food and family influencers, community leaders, change-makers, and local farmers, connected over good food and compelling topics. Each event featured a farm tour, providing attendees with a behind-the-scenes look at farm operations and highlighting the day-to-day activities on a farm.

In addition to hosting and attending industry events, MGMG offers a wealth of consumer information on local Farm Markets, agritourism venues, recipes for locally grown produce, and farms to visit. Educating consumers on the origins of their food is a vital component in ensuring the success of the agriculture industry.

GreenStone is honored to be an ongoing partner of the Michigan Ag Council and ensuring that consumers continue selecting Michigan grown products as their *first choice* for their families.

“Through partnerships with organizations dedicated to community and industry growth, we are shaping a more robust tomorrow.”

Community Outreach

As the agricultural landscape continues to evolve, GreenStone remains steadfast in our commitment to empowering farmers and fostering resilient and thriving communities. This member-first mindset resonates throughout our dedicated team, actively involved in supporting local communities.

Through our 35 branches and association-wide initiatives, GreenStone allocates time and resources to various organizations aligned with our mission of shaping a stronger tomorrow. In the past year alone, we’re proud to have contributed over 6,450 hours and $630,500 to the community. The total hours include dedicated staff participation in local events, youth engagement, county fairs, dairy programs, agriculture-awareness organizations and more—an investment that would be equivalent to more than three fulltime staff solely dedicated to volunteering to create a brighter future. We’re honored to have staff who live our Core Four values of Giving Back and Doing the Right Thing both in and out of the office.

Our collective enthusiasm and passion for our members, the community, and agriculture are the driving forces behind GreenStone's continued position as a *first-choice* leader in the rural community.

Beyond community initiatives, GreenStone recognizes the paramount importance of investing in the education of our youth. In 2023, we proudly awarded $60,000 in scholarships to students pursuing careers in the industry, bringing our total scholarship commitments since 2010 to over $440,000. GreenStone also continues to offer continuous internship opportunities, contributing to the personal development of dozens of students. We recognize that future success in agriculture isn’t possible without the commitment and education of youth today and ensuring they have the learning opportunities to shape them into future leaders.

Through our commitment to the next generation, GreenStone's dedication includes supporting women, minority groups and young, beginning and small farmers through strategic educational investments and partnerships. Our support is centered on providing the tools, resources and opportunities to cultivate connections that turn into success. As a leader in the agriculture industry, our members’ preferred financial partner, a rural community neighbor, and a member-owned cooperative, GreenStone approaches every decision with the future and our members best interest at the forefront.

Through partnerships with organizations dedicated to community and industry growth, we are shaping a more robust tomorrow. The alliances formed today will echo in the future of our local communities, influence today's youth, and pave the way for the next generation of farmers. GreenStone takes pride in its ongoing commitment to progress, actively contributing and aligning with organizations that stand as the *first choice* for agriculture and rural communities.

$630,500

Total Support

6,450+

Total Volunteer Hours

$60,000

2023 Scholarships

2023 FINANCIALS

GreenStone Farm Credit Services, ACA

Consolidated Five-Year Summary of Selected Financial Data

GREENSTONE FARM CREDIT SERVICES, ACA
(dollars in thousands)

	2023	2022	2021	2020	2019
CONDENSED STATEMENT OF CONDITION DATA					
Loans	$12,505,709	$12,669,524	$11,492,173	$10,589,927	$9,398,125
Allowance for credit losses on loans	35,874	40,889	55,056	75,574	95,454
Net loans	12,469,835	12,628,635	11,437,117	10,514,353	9,302,671
Investment in AgriBank, FCB	489,023	350,696	284,770	257,760	222,432
Investment securities	785	1,284	2,992	5,404	9,046
Other assets	261,487	223,366	202,599	189,717	194,114
Total assets	$13,221,130	$13,203,981	$11,927,478	$10,967,234	$9,728,263
Obligations with maturities of one year or less	$288,949	$265,465	$212,872	$195,385	$200,945
Obligations with maturities greater than one year	10,501,604	10,678,542	9,619,904	8,827,305	7,748,606
Total liabilities	10,790,553	10,944,007	9,832,776	9,022,690	7,949,551
Protected members' equity	1	1	1	1	1
Capital stock and participation certificates	26,475	25,891	25,498	24,553	23,019
Unallocated surplus	2,406,452	2,237,685	2,072,939	1,923,172	1,757,944
Accumulated other comprehensive loss	(2,351)	(3,603)	(3,736)	(3,182)	(2,252)
Total members' equity	2,430,577	2,259,974	2,094,702	1,944,544	1,778,712
Total liabilities and members' equity	$13,221,130	$13,203,981	$11,927,478	$10,967,234	$9,728,263
CONDENSED STATEMENT OF INCOME DATA					
Net interest income	$342,848	$296,163	$255,402	$249,931	$234,647
(Provision for) reversal of credit losses	(21,966)	21,500	14,145	18,050	(13,793)
Patronage income	72,688	63,965	61,926	59,934	51,531
Financially related services income	14,128	15,040	13,707	11,766	10,584
Fee income	24,743	21,524	34,335	37,285	20,740
Other non-interest income	3,233	1,324	1,023	3,329	3,568
Non-interest expense	(145,320)	(128,990)	(112,501)	(106,732)	(99,140)
Provision for income taxes	(5,361)	(5,886)	(3,334)	(3,350)	(1,737)
Net income	$284,993	$284,640	$264,703	$270,213	$206,400
KEY FINANCIAL RATIOS					
For the Year					
Return on average assets	2.1%	2.3%	2.4%	2.6%	2.2%
Return on average members' equity	12.1%	13.0%	13.1%	14.5%	11.9%
Net interest income as a percentage of average earning assets	2.7%	2.5%	2.4%	2.5%	2.6%
Net charge-offs (recoveries) as a percentage of average loans	0.2%	(0.1%)	0.1%	—	—
At Year End					
Members' equity as a percentage of total assets	18.4%	17.1%	17.6%	17.7%	18.3%
Allowance for credit losses on loans as a percentage of loans	0.3%	0.3%	0.5%	0.7%	1.0%
Common equity tier 1 ratio	14.8%	15.1%	15.8%	15.9%	16.7%
Tier 1 capital ratio	14.8%	15.1%	15.8%	15.9%	16.7%
Total regulatory capital ratio	15.2%	15.4%	16.4%	16.7%	17.6%
Permanent capital ratio	14.9%	15.1%	15.9%	16.0%	16.9%
Tier 1 leverage ratio	15.9%	16.0%	16.7%	16.6%	17.7%
OTHER					
Patronage distributions payable to members	$120,000	$120,000	$115,000	$105,000	$100,000

The patronage distribution to members accrued for the year ended December 31, 2023, will be distributed in cash during the first quarter of 2024. The patronage distributions accrued for the years ended December 31, 2022, 2021, 2020, and 2019 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

Management's Discussion and Analysis

GREENSTONE FARM CREDIT SERVICES, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA (the Association or GreenStone) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA, and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

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

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

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

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

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

Forward-Looking Information

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

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations, including inflationary indicators, in the agricultural, international, rural, and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve and U.S. Treasury in implementing monetary policy
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Length and severity of an epidemic or pandemic
- Changes in our assumptions for determining the allowance for credit losses and fair value measurements
- Industry outlooks for agricultural conditions

Agricultural and Economic Conditions

Real gross domestic product (GDP) grew at an annualized rate of 3.3% in the fourth quarter and 4.9% in the third quarter of 2023, according to the Bureau of Economic Analysis. Real GDP increased 2.5% annually in 2023, compared to an increase of 1.9% in 2022. Consumers have remained resilient, supported by a tight labor market and rising real wages. However, there are some signs of weakness as delinquencies are rising, and younger households are showing signs of increased financial stress. Changes in labor demand and the availability of consumer credit will be a key driver of consumer spending in 2024. Housing market activity appears to have stabilized, albeit at low levels, as tight housing supply and steadying mortgage rates are signaling the potential for a market normalization in 2024.

After a hot labor market sent wages higher and brought unemployment down to a 50-year low, the labor market now appears to be leveling out. Unemployment remained at 3.7% in December 2023, unchanged from the previous month, and has hovered between 3.4% and 4.0% since December 2021. However, cooling labor market conditions are evident in private sector annual wage growth, which moderated from a peak of 5.9% in March 2022, to 4.1% in December 2023. While still above its long-term average, wage growth pressures are receding as businesses reel back hiring efforts in the face of slowing consumer demand. U.S. businesses face structurally slower labor force growth than in prior decades, with census projections showing the population aged 18-64 will rise only 0.1% in 2024. Tight labor markets could encourage more immigration or further gains in labor force participation, but excess capacity may be limited. There is expected to be a limit to how much the unemployment rate could rise going forward, in the absence of a recession. Diminished legal immigration, particularly over the pandemic, and baby-boomers reaching retirement age have left the economy short of workers. Because of this, the unemployment rate may only be slightly higher in the year ahead despite businesses slowing hiring efforts in the face of slower demand and higher costs.

The December 2023 Consumer Price Index (CPI) was slightly stronger than expected, with headline inflation at 3.4% over the prior year. The overall trend of lower inflation, since CPI peaked at 9.1% in June 2022 has been primarily driven by reversals in the major categories that drove inflation higher. Shelter inflation, while still the largest contributor to inflation, has also begun to decelerate. While inflation may still be above the Federal Reserve's 2% target, it has been gradually falling to more manageable levels.

The Federal Open Market Committee (FOMC) has raised rates by a cumulative 5.25% since the beginning of 2022 to combat inflation. At their January 2024 meeting, the FOMC voted to leave the federal funds rate unchanged at a target range of 5.25%-5.50%. The FOMC stated they would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of their goals. In addition, they stated they will continue reducing holdings of Treasury securities, agency debt, and agency backed securities. With inflation steadily trending towards their 2% target and labor market conditions slightly easing, many market participants anticipate that the July 2023 rate hike was likely the last of this cycle. If the FOMC is at the end of its hiking cycle, market participants will now begin to anticipate the timing and extent of potential rate cuts. If the fundamentals of the economy remain stable, the Federal Reserve may not cut rates in the near future. If the U.S. economy enters a recession, the Federal Reserve may be compelled to cut rates sooner and more frequently to try and stimulate the economy. Either way, it is increasingly likely that rate hikes will not occur in 2024, and instead move sideways or slightly down and settle at a higher level compared to previous cycles.

According to the United States Department of Agriculture's (USDA) Farm Sector Forecast net farm income, a broad measure of profits, reached $183.0 billion in calendar year 2022, increasing 30.7% from 2021. In inflation-adjusted 2023 dollars, net farm income is forecast to decrease by $41.7 billion, or 22.8% in 2023. Overall, farm cash receipts are forecast to decrease by 4.3% from 2022, to $513.6 billion in 2023. Crop cash receipts are forecast at $267.0 billion in 2023, a decrease of 4.0% from 2022. Combined receipts for corn, soybeans, and cotton are forecast to fall $15.5 billion, while vegetable and melon receipts are expected to increase. Total animal/animal product cash receipts are expected to decrease 4.6% in 2023. Direct government farm payments are forecast at $12.6 billion in 2023, a 19.0% decrease from 2022. Production expenses are forecast to increase by 6.9% in 2023. Interest costs and livestock/poultry purchases are expected to see the largest increases in 2023, while spending on fuels/oils is expected to decline relative to 2022.

Farm sector equity is expected to increase by 6.8% in 2023, driven primarily by an increase in the value of farm real estate assets. Farm sector debt is forecast to increase 4.9% in 2023. Debt-to-asset levels for the sector are forecast to improve from 12.9% in 2022 to 12.7% in 2023, while sector working capital is forecast to decline by 5.5% relative to 2022.

Farm real estate assets (land and its attachments) are forecast to increase by 7.7% in 2023, to $3.42 trillion, representing 83.6% of total farm sector assets. Total U.S. farm real estate value averaged $4,080 per acre for 2023, up $280 per acre from 2022. Cropland value averaged $5,460 per acre, an increase of $410 per acre from the previous year, while pasture value averaged $1,760 per acre, an increase of $110 per acre from 2022. Michigan's farm real estate value averaged $6,400 per acre in 2023, up 9.4%, while Wisconsin's averaged $6,200 per acre, up 8.8% from the previous year. Competing interests in the form of financial investors, increasing demand for renewable energy, along with residential and commercial development are also present in GreenStone's service area, further increasing competition for a finite amount of agricultural land. While future uncertainty remains, agricultural land values are likely to remain firm in the near term.

The USDA's forecast for the average number of milk cows in 2023 was 9.4 million head and the yield per cow was 24,120 pounds of milk per head, making the total milk production forecast 226.6 billion pounds for 2023, according to the January 2024 Livestock, Dairy, and Poultry Outlook. With higher productivity per cow being partially offset by a slightly smaller milking herd, the milk production forecast for 2024 is projected to increase 0.8%. Based on downward trends in cheese prices and large supplies, the 2023 average price forecast for cheese was $1.76 per pound. Meanwhile, the average price for butter was $2.62 per pound supported by strong domestic demand and tight supplies. The Class III milk price forecast was $17.02 per hundredweight (cwt) for 2023, primarily due to lower cheese prices. With higher prices for butter and nonfat dry milk, the 2023 Class IV milk price forecast was $19.12 per cwt, while the all-milk price forecast was $20.60 per cwt.

The USDA forecasts 2024 milk production at 230.4 billion pounds, with dairy cows and yield per cow expected to remain at 9.4 million head and 24,560 pounds per cow, respectively. Dairy exports are expected to decline in 2024. The lower forecast for the wholesale cheese price in the last quarter of 2023 is expected to carry into 2024, with the 2024 annual price forecast at $1.62 per pound. The 2024 average price for butter is forecast at $2.67 per pound. The Class III milk price forecast for 2024 is $16.10 per cwt, while the Class IV milk price projection for 2024 is $19.35 per cwt, and the all-milk price forecast for 2024 is $20.00 per cwt.

The USDA's December 2023 Quarterly Hogs and Pigs Report indicated a reduction of 3.3% in the inventory of breeding animals, while market animals were up 3.2% in 2023 compared to the prior year. Lower breeding numbers suggest that producers are responding to difficult market conditions characterized by relatively high input costs and low hog prices. Producer efforts to hold pig numbers to below year-earlier levels were partially offset by improved herd health, which is observable in the steadily improving pigs per litter, which was 11.7 pigs per litter for the September 2023 to November 2023 period, compared to 11.2 for the same period in the previous year. The result has been steady-to-larger pig population which have increased the supply of market-ready hogs at a time when markets are trading at levels below the average cost of production. Pork production was up 1.1% from 2022, to 27.3 billion pounds in 2023, while prices averaged $58.59 per cwt in 2023, down 17.7% from $71.21 per cwt in 2022. Production is projected to be 2.4% higher in 2024 and prices are projected to decrease 1.4%.

Total broiler production for 2023 was projected to be 46.4 billion pounds, an increase of 0.5% from 2022. For 2024, production is forecast to be 47.7 billion pounds, an increase of 0.5% from 2023. Projected total exports for 2023 was 7.3 billion pounds, which represents 15.6% of 2023 production. Based on lowered production expectations and higher prices, exports are projected to increase 0.3% in 2024. The national composite wholesale broiler annual average price forecast was $1.24 per pound in 2023, down 11.5% from the 2022 average. The 2024 average price forecast is projected to be $1.25 per pound, reflecting lowered production expectations for next year.

U.S. turkey production totaled 5.5 billion pounds in 2023, up 4.6% from 2022. The 2024 production projection is expected to only be a slight increase of 0.1% from 2023. Projected exports for 2023 were 490 million pounds, which represents 9.0% of production. In October 2023 the USDA reported new cases of Highly Pathogenic Avian Influenza (HPAI) in commercial turkey flocks. These were the first cases in commercial flocks in the U.S. since April 2023. In December 2023, HPAI cases resulted in the depopulation of 867 thousand meat turkeys, primarily in South Dakota, Wisconsin, and Minnesota. The total losses during the fourth quarter of 2023 were 3.2 million birds. The monthly average wholesale frozen whole-hen price was $1.40 per pound in 2023. This is down $0.14, or 9.3% less than last year's average. In 2024, prices are expected to resume a seasonal pattern, albeit from a lower base. Reflecting this, 2024 projected prices are expected to average $1.11 per pound, which if realized, would be the lowest average price since 2021.

Total 2023 table egg production is projected at 7.9 billion dozen, an increase of 1.4% from the 2022 total. The projection for total production in 2024 is 8.0 billion dozen, an increase of 1.6% over the 2023 projection. During November and December 2023, 12.9 million laying hens were destroyed due to HPAI outbreak. In addition, 2.5 million commercial table egg pullets (laying hens which have not yet entered the productive flock) were lost to HPAI between December 27, 2023, and January 4, 2024. These losses add uncertainty to the recovery of the flock and are expected to impact production during the first half of 2024. Egg prices were volatile during 2023, as they averaged $3.16 per dozen in the first quarter, $1.36 per dozen during in second and third quarters, and $1.82 per dozen in the fourth quarter. For 2024, the projected annual average selling price is $1.65 per dozen.

Loan Portfolio

Total loans were $12.5 billion at December 31, 2023, a decrease of $163.8 million from December 31, 2022, primarily due to loan participations sold.

Components of Loans
(in thousands)

As of December 31	2023	2022	2021
Accrual loans:			
Real estate mortgage	$6,337,408	$6,849,353	$6,635,092
Production and intermediate-term	2,194,312	2,222,263	2,034,177
Agribusiness	2,921,627	2,712,043	2,078,287
Other	1,008,411	857,255	696,348
Nonaccrual loans	43,951	28,610	48,269
Total loans	$12,505,709	$12,669,524	$11,492,173

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

The Association participates in asset pool programs (managed loans) to effectively leverage District capital and other cooperative benefits, as well as manage concentration risk and portfolio growth. On November 1, 2023, we sold AgriBank participation interests and unfunded commitments with funded balances of $1.2 billion and unfunded commitments of $284.4 million, representing an approximate 10% participation interest across the majority of our loan portfolio. Prior to December 1, 2022, we had sold participation interests in real estate loans to AgriBank as part of asset pool programs. On December 1, 2022, we purchased all the remaining participation interests totaling $66.1 million back from AgriBank. The total outstanding principal balance of participation interests in loans sold to AgriBank as part of asset pool programs were $1.2 billion and $77.9 million at December 31, 2023, and 2021, respectively. We had no outstanding participation interests in loans sold to AgriBank as part of asset pool programs at December 31, 2022.

Principal on owned and managed loans (which includes loans in our Consolidated Statements of Condition as well as loan participation interests sold as part of AgriBank asset pool programs) was $13.7 billion at December 31, 2023. When compared to December 31, 2022, owned and managed loan volume increased 7.8%. The level of growth was less than the 9.5% growth rate experienced in 2022. While loan growth remained strong in 2023, the ongoing higher interest rate environment in 2023 resulted in a slow-down in growth for the year. We experienced loan growth in all market segments. Our Traditional Farm segment, including our large agribusiness loans, grew 3.6% in 2023, compared to 3.1% in 2022. While lower than 2022, our Capital Markets segment drove overall loan growth with a 16.9% growth rate in 2023 compared to a 29.8% growth rate in 2022. Our Country Living segment growth rate was 5.1% in 2023 compared to 6.5% in 2022. The Country Living segment was most negatively impacted by the high interest rate environment in 2023. While lower than 2022, our current volume reflects an asset growth rate year-over-year that is above our 2023 Business Plan.

The outlook for overall portfolio growth for 2024 will continue to be challenged given the current high interest rate environment and market speculation as to when the FOMC will begin to lower the federal funds rate as they balance their goal to return inflation to their 2% objective while trying to avoid a recession, if possible. In addition, increased competitive pressure and more highly leveraged borrowers are expected to create challenges to our growth in the Capital Markets segment. New entrants into the agricultural lending market will continue to put pressure on our growth level and returns in this segment. Growth in our Traditional Farm segment, including our large agribusiness loans, is expected to be in the 2023 and 2022 growth range. We expect moderate demand for expansion capital in dairy and some animal protein sectors during 2024. The level of this demand will depend on the expected profit margins in these segments, which look challenged today due to costs and pricing. We are seeing increases in land values in our regions. However, there is limited inventory available to purchase, as well as less purchase activity by investors. The general non-farm economy is strong, but headwinds from rising input costs and narrowing margins are expected to add some challenges in 2024. The higher interest rate environment will continue to challenge the Country Living segment, which also is experiencing high levels of competition with regards to pricing and new competitors continuing to reach the rural segment. Overall, we expect all market segments to still show positive growth in 2024, with the Capital Market segment providing the highest growth rate. However, we also expect to see continuing loan pricing pressure within all market segments.

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

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

PORTFOLIO DISTRIBUTION

We are chartered to operate throughout Michigan and in certain counties in Wisconsin. Our portfolio volume is fairly evenly distributed among the territory with no material concentrations in any one county. This is evidenced by there being no individual county representing greater than 5.0% of our total loan volume at December 31, 2023.

Agricultural Concentrations

As of December 31	2023	2022	2021
Dairy	17.6%	18.4%	20.8%
Country home living	17.1	17.6	18.5
Cash crops	16.9	17.5	18.6
Agribusiness	11.1	10.4	8.3
Timber	4.2	4.4	4.1
Fruit	3.6	3.8	3.6
Livestock	2.7	2.9	2.9
Broilers	1.9	2.2	1.9
Hogs	1.9	1.9	2.1
Vegetables	1.8	1.9	1.8
Poultry	1.7	1.8	2.1
Grain and field beans	1.5	1.6	1.5
Potatoes	1.5	1.6	1.7
Sugar beets	1.4	1.5	1.4
Landlords	1.2	1.5	1.6
Greenhouse and nursery	0.9	0.9	0.9
Government guarantee	0.1	0.1	0.2
Other	12.9	10.0	8.0
Total	100.0%	100.0%	100.0%

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

The agricultural concentrations within our portfolio have not changed materially over the last year and continue to be one of our portfolio strengths. Due mainly to our diversity in commodities and the varied operating cycles that those commodities experience, our short-term and intermediate-term principal levels do not show significant levels of seasonality.

PORTFOLIO CREDIT QUALITY

The credit quality of our loan portfolio declined slightly in 2023. Adversely classified owned assets increased from 1.5% at December 31, 2022, to 1.9% at December 31, 2023. Adversely classified assets are assets that we identified as showing some credit weakness according to our credit standards. The credit quality of our core market of traditional production farm loans remained at satisfactory levels. Weaker borrowers in our fruit, agribusiness, timber, and poultry portfolios were challenged financially during 2023. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

Our adverse asset to risk funds ratio was 11.9% at December 31, 2023. This ratio increased 2.3% since December 31, 2022, but remains well below our goal of maintaining this ratio at or below 25.0%. This ratio is a good measure of our risk-bearing ability.

In certain circumstances, the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, and other government agency guarantee programs are used to reduce the risk of loss. At December 31, 2023, $382.5 million of our loans were substantially guaranteed under these programs. The guaranteed loan volume decreased from $400.6 million at December 31, 2022.

NONPERFORMING ASSETS

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

Components of Nonperforming Assets
(dollars in thousands)

As of December 31	2023	2022	2021
Loans:			
Nonaccrual	$43,951	$28,610	$48,269
Accruing loans 90 days or more past due	—	—	—
Total nonperforming loans	43,951	28,610	48,269
Acquired property	573	1,709	1,750
Total nonperforming assets	$44,524	$30,319	$50,019
Total nonperforming loans as a percentage of total loans	0.4%	0.2%	0.4%
Nonaccrual loans as a percentage of total loans	0.4%	0.2%	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	73.1%	83.3%	57.6%
Total delinquencies as a percentage of total loans[1]	0.2%	0.2%	0.3%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets remained at acceptable levels during 2023. Total nonperforming loans as a percentage of total loans remains well within our established risk management guidelines.

Nonaccrual volume increased $15.3 million from December 31, 2022, to $44.0 million at December 31, 2023. This increase was primarily due to several Capital Markets purchased participations that were downgraded to nonaccrual during the year, which was partially offset by a Capital Markets purchased participation that paid off in 2023. As of December 31, 2023, 86.1% of the nonaccrual loan portfolio was due to five Capital Markets purchased participations.

ALLOWANCE FOR CREDIT LOSSES ON LOANS

Allowance for Credit Losses on Loans Coverage Ratios

As of December 31	2023	2022	2021
Allowance for credit losses on loans as a percentage of:			
Loans	0.3%	0.3%	0.5%
Nonaccrual loans	81.6%	142.9%	114.1%
Total nonperforming loans[1]	81.6%	142.9%	114.1%
Net charge-offs (recoveries) as a percentage of average loans	0.2%	(0.1%)	0.1%
Adverse assets to capital and allowance for credit losses on loans	9.6%	8.2%	11.6%

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

Effective January 1, 2023, the allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses incurred on loans in our portfolio that were probable and estimable as of December 31, 2022, and 2021.

The allowance for credit losses on loans was $35.9 million, $40.9 million, and $55.1 million at December 31, 2023, 2022, and 2021, respectively. In 2023, provisions for credit losses on loans of $22.5 million were recorded along with $19.4 million of net charge-offs and a reversal of $8.1 million for the adoption of CECL.

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

Results of Operations

Profitability Information
(dollars in thousands)

For the year ended December 31	2023	2022	2021
Net income	$284,993	$284,640	$264,703
Return on average assets	2.1%	2.3%	2.4%
Return on average members' equity	12.1%	13.0%	13.1%

Changes presented in the profitability information chart relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income
(in thousands)

For the year ended December 31	2023	2022	2021
Net interest income	$342,848	$296,163	$255,402
(Provision for) reversal of credit losses	(21,966)	21,500	14,145
Patronage income	72,688	63,965	61,926
Financially related services income	14,128	15,040	13,707
Fee income	24,743	21,524	34,335
Other non-interest income	3,233	1,324	1,023
Non-interest expense	(145,320)	(128,990)	(112,501)
Provision for income taxes	(5,361)	(5,886)	(3,334)
Net income	$284,993	$284,640	$264,703

Changes in Significant Components of Net Income
(in thousands)

Increase (decrease) in net income	2023 vs 2022	2022 vs 2021
Net interest income	$46,685	$40,761
(Provision for) reversal of credit losses	(43,466)	7,355
Patronage income	8,723	2,039
Financially related services income	(912)	1,333
Fee income	3,219	(12,811)
Other non-interest income	1,909	301
Non-interest expense	(16,330)	(16,489)
Provision for income taxes	525	(2,552)
Net income	$353	$19,937

NET INTEREST INCOME

Changes in Net Interest Income
(in thousands)

For the year ended December 31	2023 vs 2022	2022 vs 2021
Changes in volume	$20,926	$24,902
Changes in interest rates	32,127	9,783
Changes in nonaccrual interest income and other	(6,368)	6,076
Net change	$46,685	$40,761

Net interest income included income on nonaccrual loans that totaled $1.7 million, $8.2 million, and $2.2 million in 2023, 2022, and 2021, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.7% in 2023, compared to 2.5% in 2022, and 2.4% in 2021. Our net interest margin has increased slightly in recent years, primarily due to higher earnings from our unallocated surplus due to the rising interest rate environment. We expect margins to remain fairly stable in the near future.

(PROVISION FOR) REVERSAL OF CREDIT LOSSES

The "Provision for (reversal of) credit losses" in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a reversal of credit losses on unfunded commitments. During 2023, a provision for credit losses of $22.0 million was recorded, which was primarily due to five individually evaluated purchased participations. This was partially offset by a reversal of provision for credit losses on loans as a result of the adoption of CECL, in addition to a nonaccrual purchased participation that paid off during 2023. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

PATRONAGE INCOME

We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income
(in thousands)

For the year ended December 31	2023	2022	2021
Patronage from AgriBank	$68,311	$60,182	$58,927
AgDirect partnership distribution	4,165	3,289	2,593
Other patronage	212	494	406
Total patronage income	$72,688	$63,965	$61,926
Form of patronage distributions:			
Cash	$55,999	$24,509	$54,295
Stock	16,689	39,456	7,631
Total patronage income	$72,688	$63,965	$61,926

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income. In addition, see the Unincorporated Business Entities subsection (within the Other Relationships and Programs section) for further discussion on AgDirect, LLP and the partnership distribution. The increase in patronage income was primarily due to asset pool program and wholesale patronage income received from AgriBank. The asset pool program patronage increased, primarily due to the loans we sold into the asset pool program on November 1, 2023. The wholesale patronage income is based on the average balance of our note payable to AgriBank, which increased during the year ended December 31, 2023, compared to the prior year, primarily as a result of growth in our loan portfolio.

FEE INCOME

The increase in fee income in 2023 compared to 2022 was primarily due to higher servicing fees collected for loans that we sold to other Farm Credit institutions along with higher fees received for undisbursed commitments.

NON-INTEREST EXPENSE

Components of Non-Interest Expense
(dollars in thousands)

For the year ended December 31	2023	2022	2021
Salaries and employee benefits	$91,698	$83,278	$76,624
Purchased and vendor services	8,115	7,616	5,347
Communications	1,710	1,907	1,934
Occupancy and equipment	16,403	13,437	12,024
Advertising and promotion	4,195	3,677	3,064
FCA examination	2,622	2,504	2,335
Farm Credit System insurance	19,246	19,461	14,022
Miscellaneous expense	9,114	5,461	4,462
Expense reimbursements	(10,949)	(8,756)	(7,677)
Other non-interest expense	3,166	405	366
Total non-interest expense	$145,320	$128,990	$112,501
Operating rate	1.1%	1.1%	1.0%

The most significant percentage increases in components of non-interest expense in 2023 were salaries and employee benefits, occupancy and equipment, miscellaneous expense, and other non-interest expense.

Salaries and Employee Benefits: Salaries and employee benefits expenses increased primarily due to employee raises, promotions, new positions, and increased expenses for retirement plans.

Occupancy and Equipment: Occupancy and equipment expenses increased in 2023 primarily due to amortization and licensing costs for new software applications that were developed for customer relationship management and loan originations.

Miscellaneous Expense: Miscellaneous expense increased in 2023 primarily due to travel costs. Travel costs increased as a result of more travel activity and inflated travel costs.

Other Non-Interest Expense: The increase in other non-interest expense in 2023 compared to 2022 was primarily due to fair value accounting for the sale of loan participations into an asset pool program at AgriBank on November 1, 2023.

Funding and Liquidity

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2023, we had $2.9 billion available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information
(dollars in thousands)

For the year ended December 31	2023	2022	2021
Average balance	$10,867,825	$9,980,197	$9,002,221
Average interest rate	3.6%	2.0%	1.4%

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute.

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

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $1.2 million, $2.0 million, and $2.7 million at December 31, 2023, 2022, and 2021, respectively. We paid Farmer Mac commitment fees totaling $8 thousand, $11 thousand, and $17 thousand in 2023, 2022, and 2021, respectively. These amounts are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. No loans were sold to Farmer Mac under this agreement during 2023, 2022, or 2021.

Capital Adequacy

Total members' equity was $2.4 billion, $2.3 billion, and $2.1 billion at December 31, 2023, 2022, and 2021, respectively. Total members' equity increased $170.6 million from December 31, 2022, primarily due to net income for the year and the cumulative effect of the change in accounting principle partially offset by patronage distribution accruals. The cumulative effect change of accounting principle was a result of the adoption of CECL effective January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total regulatory capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Effective January 1, 2022, the FCA Regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios As of December 31	2023	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	14.8%	15.1%	15.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	14.8%	15.1%	15.8%	6.0%	2.5%	8.5%
Total regulatory capital ratio	15.2%	15.4%	16.4%	8.0%	2.5%	10.5%
Permanent capital ratio	14.9%	15.1%	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	15.9%	16.0%	16.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	15.7%	15.8%	18.1%	1.5%	N/A	1.5%

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

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

In addition to these regulatory requirements, we establish an optimum total regulatory capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target range is subject to revision as circumstances change. Our optimum total regulatory capital target range was 13.5% to 18.5%, as of December 31, 2023.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2024.

Relationship with AgriBank

BORROWING

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

The components of cost of funds under the GFA include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

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

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

INVESTMENT

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

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

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

PATRONAGE

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

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

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

Other Relationships and Programs

RELATIONSHIPS WITH OTHER FARM CREDIT INSTITUTIONS

Capital Markets Collaboration: We participate in the Capital Markets Collaboration (CMC) with three other AgriBank District associations, which involves purchasing participation interests in loans to eligible borrowers. The CMC focuses on generating revenue and loan volume for the financial benefit of all four participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth. As the facilitating association for CMC, we are reimbursed by the other three participating associations for their portions of the various costs incurred for conducting CMC activities.

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

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

As the facilitating association for CTC, we are compensated to provide various support functions. This includes support for technology, human resources, accounting, payroll, reporting, and other finance functions.

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

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $795 thousand, $641 thousand, and $505 thousand at December 31, 2023, 2022, and 2021, respectively.

SunStream Business Services: We have a relationship with SunStream Business Services (SunStream), a System service corporation, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. As of December 31, 2023, 2022, and 2021, our investment in SunStream was $1.9 million. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2023, 2022, and 2021, our investment in Foundations was $59 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

UNINCORPORATED BUSINESS ENTITIES (UBEs)
In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $32.4 million, $29.7 million, and $23.1 million at December 31, 2023, 2022, and 2021, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Comprehensive Income.

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

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

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

Report of Management

GREENSTONE FARM CREDIT SERVICES, ACA

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

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

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

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Kimberly S. Brunner
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

March 7, 2024

Report on Internal Control Over Financial Reporting

GREENSTONE FARM CREDIT SERVICES, ACA

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

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

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

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

Travis D. Jones
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Kimberly S. Brunner
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

March 7, 2024

Report of Audit Committee

GREENSTONE FARM CREDIT SERVICES, ACA

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

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

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

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

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

Eugene B. College
Chair of the Audit Committee
GreenStone Farm Credit Services, ACA

Bruce E. Lewis, Ronald W. Lucas, and Scott A. Roggenbuck
Members of the Audit Committee

March 7, 2024

pwc

Report of Independent Auditors

To the Board of Directors of GreenStone Farm Credit Services, ACA:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 7, 2024

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F:(612) 373 7160, www.pwc.com

Consolidated Statements of Condition

GREENSTONE FARM CREDIT SERVICES, ACA
(in thousands)

As of December 31	2023	2022	2021
ASSETS			
Loans	$12,505,709	$12,669,524	$11,492,173
Allowance for credit losses on loans	35,874	40,889	55,056
Net loans	12,469,835	12,628,635	11,437,117
Investment in AgriBank, FCB	489,023	350,696	284,770
Investment securities	785	1,284	2,992
Accrued interest receivable	100,279	83,869	60,120
Premises and equipment, net	51,555	52,423	48,083
Other assets	109,653	87,074	94,396
Total assets	$13,221,130	$13,203,981	$11,927,478
LIABILITIES			
Note payable to AgriBank, FCB	$10,501,604	$10,678,542	$9,619,904
Accrued interest payable	103,313	73,861	31,570
Patronage distribution payable	120,000	120,000	115,000
Deferred tax liabilities, net	2,318	1,073	182
Other liabilities	63,318	70,531	66,120
Total liabilities	10,790,553	10,944,007	9,832,776
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Protected members' equity	1	1	1
Capital stock and participation certificates	26,475	25,891	25,498
Unallocated surplus	2,406,452	2,237,685	2,072,939
Accumulated other comprehensive loss	(2,351)	(3,603)	(3,736)
Total members' equity	2,430,577	2,259,974	2,094,702
Total liabilities and members' equity	$13,221,130	$13,203,981	$11,927,478

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

Consolidated Statements of Comprehensive Income

GREENSTONE FARM CREDIT SERVICES, ACA
(in thousands)

For the year ended December 31	2023	2022	2021
Interest income	$731,000	$496,725	$379,327
Interest expense	388,152	200,562	123,925
NET INTEREST INCOME	342,848	296,163	255,402
Provision for (reversal of) credit losses	21,966	(21,500)	(14,145)
NET INTEREST INCOME AFTER PROVISION FOR (REVERSAL OF) CREDIT LOSSES	320,882	317,663	269,547
Non-interest income			
Patronage income	72,688	63,965	61,926
Financially related services income	14,128	15,040	13,707
Fee income	24,743	21,524	34,335
Other non-interest income	3,233	1,324	1,023
TOTAL NON-INTEREST INCOME	114,792	101,853	110,991
Non-interest expense			
Salaries and employee benefits	91,698	83,278	76,624
Other operating expense	50,456	45,307	35,511
Other non-interest expense	3,166	405	366
TOTAL NON-INTEREST EXPENSE	145,320	128,990	112,501
INCOME BEFORE INCOME TAXES	290,354	290,526	268,037
Provision for income taxes	5,361	5,886	3,334
NET INCOME	$284,993	$284,640	$264,703
Other comprehensive income (loss)			
Employee benefit plans activity	$1,252	$133	$(554)
Total other comprehensive income (loss)	1,252	133	(554)
Comprehensive income	$286,245	$284,773	$264,149

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

Consolidated Statements of Changes In Members' Equity

GREENSTONE FARM CREDIT SERVICES, ACA
(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2020	$1	$24,553	$1,923,172	$(3,182)	$1,944,544
Net income	—	—	264,703	—	264,703
Other comprehensive loss	—	—	—	(554)	(554)
Unallocated surplus designated for patronage distributions	—	—	(114,936)	—	(114,936)
Capital stock and participation certificates issued	—	3,253	—	—	3,253
Capital stock and participation certificates retired	—	(2,308)	—	—	(2,308)
Balance as of December 31, 2021	1	25,498	2,072,939	(3,736)	2,094,702
Net income	—	—	284,640	—	284,640
Other comprehensive income	—	—	—	133	133
Unallocated surplus designated for patronage distributions	—	—	(119,894)	—	(119,894)
Capital stock and participation certificates issued	—	2,319	—	—	2,319
Capital stock and participation certificates retired	—	(1,926)	—	—	(1,926)
Balance as of December 31, 2022	1	25,891	2,237,685	(3,603)	2,259,974
Cumulative effect of change in accounting principle	—	—	3,305	—	3,305
Net income	—	—	284,993	—	284,993
Other comprehensive income	—	—	—	1,252	1,252
Unallocated surplus designated for patronage distributions	—	—	(119,531)	—	(119,531)
Capital stock and participation certificates issued	—	1,992	—	—	1,992
Capital stock and participation certificates retired	—	(1,408)	—	—	(1,408)
Balance as of December 31, 2023	$1	$26,475	$2,406,452	$(2,351)	$2,430,577

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

Consolidated Statements of Cash Flows

GREENSTONE FARM CREDIT SERVICES, ACA
(in thousands)

For the year ended December 31	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$284,993	$284,640	$264,703
Depreciation on premises and equipment	3,864	2,814	2,981
Net amortization of premiums and discounts on loans and investment securities	(445)	(34)	(59)
Provision for (reversal of) credit losses	21,966	(21,500)	(14,145)
Stock patronage received from Farm Credit institutions	(16,843)	(39,592)	(7,744)
Gain on acquired property, net	(2,504)	(160)	(40)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(42,625)	(40,102)	(12,941)
(Increase) decrease in other assets	(20,800)	13,975	(8,193)
Increase in accrued interest payable	29,452	42,291	637
(Decrease) increase in other liabilities	(9,545)	5,435	6,296
Net cash provided by operating activities	247,513	247,767	231,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in loans, net	171,936	(1,153,752)	(892,523)
Purchases of investment in AgriBank, FCB, net	(121,638)	(26,470)	(19,379)
Purchases of investment in other Farm Credit institutions, net	(2,761)	(6,558)	(5,665)
Proceeds from investment securities	409	1,618	2,322
Decrease in acquired property, net	4,219	1,190	225
Purchases of premises and equipment, net	(2,996)	(7,154)	(3,670)
Net cash provided by (used in) investing activities	49,169	(1,191,126)	(918,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in note payable to AgriBank, FCB, net	(176,938)	1,058,638	792,599
Patronage distributions paid	(119,531)	(114,894)	(104,936)
Capital stock and participation certificates retired, net	(213)	(385)	(469)
Net cash (used in) provided by financing activities	(296,682)	943,359	687,194
Net change in cash	—	—	(1)
Cash at beginning of year	6	6	7
Cash at end of year	$6	$6	$6
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES			
Interest transferred to loans	$26,210	$16,347	$15,649
SUPPLEMENTAL INFORMATION			
Interest paid	$358,700	$158,271	$123,288
Taxes paid, net	3,752	2,318	4,595

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

Notes to Consolidated Financial Statements

GREENSTONE FARM CREDIT SERVICES, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

FARM CREDIT SYSTEM AND DISTRICT

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

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

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

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

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

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

ASSOCIATION

GreenStone Farm Credit Services, ACA (the Association) and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit related services to, or for the benefit of, eligible members for qualified agricultural purposes in the state of Michigan and the counties of Brown, Door, Florence, Kewaunee, Manitowoc, Marinette, Menominee, Oconto, Outagamie, Shawano, and Waupaca in the state of Wisconsin.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The ACA and PCA make short-term and intermediate-term loans and provide lease financing options for agricultural production or operating purposes. At this time, the ACA holds all short-term and intermediate-term loans and the PCA has no assets.

We offer credit life, term life, credit disability, crop hail, multi-peril crop, and livestock insurance to borrowers and those eligible to borrow. We also offer farm records, fee appraisals, and income tax planning and preparation services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES AND REPORTING POLICIES

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

PRINCIPLES OF CONSOLIDATION

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months.

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

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

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

Allowance for Credit Losses on Loans

Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

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

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts.

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

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

In order to calculate this estimated migration of loans from performing to loss, we utilize a single economic scenario over a reasonable and supportable forecast period of three years. The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as agricultural commodity prices, unemployment rates, real gross domestic product levels, inflation rates, housing price indexes, and agricultural land values. Subsequent to the forecast period, our model applies a smoothed reversion to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

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

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

Allowance for Credit Losses on Unfunded Commitments

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

Allowance for Credit Losses on Investment Securities

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

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

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

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

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

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

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

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

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

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

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

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for all employees in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

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

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

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

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

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. We pay the accrued patronage during the first quarter after year end.

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

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

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

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

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

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

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

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

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

Standard and effective date

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.

Description

This guidance replaced the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

Adoption status and financial statement impact

We adopted the standard and related updates as of January 1, 2023. As a result of adoption of this guidance, the allowance for credit losses on loans decreased by $8.1 million and the allowance for credit losses on unfunded commitments increased by $4.8 million, with a cumulative-effect increase, net of tax balances, to retained earnings of $3.3 million.

The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as all of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.

Standard and effective date

In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance was effective at the same time that ASU 2016-13 was adopted.

Description

This guidance eliminated the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings. The expanded Vintage Disclosures are not applicable to nonpublic business entities.

Adoption status and financial statement impact

We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning in 2023. However, modifications during the period were not material; therefore, related disclosures have been omitted from this report.

Standard and effective date

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.

Description

This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding percentages and information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.

Adoption status and financial statement impact

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 3: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type
(dollars in thousands)

	2023		2022		2021	
As of December 31	Amortized Cost	Percentage	Amortized Cost	Percentage	Amortized Cost	Percentage
Real estate mortgage	$6,358,071	50.8%	$6,858,494	54.1%	$6,662,615	57.9%
Production and intermediate-term	2,197,637	17.6	2,228,232	17.6	2,053,528	17.9
Agribusiness	2,939,026	23.5	2,724,693	21.5	2,078,287	18.1
Other	1,010,975	8.1	858,105	6.8	697,743	6.1
Total	$12,505,709	100.0%	$12,669,524	100.0%	$11,492,173	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

Throughout Note 3 accrued interest receivable on loans of $100.3 million at December 31, 2023, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

PORTFOLIO CONCENTRATIONS

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

As of December 31, 2023, amortized cost on loans plus commitments, reduced by government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 4.8% of total loans and commitments.

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

PARTICIPATIONS

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

Participations Purchased and Sold
(in thousands)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2023	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ —	$(619,214)	$103,967	$(230,691)	$255,762	$ —	$359,729	$(849,905)
Production and intermediate-term	—	(517,421)	593,839	(799,535)	257,819	—	851,658	(1,316,956)
Agribusiness	—	(359,794)	1,544,267	(215,696)	49,063	—	1,593,330	(575,490)
Other	—	(102,893)	825,363	(26,732)	—	—	825,363	(129,625)
Total	$ —	$(1,599,322)	$3,067,436	$(1,272,654)	$562,644	$ —	$3,630,080	$(2,871,976)
As of December 31, 2022								
Real estate mortgage	$ —	$(19,306)	$198,392	$(393,475)	$490,634	$ —	$689,026	$(412,781)
Production and intermediate-term	—	(340,191)	529,305	(511,554)	3,289	—	532,594	(851,745)
Agribusiness	—	(47,221)	1,295,452	(52,645)	83,097	—	1,378,549	(99,866)
Other	—	—	547,084	—	—	—	547,084	—
Total	$ —	$(406,718)	$2,570,233	$(957,674)	$577,020	$ —	$3,147,253	$(1,364,392)
As of December 31, 2021								
Real estate mortgage	$ —	$(90,772)	$258,531	$(379,376)	$498,935	$ —	$757,466	$(470,148)
Production and intermediate-term	—	(263,892)	331,717	(180,550)	5,894	—	337,611	(444,442)
Agribusiness	—	(41,058)	857,234	(91,979)	85,709	—	942,943	(133,037)
Other	—	(3,566)	398,992	—	—	—	398,992	(3,566)
Total	$ —	$(399,288)	$1,846,474	$(651,905)	$590,538	$ —	$2,437,012	$(1,051,193)

CREDIT QUALITY AND DELINQUENCY

Credit risk arises from the potential inability of a borrower to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. We manage credit risk associated with our lending activities through an analysis of the credit risk profile of an individual borrower based on management established underwriting standards and board approved lending policies. The evaluation of the borrower's credit risk profile may include analysis of several factors including, but not limited to, credit history, repayment capacity, financial position, and collateral. Real estate mortgage loans must be secured by first liens on the real estate. As required by the FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

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

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

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

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

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

Credit Quality of Loans at Amortized Cost[1]
(dollars in thousands)

	Acceptable		Special Mention		Substandard/ Doubtful		Total
As of December 31, 2023	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount
Real estate mortgage	$6,224,014	97.9%	$61,739	1.0%	$72,318	1.1%	$6,358,071
Production and intermediate-term	2,127,051	96.7	31,928	1.5	38,658	1.8	2,197,637
Agribusiness	2,756,128	93.8	63,068	2.1	119,830	4.1	2,939,026
Other	978,181	96.8	29,673	2.9	3,121	0.3	1,010,975
Total	$12,085,374	96.6%	$186,408	1.5%	$233,927	1.9%	$12,505,709
As of December 31, 2022							
Real estate mortgage	$6,707,281	97.1%	$89,104	1.3%	$110,434	1.6%	$6,906,819
Production and intermediate-term	2,209,105	98.2	24,497	1.1	15,869	0.7	2,249,471
Agribusiness	2,628,282	96.1	52,865	1.9	55,641	2.0	2,736,788
Other	853,849	99.3	1,896	0.2	4,563	0.5	860,308
Total	$12,398,517	97.2%	$168,362	1.3%	$186,507	1.5%	$12,753,386
As of December 31, 2021							
Real estate mortgage	$6,363,948	94.9%	$199,454	3.0%	$140,890	2.1%	$6,704,292
Production and intermediate-term	1,965,145	95.1	39,880	1.9	61,515	3.0	2,066,540
Agribusiness	1,966,953	94.4	72,389	3.5	43,418	2.1	2,082,760
Other	693,697	99.3	2,715	0.4	2,280	0.3	698,692
Total	$10,989,743	95.1%	$314,438	2.8%	$248,103	2.1%	$11,552,284

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

Aging Analysis of Loans at Amortized Cost[1]
(in thousands)

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
Real estate mortgage	$9,564	$387	$9,951	$6,348,120	$6,358,071
Production and intermediate-term	3,648	1,481	5,129	2,192,508	2,197,637
Agribusiness	171	7,830	8,001	2,931,025	2,939,026
Other	2,284	139	2,423	1,008,552	1,010,975
Total	$15,667	$9,837	$25,504	$12,480,205	$12,505,709
As of December 31, 2022					
Real estate mortgage	$11,765	$411	$12,176	$6,894,643	$6,906,819
Production and intermediate-term	5,917	716	6,633	2,242,838	2,249,471
Agribusiness	—	28	28	2,736,760	2,736,788
Other	1,116	34	1,150	859,158	860,308
Total	$18,798	$1,189	$19,987	$12,733,399	$12,753,386
As of December 31, 2021					
Real estate mortgage	$26,029	$1,288	$27,317	$6,676,975	$6,704,292
Production and intermediate-term	10,170	1,174	11,344	2,055,196	2,066,540
Agribusiness	131	—	131	2,082,629	2,082,760
Other	1,212	317	1,529	697,163	698,692
Total	$37,542	$2,779	$40,321	$11,511,963	$11,552,284

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

There were no loans 90 days or more past due and still accruing interest at December 31, 2023, 2022, or 2021.

NONACCRUAL LOANS

Nonaccrual Loans by Loan Type
(in thousands)

As of December 31	2023	2022	2021
Real estate mortgage	$20,663	$9,141	$27,522
Production and intermediate-term	3,325	5,969	19,351
Agribusiness	17,399	12,649	—
Other	2,564	851	1,396
Total	$43,951	$28,610	$48,269

Additional Nonaccrual Loans Information
(in thousands)

	As of December 31, 2023	For the year ended December 31, 2023
	Amortized Cost Without Allowance	Interest Income Recognized
Real estate mortgage	$6,278	$1,441
Production and intermediate-term	427	138
Other	487	117
Total	$7,192	$1,696

Reversals of interest income on loans that moved to nonaccrual status were not material for the year ended December 31, 2023.

LOAN MODIFICATIONS GRANTED TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTY

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Our loans classified as modified loans at December 31, 2023, and activity on these loans during the year ended December 31, 2023, were not material. We did not have any material commitments to lend to borrowers whose loans have been modified during the year ended December 31, 2023.

ALLOWANCE FOR CREDIT LOSSES

Our loan portfolio is divided into segments primarily based on loan type, which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of agricultural commodity prices (milk and corn), U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses
(in thousands)

As of December 31	2023	2022	2021
Allowance for Credit Losses on Loans			
Balance at beginning of year	$40,889	$55,056	$75,574
Cumulative effect of change in accounting principle	(8,134)	—	—
Provision for credit losses on loans	22,477	(22,011)	(14,566)
Loan recoveries	382	8,522	2,992
Loan charge-offs	(19,740)	(678)	(8,944)
Balance at end of year	$35,874	$40,889	$55,056
Allowance for Credit Losses on Unfunded Commitments			
Balance at beginning of year	$3,826	$3,315	$2,894
Cumulative effect of change in accounting principle	4,805	—	—
(Reversal of) provision for credit losses on unfunded commitments	(511)	511	421
Balance at end of year	$8,120	$3,826	$3,315
Total allowance for credit losses	$43,994	$44,715	$58,371

The change in the allowance for credit losses on loans from December 31, 2022, was primarily related to the cumulative effect of change in accounting principle as a result of the adoption of CECL on January 1, 2023. This was partially offset by the provision for credit losses and net charge-offs recorded during 2023 primarily due to credit deterioration for several purchased participations.

Changes in Allowance for Credit Losses on Loans by Loan Type
(in thousands)

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2022	$6,591	$3,920	$27,812	$2,566	$40,889
Cumulative effect of change in accounting principle	3,748	(592)	(11,896)	606	(8,134)
Provision for (reversal of) credit losses on loans	3,251	6,965	12,744	(483)	22,477
Loan recoveries	221	29	87	45	382
Loan charge-offs	(3,234)	(5,721)	(10,063)	(722)	(19,740)
Balance as of December 31, 2023	$10,577	$4,601	$18,684	$2,012	$35,874

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2021	$25,837	$11,646	$16,367	$1,206	$55,056
(Reversal of) provision for credit losses on loans	(19,087)	(15,795)	11,538	1,333	(22,011)
Loan recoveries	72	8,392	—	58	8,522
Loan charge-offs	(231)	(323)	(93)	(31)	(678)
Balance as of December 31, 2022	$6,591	$3,920	$27,812	$2,566	$40,889

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2020	$48,229	$19,952	$6,271	$1,122	$75,574
(Reversal of) provision for credit losses on loans	(22,130)	(124)	7,730	(42)	(14,566)
Loan recoveries	133	344	2,366	149	2,992
Loan charge-offs	(395)	(8,526)	—	(23)	(8,944)
Balance as of December 31, 2021	$25,837	$11,646	$16,367	$1,206	$55,056

PREVIOUSLY REQUIRED DISCLOSURES

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

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

Risk Loan Information
(in thousands)

As of December 31	2022	2021
Nonaccrual loans:		
Current as to principal and interest	$23,832	$27,785
Past due	4,778	20,484
Total nonaccrual loans	28,610	48,269
Accruing restructured loans	2,790	2,720
Accruing loans 90 days or more past due	—	—
Total risk loans	$31,400	$50,989
Volume with specific allowance	$16,704	$35,972
Volume without specific allowance	14,696	15,017
Total risk loans	$31,400	$50,989
Total specific allowance	$8,799	$5,423
For the year ended December 31	**2022**	**2021**
Income on accrual risk loans	$130	$141
Income on nonaccrual loans	8,248	2,193
Total income on risk loans	$8,378	$2,334
Average risk loans	$30,771	$48,901

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type
(in thousands)

	As of December 31, 2022			For the year ended December 31, 2022	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,048	$2,687	$135	$5,091	$ —
Production and intermediate-term	1,568	1,821	513	4,874	—
Agribusiness	12,649	12,973	8,062	4,557	—
Other	439	556	89	378	—
Total	$16,704	$18,037	$8,799	$14,900	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$9,395	$13,673	$ —	$12,326	$2,178
Production and intermediate-term	4,586	8,481	—	2,482	5,967
Agribusiness	—	—	—	—	—
Other	715	2,113	—	1,063	233
Total	$14,696	$24,267	$ —	$15,871	$8,378
Total impaired loans:					
Real estate mortgage	$11,443	$16,360	$135	$17,417	$2,178
Production and intermediate-term	6,154	10,302	513	7,356	5,967
Agribusiness	12,649	12,973	8,062	4,557	—
Other	1,154	2,669	89	1,441	233
Total	$31,400	$42,304	$8,799	$30,771	$8,378

	As of December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$17,374	$18,151	$2,321	$17,392	$ —
Production and intermediate-term	18,392	27,704	3,054	18,094	—
Agribusiness	—	—	—	3	—
Other	206	315	48	304	—
Total	$35,972	$46,170	$5,423	$35,793	$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$12,230	$16,640	$ —	$11,038	$1,599
Production and intermediate-term	1,277	9,327	—	431	463
Agribusiness	—	—	—	40	26
Other	1,510	3,023	—	1,599	246
Total	$15,017	$28,990	$ —	$13,108	$2,334
Total impaired loans:					
Real estate mortgage	$29,604	$34,791	$2,321	$28,430	$1,599
Production and intermediate-term	19,669	37,031	3,054	18,525	463
Agribusiness	—	—	—	43	26
Other	1,716	3,338	48	1,903	246
Total	$50,989	$75,160	$5,423	$48,901	$2,334

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

[2]Unpaid principal balance represents the contractual principal balance of the loan.

Year End Recorded Investments by Loan Type
(in thousands)
As of December 31, 2022

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Ending balance: individually evaluated for impairment	$135	$513	$8,062	$89	$8,799
Ending balance: collectively evaluated for impairment	$6,456	$3,407	$19,750	$2,477	$32,090
Recorded investment in loans outstanding:					
Ending balance	$6,906,819	$2,249,471	$2,736,788	$860,308	$12,753,386
Ending balance: individually evaluated for impairment	$11,443	$6,154	$12,649	$1,154	$31,400
Ending balance: collectively evaluated for impairment	$6,895,376	$2,243,317	$2,724,139	$859,154	$12,721,986

As of December 31, 2021

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Ending balance: individually evaluated for impairment	$2,321	$3,054	$ —	$48	$5,423
Ending balance: collectively evaluated for impairment	$23,516	$8,592	$16,367	$1,158	$49,633
Recorded investment in loans outstanding:					
Ending balance	$6,704,292	$2,066,540	$2,082,760	$698,692	$11,552,284
Ending balance: individually evaluated for impairment	$29,604	$19,669	$ —	$1,716	$50,989
Ending balance: collectively evaluated for impairment	$6,674,688	$2,046,871	$2,082,760	$696,976	$11,501,295

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

TDR Activity
(in thousands)

For the year ended December 31	2022		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$1,919	$1,919	$195	$193
Production and intermediate-term	—	—	67	67
Total	$1,919	$1,919	$262	$260

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

The primary types of modification included extension of maturity, compromise of interest, deferral of principal, and interest rate reduction below market.

We had TDRs in the real estate mortgage loan category with amortized cost plus accrued interest of $1.9 million that defaulted during the year ended December 31, 2022, in which the modifications were within twelve months of the respective reporting period. There were no TDRs that defaulted during the year ended December 31, 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding
(in thousands)

As of December 31	2022	2021
Accrual status:		
Real estate mortgage	$2,303	$2,082
Production and intermediate-term	185	318
Other	302	320
Total TDRs in accrual status	$2,790	$2,720
Nonaccrual status:		
Real estate mortgage	$643	$773
Production and intermediate-term	72	307
Other	2	8
Total TDRs in nonaccrual status	$717	$1,088
Total TDRs:		
Real estate mortgage	$2,946	$2,855
Production and intermediate-term	257	625
Other	304	328
Total TDRs	$3,507	$3,808

Note: Accruing loans include accrued interest receivable.

NOTE 4: INVESTMENT IN AGRIBANK

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

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

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

NOTE 5: PREMISES AND EQUIPMENT, NET

Premises and Equipment
(in thousands)

As of December 31	2023	2022	2021
Land, buildings, and improvements	$62,149	$61,126	$60,797
Furniture, equipment, and software	35,316	33,343	26,518
Subtotal	97,465	94,469	87,315
Less: accumulated depreciation	45,910	42,046	39,232
Premises and equipment, net	$51,555	$52,423	$48,083

NOTE 6: NOTE PAYABLE TO AGRIBANK

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

Note Payable Information
(dollars in thousands)

As of December 31	2023	2022	2021
Line of credit	$13,500,000	$13,500,000	$11,000,000
Outstanding principal under the line of credit	10,501,604	10,678,542	9,619,904
Interest rate	3.9%	3.0%	1.3%

Our note payable is scheduled to mature on December 31, 2025. We intend to renegotiate the note payable no later than the maturity date.

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

NOTE 7: MEMBERS' EQUITY

CAPITALIZATION REQUIREMENTS

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

PROTECTION MECHANISMS

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If we were unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

REGULATORY CAPITALIZATION REQUIREMENTS

Regulatory Capital Requirements and Ratios As of December 31	2023	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	14.8%	15.1%	15.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	14.8%	15.1%	15.8%	6.0%	2.5%	8.5%
Total regulatory capital ratio	15.2%	15.4%	16.4%	8.0%	2.5%	10.5%
Permanent capital ratio	14.9%	15.1%	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	15.9%	16.0%	16.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	15.7%	15.8%	18.1%	1.5%	N/A	1.5%

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

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

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

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

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

DESCRIPTION OF EQUITIES

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

	Number of Shares		
As of December 31	2023	2022	2021
Class B common stock (at-risk)	4,719,833	4,602,666	4,534,632
Class E participation certificates (at-risk)	575,278	575,583	565,043
Class F participation certificates (protected)	152	152	153

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of common stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

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

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

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

In the event of stock impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates. However, protected borrower equity will be retired at par value regardless of impairment.

All classes of stock, except Class A common stock and Class F participation certificates, are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

PATRONAGE DISTRIBUTIONS

We accrued patronage distributions of $120.0 million, $120.0 million, and $115.0 million at December 31, 2023, 2022, and 2021, respectively. The patronage distributions are paid in cash, during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

NOTE 8: INCOME TAXES

Provision for Income Taxes
(dollars in thousands)

For the year ended December 31	2023	2022	2021
Current:			
Federal	$3,757	$4,346	$669
State	384	649	39
Total current	$4,141	$4,995	$708
Deferred:			
Federal	$1,185	$855	$2,504
State	35	36	122
Total deferred	1,220	891	2,626
Provision for income taxes	$5,361	$5,886	$3,334
Effective tax rate	1.8%	2.0%	1.2%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes
(in thousands)

For the year ended December 31	2023	2022	2021
Federal tax at statutory rates	$60,974	$61,010	$56,288
State tax, net	420	437	430
Patronage distributions	(4,200)	(6,833)	(4,200)
Effect of non-taxable entity	(51,817)	(50,224)	(48,278)
Other	(16)	1,496	(906)
Provision for income taxes	$5,361	$5,886	$3,334

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

DEFERRED INCOME TAXES

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

Deferred Tax Assets and Liabilities
(in thousands)

As of December 31	2023	2022	2021
Allowance for credit losses on loans	$2,120	$1,992	$3,577
Accrued incentive	1,054	974	1,013
Accrued patronage income not received	(1,413)	—	(1,038)
Accrued pension asset	(3,743)	(3,924)	(3,515)
Other assets	977	1,207	1,107
Other liabilities	(1,313)	(1,322)	(1,326)
Deferred tax liabilities, net	$(2,318)	$(1,073)	$(182)
Gross deferred tax assets	$4,151	$4,173	$5,697
Gross deferred tax liabilities	$(6,469)	$(5,246)	$(5,879)

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

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $46.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $2.3 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

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

NOTE 9: EMPLOYEE BENEFIT PLANS

PENSION AND POST-EMPLOYMENT BENEFIT PLANS

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

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

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

AgriBank District Retirement Plan Information
(in thousands)

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

For the year ended December 31	2023	2022	2021
Total plan expense	$55,535	$30,475	$28,048
Our allocated share of plan expenses	4,920	2,527	2,340
Contributions by participating employers	45,000	90,385	90,000
Our allocated share of contributions	3,946	8,188	8,151

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

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

Benefits paid to participants in the District were $71.3 million in 2023. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2024 is $40.0 million. Our allocated share of these pension contributions is expected to be $3.4 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

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

Pension Restoration Plan Information
(in thousands)

As of December 31	2023	2022	2021
Our unfunded liability	$8,173	$9,313	$8,500

For the year ended December 31	2023	2022	2021
Our cash contributions	$863	$ —	$ —

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

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

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

DEFINED CONTRIBUTION PLANS

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

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

Employer contribution expenses for these plans, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $4.9 million, $4.4 million, and $4.0 million in 2023, 2022, and 2021, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

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

Related Party Loans Information
(in thousands)

As of December 31	2023	2022	2021
Total related party loans	$34,050	$31,654	$27,985
For the year ended December 31	**2023**	**2022**	**2021**
Advances to related parties	$23,173	$15,909	$15,598
Repayments by related parties	20,958	15,470	14,611

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

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

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $72.5 million, $63.5 million, and $61.5 million in 2023, 2022, and 2021, respectively. Patronage income for 2023, 2022, and 2021 was received in cash and AgriBank stock.

In addition, we received compensation from AgriBank for servicing loans of $513 thousand, $223 thousand, and $286 thousand in 2023, 2022, and 2021, respectively.

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

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

Additional Related Party Information
(in thousands)

As of December 31	2023	2022	2021
Investment in AgriBank	$489,023	$350,696	$284,770
Investment in AgDirect, LLP	32,445	29,685	23,127
Investment in SunStream	1,875	1,875	1,875
Investment in Foundations	59	59	59
For the year ended December 31	**2023**	**2022**	**2021**
AgriBank District purchased services	$4,669	$4,599	$3,328

NOTE 11: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2023, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $3.4 billion. Additionally, we had $69.5 million of issued standby letters of credit as of December 31, 2023.

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

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

NOTE 12: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2023, 2022, or 2021.

NON-RECURRING BASIS

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis
(in thousands)

As of December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ —	$ —	$26,523	$26,523
Acquired property	—	—	947	947

As of December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ —	$ —	$8,300	$8,300
Acquired property	—	—	4,744	4,744

As of December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ —	$ —	$32,076	$32,076
Acquired property	—	—	4,585	4,585

VALUATION TECHNIQUES

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

Acquired Property: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 13: SUBSEQUENT EVENTS

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

Disclosure Information Required By Regulations

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

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

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

DESCRIPTION OF PROPERTY

Property Information

Location	Description	Usage
Adrian, MI	Owned	Branch Office
Allegan, MI	Owned	Branch Office
Alma, MI	Owned	Branch Office
Alpena, MI	Owned	Branch Office
Ann Arbor, MI	Owned	Branch Office
Bad Axe, MI	Owned	Branch Office
Bay City, MI	Owned	Branch Office
Berrien Springs, MI	Owned	Branch Office
Cadillac, MI	Owned	Branch Office
Caro, MI	Owned	Branch Office
Charlotte, MI	Leased	Branch Office
Clintonville, WI	Owned	Branch Office
Coleman, WI	Owned	Branch Office
Concord, MI	Owned	Branch Office
Corunna, MI	Owned	Branch Office
East Lansing, MI	Owned	Branch/Corporate Office
Escanaba, MI	Leased	Branch Office
Grand Rapids, MI	Owned	Branch Office
Hart, MI	Leased	Branch Office
Hastings, MI	Owned	Branch Office
Howell, MI	Leased	Branch Office
Ionia, MI	Owned	Branch Office
Jonesville, MI	Owned	Branch Office
Lakeview, MI	Owned	Branch Office
Lapeer, MI	Owned	Branch Office
Little Chute, WI	Owned	Branch Office
Manitowoc, WI	Leased	Branch Office
Monroe, MI	Owned	Branch Office
Mt. Pleasant, MI	Owned	Branch Office
Saginaw, MI	Owned	Branch Office
Sandusky, MI	Owned	Branch Office
Schoolcraft, MI	Owned	Branch Office
St. Johns, MI	Owned	Branch Office
Sturgeon Bay, WI	Leased	Branch Office
Traverse City, MI	Owned	Branch Office

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

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

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

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

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

BOARD OF DIRECTORS

Board of Directors as of December 31, 2023, including business experience during the last five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

Name	Principal Occupation and Other Affiliations
Edward L. Reed (Age 61) Board Chair Executive Committee, Chair Compensation Committee, Vice Chair Board Service Began: June 2008 Current Term Expires: 2026	**Principal Occupation:** Self-employed livestock and grain farmer Member-Manager: Reed Family Farms LLC, a grain and livestock farm Member-Manager: Reed Family Properties, LLC, a land holding entity Member-Manager: CEA Landholdings, a hog finishing barn **Other Affiliations:** Board Member: Michigan Pork Producers Association, a pork marketing organization Board Chair: Three Rivers Health Foundation, a source of funding for non-profit community hospitals Board Member: Farm Credit Foundations, a Farm Credit System employee benefits organization
Peter C. Maxwell (Age 39) Board Vice Chair Executive Committee, Vice Chair Compensation Committee, Chair Board Service Began: June 2016 Current Term Expires: 2024	**Principal Occupation:** Self-employed grain farmer Independent Sales Agent: ACH Seeds, marketing Crystal brand sugar beet seed Employee: Maxwell Seed Farms, a grain farm **Other Affiliations:** Chair: Michigan Sugar Company West District, a sugar beet wholesale and retail sales organization
Eugene B. College (Age 78) Appointed Director Audit Committee, Chair Board Service Began: June 2009 Current Term Expires: 2026	**Principal Occupation:** Retired Senior Vice President and Chief Financial Officer of Farm Credit Services of America, ACA
Michael J. Feight (Age 67) Finance Committee, Chair Board Service Began: June 2021 Current Term Expires: 2025	**Principal Occupation:** Self-employed grain farmer Member: Fred Feight & Sons, LLC, a grain farm **Other Affiliations:** Trustee: Tecumseh Township Board, a branch of local government
Terri J. Hawbaker (Age 43) Legislative/Public Policy Committee, Vice Chair Board Service Began: June 2015 Current Term Expires: 2027	**Principal Occupation:** Self-employed dairy farmer Owner/Operator: Grazeway Dairy Farms, a dairy farm Owner: FirstGen Auction Solutions, charity and benefit auctions
Trent C. Hilding (Age 43) Finance Committee Board Service Began: June 2022 Current Term Expires: 2026	**Principal Occupation:** Self-employed farmer and attorney Sole member: Trent C. Hilding, PLC, a farm business/estate succession planning law firm Sole member: Hilding Farms, LLC, a grain and cow/calf farm Sole Member: Hilding Farms Trucking, LLC, a grain truck operation
Bruce E. Lewis (Age 58) Audit Committee Board Service Began: June 2011 Current Term Expires: 2025	**Principal Occupation:** Self-employed livestock and grain farmer **Other Affiliations:** Board Member: Hillsdale County Farm Bureau, an advocacy and outreach board to protect agriculture
Ronald W. Lucas (Age 67) Audit Committee, Vice Chair Board Service Began: June 2013 Current Term Expires: 2024	**Principal Occupation:** Self-employed dairy farmer Member-Manager: Lucas Dairy Farms LLC, a dairy farm **Other Affiliations:** Supervisor: Wellington Township, a local governing unit President and Treasurer: Michigan Milk Producers Association Hillman Local, a milk marketing organization Advisory Board: Michigan Milk Producers Association, a Michigan milk marketing cooperative Delegate: Genex Board, a dairy herd reproduction and breeding organization Member: Northeast Michigan Materials Management Authority, a county formed authority to build a new recycling facility

Name	Principal Occupation and Other Affiliations
David J. McConnachie (Age 66) Finance Committee Board Service Began: June 2020 Current Term Expires: 2024	**Principal Occupation:** Self-employed grain farmer Member-Manager: Dave's Dirt, LLC, a sugar beet and grain farm
Dennis C. Muchmore (Age 77) Appointed Director Legislative/Public Policy Committee Board Service Began: June 2002 Current Term Expires: 2025	**Principal Occupation:** Government Relations and Regulatory Advisor: Honigman LLP, a law firm **Other Affiliations:** Board of Trustees: Oakland University, a public university
Scott A. Roggenbuck (Age 60) Audit Committee Board Service Began: June 2007 Current Term Expires: 2024	**Principal Occupation:** Agronomy Consultant: Star of the West Milling Company, provides agronomy services Director: Cedar Pond Farms, Inc., a sugar beet and grain farm President: Cedar Pond Holdings, LLC, a land entity Director: Cedar Pond Ag Services Inc., a custom farming and consulting operation
Troy J. Sellen (Age 39) Legislative/Public Policy Committee Board Service Began: June 2019 Current Term Expires: 2027	**Principal Occupation:** Self-employed dairy farmer Member-Manager: Valley Line Dairy LLC, a dairy farm operation Member-Manager: Valley Line Properties, LLC, a land holding company for the farm
Marilyn L. Thelen (Age 64) Finance Committee, Vice Chair Board Service Began: June 2022 Current Term Expires: 2027	**Principal Occupation:** Self-employed grain and beef farmer Secretary/Treasurer: Thelen Ag Products, Inc., sales of ag equipment and parts Retired in January 2023 as Associate Institute Director: Michigan State University Extension, providing leadership to extension educators and specialists across Michigan
Michael R. Timmer (Age 55) Executive Committee Compensation Committee Board Service Began: June 2018 Current Term Expires: 2026	**Principal Occupation:** Self-employed grain and livestock farmer Member-Manager: Timmer Family Farms, LLC, a grain and livestock farm
Dale L. Wagner (Age 63) Executive Committee Compensation Committee Board Service Began: June 2012 Current Term Expires: 2027	**Principal Occupation:** Self-employed dairy and grain farmer, and custom harvester Member-Manager: Twin Elm Family Farm, LLC, a dairy and grain farm Member-Manager: Union 151, LLC, a custom harvesting operation **Other Affiliations:** Chair: Wisconsin Farm Credit Legislative Committee (GreenStone representative), legislative interests Vice Chair: AgriBank Nominating Committee, responsible for identifying, evaluating, and nominating candidates for election to the AgriBank board of directors Board Member: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Jed Welder (Age 55) Legislative/Public Policy Committee, Chair Board Service Began: June 2018 Current Term Expires: 2026	**Principal Occupation:** Self-employed grain farmer Owner/Operator: Trinity Farms **Other Affiliations:** Director: Montcalm Conservation District, a conservation education, outreach, and participation program Board Member: Farmer Veteran Coalition, cultivates collaboration between farming and military communities Board Member: AgriBank District Farm Credit Council, a trade association representing the AgriBank District

During 2023, the Board Chair and Chair of the Audit Committee each received annual retainer fees of $44 thousand. The Board Vice Chair received $42 thousand and the remaining board members received $40 thousand. Per diem is paid only for attendance at ad hoc committee meetings at the rate of $600 per day. Additionally, all board members received an annual $600 computer allowance. The retainer fees are paid quarterly. In 2023, the board members did not receive compensation for individual board or regular committee meetings attended.

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

	Number of Days Served			
	Board Meetings	Other Official Activities	Name of Committee	Total Compensation Paid in 2023
Eugene B. College	11	10	Audit	$44,600
Michael J. Feight	11	7	Finance	40,600
Terri J. Hawbaker	11	11	Legislative/Public Policy	40,600
Trent C. Hilding	11	3	Finance	40,600
Bruce E. Lewis	11	4	Audit	40,600
Ronald W. Lucas	11	21	Audit	40,600
Peter C. Maxwell	11	9	Executive/Compensation	42,600
David J. McConnachie	11	3	Finance	40,600
Dennis C. Muchmore	11	15	Legislative/Public Policy	40,600
Edward L. Reed	11	4	Executive/Compensation	44,600
Scott A. Roggenbuck	8	3	Audit	40,600
Troy J. Sellen	11	8	Legislative/Public Policy	41,200
Marilyn L. Thelen	11	10	Finance	40,600
Michael R. Timmer	11	7	Executive/Compensation	41,200
Dale L. Wagner	11	13	Executive/Compensation	45,100
Jed Welder	11	15	Legislative/Public Policy	41,500
				$666,200

SENIOR OFFICERS

The senior officers include:

Travis D. Jones
Chief Executive Officer

Paul E. Anderson
Executive Vice President – Chief Credit Officer

Bethany L. Barker, SPHR
Executive Vice President – Chief Human Resources Officer

Kimberly S. Brunner, CPA
Executive Vice President – Chief Financial Officer

Stephen A. Junglas
Executive Vice President – Chief Information Officer and Chief Information Security Officer

Peter L. Lemmer
Executive Vice President – Chief Legal Counsel

Ian G. McGonigal
Executive Vice President – Chief Sales and Marketing Officer

Melissa A. Stolicker, CPA, CIA
Executive Vice President – Chief Internal Auditor

Travis D. Jones was promoted to Chief Executive Officer (CEO) effective August 1, 2022, prior to that he served as Chief Financial Officer since 2007. Paul E. Anderson was promoted to Chief Credit Officer in 2009. Bethany L. Barker has been in her position as Chief Human Resources Officer since 1998. Kimberly S. Brunner was promoted to Chief Financial Officer effective August 1, 2022, prior to that she served as Senior Vice President of Finance and Operations from April 2019 to July 2022 and as Vice President Enterprise Risk Management for AgriBank, FCB from January 2018 to March 2019. Stephen A. Junglas was promoted to Chief Information Officer in 2012. Peter L. Lemmer was hired as Chief Legal Counsel in 2008. Ian G. McGonigal was promoted to Chief Sales and Marketing Officer effective October 1, 2022, prior to that he served as Chief Regional Sales Officer from March 2021 to October 2022 and as Senior Vice President of Regional Sales from 2014 to 2021. Melissa A. Stolicker has been in her position as Chief Internal Auditor since 2004.

Other business interests where a senior officer served as a board of director or senior officer include:

Travis D. Jones serves as a board member and Treasurer for the Michigan Livestock Exhibition (non-profit to generate funding for youth scholarships through annual livestock shows and auctions). He also serves as a board member of SunStream Business Services (a Farm Credit System service entity providing financial and technology services to Farm Credit institutions). In addition, he serves as a board member of Michigan FFA Association (dedicated to making a positive difference in the lives of young people by developing their potential for premium leadership, personal growth, and career success through agricultural education).

Paul E. Anderson is a managing member of E&E Anderson Legacy Farm, LLC (land holding company, family farm).

Bethany L. Barker serves as secretary for the Capital Area Real Money Investment Club (501c organization for personal stock investing).

Kimberly S. Brunner serves as a member of the Farm Credit Foundations Trust Committee (committee which serves as the fiduciary for the benefits plans and trust assets and oversees the administration of the plans for Farm Credit Foundations in St. Paul, Minnesota).

Peter L. Lemmer serves as a board member for the West Michigan Food Processing Association (non-profit that supports agricultural supply chain initiatives).

Ian G. McGonigal serves as a board member for ProPartners Financial (provides producer financing through agribusinesses that sell crop inputs).

Melissa A. Stolicker serves as a board member and an audit committee member of both Delta Dental of Michigan (dental insurance plan administrator) and Renaissance Health Services Corporation (insurance plan administrator).

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS
Information regarding related party transactions is included in Note 10 to the Consolidated Financial Statements in this Annual Report.

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

3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com
Kim.Brunner@greenstonefcs.com

The total directors' travel, subsistence, and other related expenses were $217 thousand, $124 thousand, and $108 thousand in 2023, 2022, and 2021, respectively.

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

MEMBER PRIVACY

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

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT
There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2023 were $117 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $7 thousand for tax services. We also incurred $40 thousand for work related to our implementation of new accounting guidance, which was pre-approved by the Audit Committee.

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

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

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

Young, Beginning, and Small Farmers and Ranchers

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

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

YOUNG, BEGINNING, AND SMALL FARMER DEMOGRAPHICS
The local service area of the Association includes the entire state of Michigan and 11 counties in the northeastern part of the state of Wisconsin. Results from the 2017 Census of Agriculture became available in April 2019 and were studied to try and determine the numbers of YBS farmers within our territory. The 2022 Census of Agriculture data is expected to be released in 2024, per the United States Department of Agriculture website.

This most recent Agricultural Census represents the best demographic information available in our territory. Results of this study show the following:

Category	Number	Percent
Number of Farmers 35 and Younger	6,981	12.5%
Number of Farmers on Current Farm 10 Years or Less	15,108	27.1%
Number of Farmers with Less Than $250,000 Farm Sales	49,209	88.2%
Total Number of YBS Farmers	55,821	

DESCRIPTION AND STATUS REPORT ON THE YOUNG, BEGINNING, AND SMALL FARMER PROGRAM

The mission statement of the program is as follows:

"GreenStone Farm Credit Services, ACA (the Association) recognizes the importance of young, beginning, and small farmers to the future of agriculture. The Association shall serve the unique needs of this market segment through special lending programs that extend credit in a safe and sound manner for both the individual member and the Association. GreenStone also believes in the value of education to prepare these producers to successfully compete in a highly competitive global marketplace and shall support educational opportunities for them that balance the cost of delivery with overall stockholder value."

The Association implemented a board approved YBS lending program comprised of separate components for YBS farmers. Relaxed underwriting standards and loan terms have been approved for farm operating loans, farm equipment and intermediate-term loans, and for real estate loans. These standards and terms are customized for young farmers and beginning farmers.

Quantitative targets based upon reasonably reliable demographic data have been established by board policy for YBS farmers. Targets have also been established for the YBS program in an aggregate. The targets are as follows:

Quantitative Targets	Measure	At 12/31/2023
1. Young farmers in portfolio equal to or greater than percentage of young farmers in the most recent available census	12.5%	24.6%
2. Young farmer loans at least 50% of the young farmers in the most recent available census	50.0%	103.0%
3. Young farmers at least 10% total outstanding loan volume	10.0%	13.7%
4. Young farmers at least 10% of all new loans (number)	10.0%	17.1%
5. Beginning farmers at least 10% total number of loans outstanding	10.0%	40.4%
6. Beginning farmers at least 10% of total outstanding loan volume	10.0%	18.9%
7. Beginning farmers at least 10% of all new loans (number)	10.0%	21.9%
8. Small farmers at least 40% of total number of loans outstanding	40.0%	56.8%
9. Small farmers at least 20% of total outstanding loan volume	20.0%	19.1%
10. Small farmers at least 40% of all new loans (number)	40.0%	36.1%
11. Maintain at least 50% of total loan numbers to YBS farmers	50.0%	67.5%
12. Maintain at least 30% of the total outstanding loan volume to YBS farmers	30.0%	29.4%

The Association has also established certain qualitative goals addressing its efforts to implement effective outreach programs to attract YBS farmers. These goals are as follows:

Qualitative Goals	Measure	At 12/31/2023
1. Related services will be offered to YBS farmers in the territory.		
Goals: Book sales of at least one Association offered related service to at least 5% of YBS farmers in the Association portfolio.	5% Young 5% Beg. 5% Small	4.0% 4.2% 7.4%
2. Credit services and financially related services to YBS farmers will be coordinated with governmental and private sources of credit.		
Goals: Coordinate with the United States Department of Agriculture Farm Service Agency (FSA) to enhance credit services to young and beginning farmers by obtaining guarantees on at least 7.5% of loans (by number) and to take advantage of the FSA young farmer financing program utilizing private second mortgage financing or other alternative financing options whenever possible.	7.5% Young 7.5% Beg.	7.1% 3.9%
3. We will implement effective outreach programs to attract YBS farmers.		
Goals: (a) Participate in or sponsor annually at least 10 YBS farmer leadership and educational programs offered in either Michigan or Wisconsin.	10 Programs	22 Programs sponsored
(b) Offer at least five individual scholarships to deserving YBS farmers (or potential YBS farmers) to Michigan and/or Wisconsin Universities or Colleges.	5 Scholarships	15 Scholarships offered

Three quantitative goals were not met in 2023. GreenStone experienced strong volume growth in the Capital Markets segment compared to YBS volume growth which has a significant impact on YBS ratios. Related Services Qualitative goals for Young and Beginning Farmers and the Coordination Qualitative goals for Young and Beginning Farmers were not met in 2023. There were fewer related services utilized by our YBS farmers during 2023. The strength of the financial position of our YBS borrowers has negated the need for FSA guarantees.

The Association employs the following methods and strategies to ensure that credit and services offered to YBS farmers are provided in a safe and sound manner and within risk-bearing capacity:

- Board policy includes a specific section discussing program safety and soundness under its operating parameters;
- Board policy includes a maximum level of risk for YBS adverse volume originated under the program;
- The Association has established targeted loan underwriting guidance focused on the constructive extension of credit and facilitation of supporting resources needed to place a Young, Beginning, and Small farmer in the best possible position for future success. Our brand name for our YBS loan program is “Cultivate Growth”;
- The Association’s internal audit plan requires periodic auditing of the YBS program, which is done annually in conjunction with the internal credit review; and
- The Association’s internal audit and loan review plan will annually include a selection of YBS loans within its normal selection criteria and assess individual loan credit administration, coding, and loan quality.

Funds Held Program

GREENSTONE FARM CREDIT SERVICES, ACA
(Unaudited)

The Association offers a Funds Held Program (“Funds Held”) that provides funds for customers to make advance payments on designated real estate, operating, and intermediate-term loans, pay insurance premiums, taxes, or any other eligible purpose.

PAYMENT APPLICATION: Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due.

ACCOUNT MAXIMUM: The amount in Funds Held may not exceed the unpaid principal balance of the loan.

INTEREST RATE: Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan.

Funds Held on real estate loans, operating loans, and intermediate-term loans are paid at a rate of interest equal to 3% (300 basis points) less than the loan rate.

WITHDRAWALS: Money in Funds Held may be withdrawn for the following items: customers with real estate loans, operating loans, and intermediate-term loans may use funds for future installments, insurance premiums, or real estate taxes on collateral for the respective loan. Customers may make withdrawals for other approved purposes in lieu of increasing the loan amount for any eligible loan purpose.

ASSOCIATION OPTIONS: In the event of default on any loan, if Funds Held exceeds the maximum limit as established above or if the Association discontinues their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

UNINSURED ACCOUNT: Funds Held is not a depository account and is not insured. In the event of the Association’s liquidation, customers having balances in Funds Held shall be notified according to the FCA Regulations.

Office Locations

Corporate Office

East Lansing / 517-318-4100
3515 West Rd., East Lansing, MI 48823

Michigan

Adrian / 517-263-9798
5285 W. US 223, Adrian, MI 49221

Allegan / 269-673-5541
1517 Lincoln Rd., Allegan, MI 49010

Alma / 989-463-3146
2942 W. Monroe Rd., Alma, MI 48801

Alpena / 989-354-4343
2200 M-32 West, Alpena, MI 49707

Ann Arbor / 734-769-2411
7530 Jackson Rd., Ann Arbor, MI 48103

Bad Axe / 989-269-6532
749 S. Van Dyke Rd., Bad Axe, MI 48413

Bay City / 989-686-5100
3949 S. Three Mile Rd., Bay City, MI 48706

Berrien Springs / 269-471-9329
8302 Edgewood Rd.,
Berrien Springs, MI 49103

Cadillac / 231-775-1361
7597 S. Mackinaw Trl., Cadillac, MI 49601

Caro / 989-673-6128
1570 Cleaver Rd., Caro, MI 48723

Charlotte / 517-543-1360
722 W. Lawrence Ave., Charlotte, MI 48813

Concord / 517-524-6670
100 Spring St., Concord, MI 49237

Corunna / 989-743-5606
704 W. Corunna Ave., Corunna, MI 48817

East Lansing / 517-676-1086
3515 West Rd., Suite 100
East Lansing, MI 48823

Escanaba / 906-786-4487
1801 N. Lincoln Rd., Suite A,
Escanaba, MI 49829

Grand Rapids / 616-647-0030
3225 Walker Ave. NW,
Grand Rapids, MI 49544

Hart / 231-873-7102
3486 W. Polk Rd., Hart, MI 49420

Hastings / 269-945-9415
333 W. State St., Hastings MI, 49058

Howell / 517-546-2840
1040 W. Highland Rd., Howell, MI 48843

Ionia / 616-527-1930
1962 S. State Rd., Ionia, MI 48846

Jonesville / 517-437-3336
500 Olds St., Jonesville, MI 49250

Lakeview / 989-352-7203
8897 W. Tamarack Rd., Lakeview, MI 48850

Lapeer / 810-664-5951
455 Lake Nepessing Rd., Lapeer, MI 48446

Monroe / 734-243-6711
15615 S. Telegraph Rd.,
Monroe, MI 48161

Mt. Pleasant / 989-773-5175
1075 N. Mission St., Mt. Pleasant, MI 48858

Saginaw / 989-781-4251
11020 Gratiot Rd., Saginaw, MI 48609

Sandusky / 810-648-2600
700 W. Sanilac Rd., Sandusky, MI 48471

Schoolcraft / 269-679-5296
225 W. Lyon St., Schoolcraft, MI 49087

St. Johns / 989-224-9321
1104 S. US 27, St. Johns, MI 48879

Traverse City / 231-946-5710
3491 Hartman Rd., Traverse City, MI 49685

Wisconsin

Clintonville / 715-823-2128
280 S. Main St., Clintonville, WI 54929

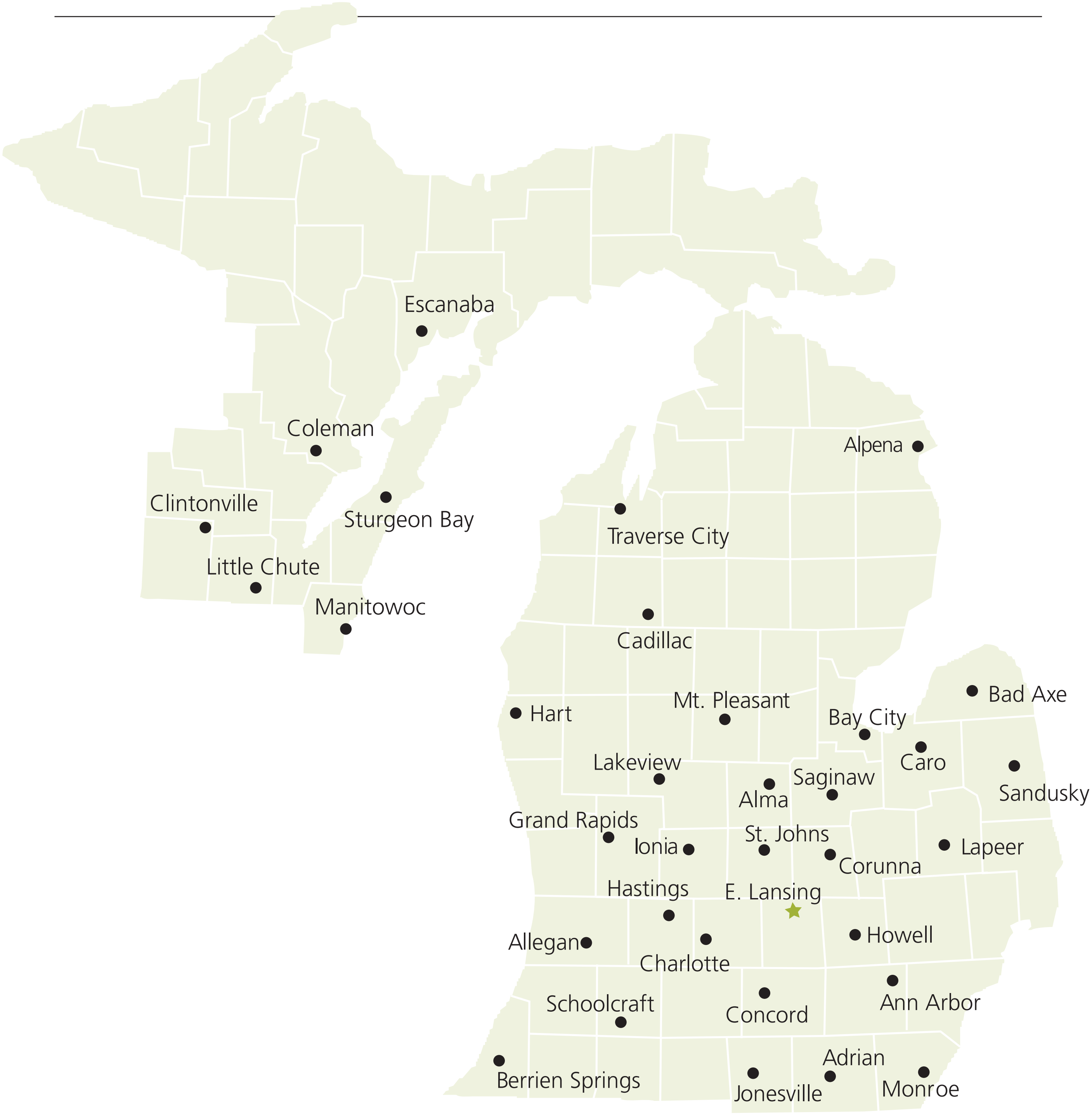
Coleman / 920-897-4046
202 Sado Ln., Coleman, WI 54112

Little Chute / 920-687-4450
340 Patriot Dr., Little Chute, WI 54140

Manitowoc / 920-682-5792
4400 Calumet Ave., Suite 102,
Manitowoc, WI 54220

Sturgeon Bay / 920-743-8150
3030 Park Dr., Suite B,
Sturgeon Bay, WI 54235

Serving Michigan & N.E. Wisconsin



In the end, we believe our culture of people first is what not only drives people to GreenStone, but more importantly, what provides that superior experience and makes them want to continue to choose GreenStone as their *first choice* partner.

The wood fiber used to make this paper contains 10% post consumer waste and is independently certified to come from responsibly managed forests.

GREENSTONE FARM CREDIT SERVICES
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