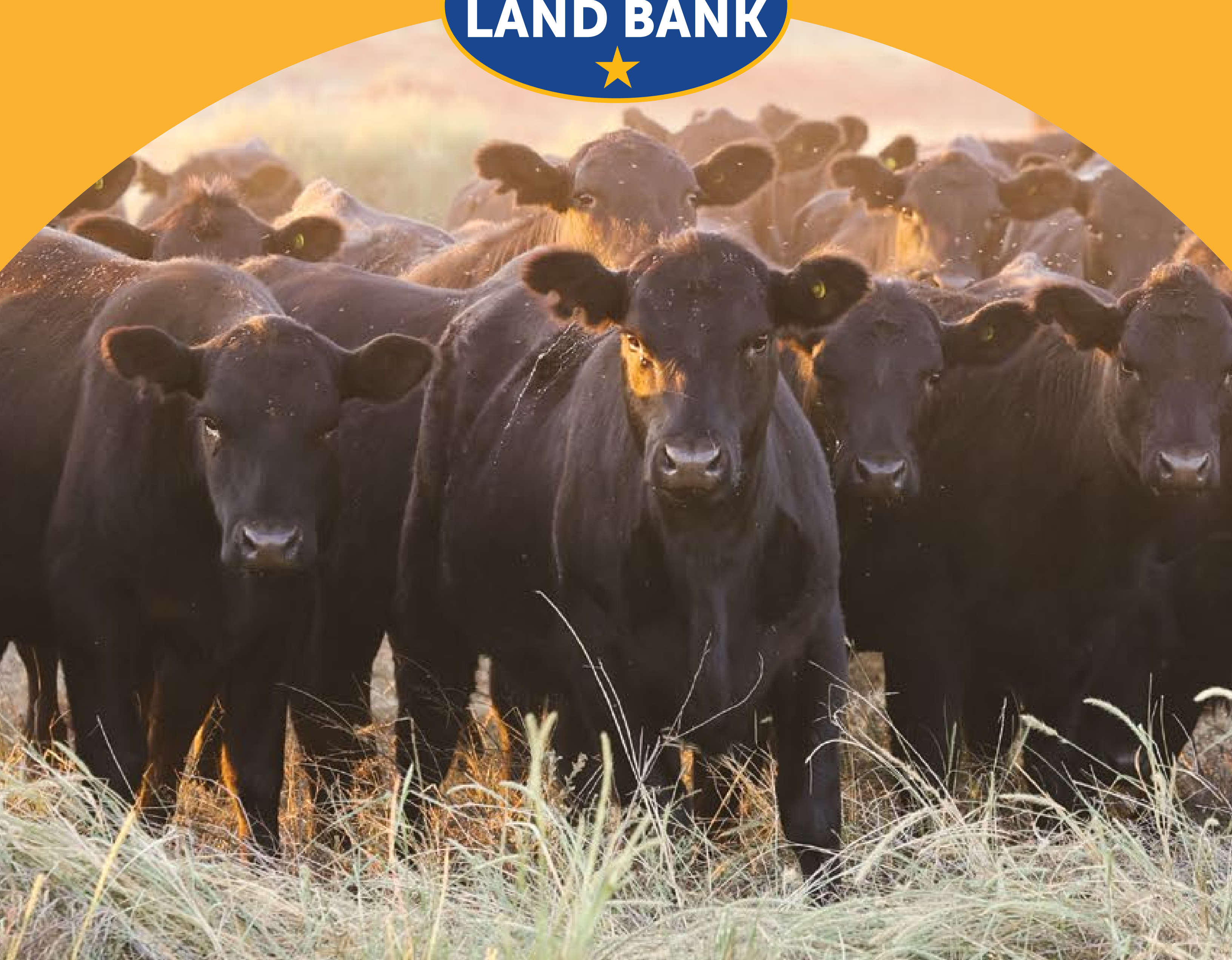
2023
Annual Report

Plains LAND BANK



SERVING YOU WITH

Integrity • Collaboration • Adaptability

To Our Valued Stockholders:

Thank you for trusting Plains Land Bank to be your local cooperative lender. We are committed to providing our stockholders with personalized financial services to help them grow their legacy by extending sustainable financing for generations to come. From rural residences to farms and ranches, it is our privilege to deliver agricultural lending services when you need them most—the year 2023 was no exception to obstacles.

While we faced continuing challenges in 2023, we persevered.
At Plains Land Bank, our mission is to stand with our stockholders in good times and through the storms of tough economic times. In 2023, we faced rising input costs, including rising interest rates, along with market volatility in both financial and commodity markets. Despite these challenges, and thanks to you—our stockholders and our committed team— we are pleased to report that we fared the weather well. Our board of directors, with Association safety and soundness, issued another all-cash patronage due to our solid portfolio growth.

Our return of earnings through our stockholder cash patronage shows that even in uncertain times, we are committed to our mission. It is the very principle the Farm Credit System was founded upon. Because of this, we are able to maintain a stable source of funding and still return a profit for our stockholders.

The agricultural industry in the Texas Panhandle has continually set the example of what it means to persevere. As you labor, you invest in your family's legacy as well as the world's.

As the cornerstone of the global economy and survival, the agricultural industry provides the world with essential food, fiber, and fuel. While you continue to press on and be the example, Plains Land Bank will stand beside you as your committed lending partner.

Backed by a board with experience and passion for all you do and a staff with dedicated purpose, our team of experts will continue to help you navigate what comes next in 2024.

Together, we will "Help You Own a Piece of Texas."

Best Regards,

Kay Lynn McLaughlin
Chief Executive Officer

2023 IN *Review*

$9.5 MILLION

Patronage declared based on 2023 earnings

1,236

Total number of Stockholders

$1.08 BILLION

Total Assets

$20.7 MILLION

Net Income

$14,500

Scholarships Given

HELPING YOU OWN A

Piece of Texas

PLAINS LAND BANK

Board of Directors

Plains Land Bank's Board of Directors are elected to represent our cooperative, and they serve the organization with your voice in mind. As a supervisory board, members attend board meetings and make decisions that influence the way we run our association. Elections are held annually, though several of our directors have served on the board for many years.

Walter "Rusty" Henson
Chairman

Jerrell K. Key
Vice Chairman

Ryan T. Berry
Director, Audit Committee Vice-Chairman

Michael S. Harrell
Director

Dustin Babcock
Director, Compensation Committee Vice-Chairman

Michael Ross Estes
Director

Eric Philipp
Director

Lynn Cowden
Director

Justin Noggler
Director

Mallory Vestal, Ph.D.
Outside Director, Compensation Committee Chairwoman

Lea Stukey, CPA
Outside Director, Audit Committee Chairwoman

Plains Land Bank, FLCA

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REPORT OF MANAGEMENT

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

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

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

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Kay Lynn McLaughlin, Chief Executive Officer
March 8, 2024

Walter (Rusty) Henson, Chairman, Board of Directors
March 8, 2024

Brooke Alvis, Chief Financial Officer
March 8, 2024

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the entire board of directors of Plains Land Bank, FLCA. In 2023, 17 Committee meetings were held. The Committee oversees the scope of Plains Land Bank, FLCA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Plains Land Bank, FLCA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2023.

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

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

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

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

Audit Committee Members

Lea Stukey, CPA, Chair of the Audit Committee – Financial Expert
Ryan T. Berry, Audit Committee Vice Chair
Walter "Rusty" Henson
Jerrell K. Key
Mallory K. Vestal, Ph.D.
Dustin Babcock
Michael S. Harrell
Lynn F. Cowden
Justin T. Noggler
Eric Philipp
Michael R. Estes
Randy D. Darnell – Retired 2023
Daniel L. Krienke – Retired 2023
Steve Rader – Retired 2023

March 8, 2024

PLAINS LAND BANK, FLCA

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

	2023	2022	2021	2020	2019
Balance Sheet Data					
Assets					
Cash	**$ 9**	$ 7	$ 11	$ 13	$ 14
Loans	**1,030,436**	952,871	871,650	792,907	709,190
Less: allowance for credit losses on loans	**2,463**	2,103	2,376	2,964	2,074
Net loans	**1,027,973**	950,768	869,274	789,943	707,116
Investment in and receivable from the Farm Credit Bank of Texas	**25,318**	20,364	19,061	16,559	13,786
Other assets	**27,220**	22,188	18,961	16,357	15,593
Total assets	**$ 1,080,520**	$ 993,327	$ 907,307	$ 822,872	$ 736,509
Liabilities					
Obligations with maturities of one year or less	**$ 4,404**	$ 4,697	$ 4,208	$ 2,828	$ 2,133
Obligations with maturities greater than one year	**903,712**	826,229	753,570	680,124	602,884
Total liabilities	**908,116**	830,926	757,778	682,952	605,017
Members' Equity					
Capital stock and participation certificates	**2,351**	2,267	2,189	2,098	2,086
Unallocated retained earnings	**169,805**	159,833	147,232	137,695	129,258
Accumulated other comprehensive income (loss)	**248**	301	108	127	148
Total members' equity	**172,404**	162,401	149,529	139,920	131,492
	$ 1,080,520	$ 993,327	$ 907,307	$ 822,872	$ 736,509
Statement of Income Data					
Net interest income	**$ 28,192**	$ 25,565	$ 23,261	$ 20,729	$ 18,960
(Provision for loan losses) or loan loss reversal	**(171)**	153	(166)	(1,081)	(328)
Income from the Farm Credit Bank of Texas	**3,370**	6,081	4,737	3,726	2,950
Other noninterest income	**298**	366	429	945	395
Noninterest expense	**(10,963)**	(10,364)	(9,926)	(7,350)	(6,853)
Net income	**$ 20,726**	$ 21,801	$ 18,335	$ 16,969	$ 15,124
Key Financial Ratios for the Year					
Return on average assets	**2.0%**	2.3%	2.1%	2.2%	2.2%
Return on average members' equity	**12.7%**	15.5%	13.1%	13.7%	12.9%
Net interest income as a percentage of average earning assets	**2.8%**	2.8%	2.8%	2.8%	2.8%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.1%	0.0%	0.0%

PLAINS LAND BANK, FLCA

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

	2023	2022	2021	2020	2019
Key Financial Ratios at Year End					
Members' equity as a percentage					
of total assets	**16.0%**	16.3%	16.5%	17.0%	17.9%
Debt as a percentage of					
members' equity	**526.7%**	511.6%	506.8%	488.1%	460.1%
Allowance for loan losses as					
a percentage of loans	**0.2%**	0.2%	0.3%	0.4%	0.3%
Common equity tier 1 ratio	**14.0%**	14.0%	14.5%	14.9%	15.8%
Tier 1 capital ratio	**14.0%**	14.0%	14.5%	14.9%	15.8%
Total capital ratio	**14.3%**	14.3%	14.8%	15.2%	16.1%
Permanent capital ratio	**14.1%**	14.1%	14.5%	15.0%	15.9%
Tier 1 leverage ratio	**14.2%**	14.2%	14.7%	15.4%	16.3%
UREE leverage ratio	**14.0%**	14.0%	15.9%	16.5%	17.4%
Net Income Distribution					
Patronage dividends:					
Cash	**10,500**	9,200	8,798	8,531	8,200

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

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

The following commentary explains management's assessment of the principal aspects of the financial condition and results of operations of Plains Land Bank, FLCA (Association), for the years ended December 31, 2023, 2022 and 2021, and should be read in conjunction with the accompanying financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

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

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary policy; and
- credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Conditions in the Texas District:

The Texas District continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of financial and macroeconomic volatility driven by factors such as elevated interest rates and persistently high inflation. Despite the challenging operating environment, credit quality in the Texas District has remained strong. Volatility in risk ratings is likely to remain a concern in the near future due to the persistence of inflationary pressure, the relatively high cost of debt and an underlying recession risk.

The Consumer Price Index for All Urban Consumers increased by 3.1 percent for the 12-month period ending January 2024, above the long-term target of approximately 2.0 percent. However, recent inflation rates represent significant declines from the four-decade high of 9.1 percent reached in June 2022. Since July 2023, the Federal Open Market Committee (FOMC) has maintained the target federal funds rate within the 5.25 – 5.50 percent range. At the January 2024 FOMC meeting, the Committee stated that it does not expect it will be appropriate to reduce the target federal funds rate until it has gained greater confidence that inflation is moving sustainably toward 2.0 percent. Participants indicated that the policy rate was likely at or near its peak for this tightening cycle and that cuts in the federal funds rate were probable during 2024. Participants were resolute in their commitment to bring inflation down to the 2.0 percent long-run objective while achieving maximum employment.

On January 25, 2024, the U.S. Bureau of Economic Analysis (BEA) released an advance estimate of real gross domestic product (GDP) for the fourth quarter of 2023. U.S. real GDP increased at an annual rate of 3.3 percent during the fourth quarter of 2023, down from 4.9 percent during the previous quarter but up from 2.6 percent during the same period a year ago. The increase in real GDP during the fourth quarter primarily reflected higher levels of consumer spending, exports, and state and local government spending, among other categories. According to the International Monetary Fund's latest World Economic Outlook released in January 2024, U.S. real GDP growth is estimated to be 2.1 percent in 2024 and 1.7 percent in 2025, revised up from its October edition. Within the Texas District, the BEA estimated that third quarter 2023 annualized real GDP growth rates ranged from a low of 0.8 percent in Mississippi to a high of 7.7 percent in Texas. Retail trade was the leading contributor to growth in 39 states, including Texas, the state with the second-largest increase in real GDP during the third quarter of 2023. Nondurable-goods manufacturing was the leading contributor to growth in three states, including Louisiana, the state with the fifth-largest increase in real GDP.

The U.S. Bureau of Labor Statistics (BLS) indicated that the U.S. unemployment rate remained steady month-over-month (MOM) at 3.7 percent in January 2024, down from 3.8 percent in October but up from 3.4 percent during the same period a year ago. The December state unemployment rates in the Texas District ranged from a low of 2.6 percent in Alabama to a high of 4.0 percent in New Mexico and Texas.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the fourth quarter of 2023 to an average of nearly $79 per barrel from an average of about $82 per barrel in the third quarter. The front-month WTI price similarly decreased by approximately 5.0 percent compared to a year ago. In the February 2024 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be about $78 per barrel in 2024 and $75 per barrel in 2025. The WTI spot price closed at about $74 per barrel in January 2024.

On February 7, 2024, the U.S. Department of Agriculture (USDA) released its 2024 farm income forecast and updated prior-year estimates. After increasing by 30.3 percent year-over-year (YOY) in 2022 and reaching a record high, nominal net farm income is estimated to have decreased YOY by 16.0 percent to $155.9 billion in 2023 and is forecasted to continue declining by approximately 25.5 percent in 2024. Total production expenses are estimated to have increased by 2.3 percent YOY in 2023 to approximately $438.3 billion and are forecasted to continue rising by 3.8 percent in 2024. Direct government farm payments are estimated at $12.2 billion in 2023, down 21.8 percent from 2022. Additionally, direct government payments are forecasted to decrease by 15.9 percent in 2024. Interest expenses and livestock/poultry purchases are estimated to have seen the largest increases in 2023, while spending on fertilizer/lime/soil, conditioners/fuels/oils, and feed are estimated to have declined YOY. Livestock/poultry purchases and labor expenses are forecasted to exhibit the largest increases in 2024. Farm sector assets are estimated to have increased by 6.6 percent in 2023 and are forecasted to continue rising by 4.7 percent in 2024, following expected increases in the value of farm real estate assets. Similarly, equity is forecasted to have increased by 6.8 percent in 2023 and to continue improving by 4.7 percent in 2024. The U.S. farm sector debt-to-asset ratio is estimated to have improved YOY from 12.9 percent in 2022 to 12.7 percent in 2023 but is forecasted to deteriorate slightly to 12.8 percent in 2024.

According to USDA's February 2024 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, wheat, and soybeans are estimated to have increased by approximately 9.0 percent, 15.7 percent and 6.8 percent, respectively, YOY during the 2022/23 marketing year, while the average farm price for upland cotton is estimated to have declined by 7.2 percent. The prices of these crops are projected to decrease during the 2023/24 season from a range of nearly 9.2 percent (cotton) to 26.6 percent (corn). Barrow and gilt, broiler, and turkey prices are estimated to have decreased by 17.7 percent, 11.5 percent and 9.3 percent, respectively, YOY in 2023, while steer prices are estimated to have risen by an average of 21.6 percent. Relatively small price increases (i.e., less than 2.6 percent) are projected for steers, barrows and gilts, and broilers in 2024, while turkey prices are projected to decline YOY by nearly 24.0 percent. USDA estimates that all-milk prices declined by 19.2 percent from an average of about $25.3 per hundredweight (/cwt.) in 2022 to an estimated average of $20.5/cwt. in 2023. All-milk prices are projected to increase in 2024 by about 2.3 percent.

Front-month random length lumber futures prices increased over the fourth quarter of 2023 by approximately 14.2 percent, leading to a YOY increase of 16.8 percent in 2023. Lumber futures prices were volatile in 2023, and this volatility will likely persist in 2024 as elevated interest rates continue to affect construction-related demand. Front-month lumber prices decreased by about 1.9 percent MOM in January 2024 and were down by 12.9 percent YOY.

Lack of adequate precipitation and soil moisture was a concern for agricultural producers across several regions of the country during 2023. The year was among the driest and hottest on record for many cities. In 2024, the National Weather Service indicates that a strong El Niño is expected to continue through the rest of winter into early spring. The seasonal drought outlook from January through March 2024 indicates that an active southern storm track associated with El Niño conditions favors drought improvement and removal for parts of eastern Texas. Despite the likelihood that the southern region will see at least some precipitation associated with El Niño, these events are likely to be fast-moving. Drought persistence is expected for much of the Southern Plains.

Agricultural producers and processors were negatively impacted by several factors during 2023, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges, and adverse weather conditions. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

Significant Events:

In January 2024, a patronage of $9,500,000 was declared. This patronage will be paid in March/April of 2024.

In January 2023, a patronage of $10,500,000 was declared. The patronage was subsequently paid in March of 2023.

In January 2022, a patronage of $9,200,000 was declared. The patronage was subsequently paid in March of 2022.

In January 2021, a patronage of $8,800,000 was declared. This patronage was subsequently paid in March 2021 after an adjustment of $2,123.

In January 2020, a patronage of $8,500,000 was declared. The patronage was subsequently paid in March 2020. In March 2020 and April 2020, additional patronage amounts of $29,689 and $1,263, respectively, were declared and disbursed resulting in a total patronage of $8,530,952 for 2020.

See Note 10 to the financial statements, "Members' Equity," included in this annual report, for further information.

Adoption of New Accounting Standard

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance-sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment at January 1, 2023 reflecting an increase in the Association's ACL of $254,714 on outstanding loans and unfunded commitments and a corresponding decrease in retained earnings.

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

Patronage Refunds Received From Farm Credit Bank of Texas:

In December 2023, the Association received a direct loan patronage of $2,262,036 from the Farm Credit Bank of Texas (Bank), representing 26 basis points on the average daily balance of the Association's direct loan with the Bank. The direct loan patronage was 70 percent cash and 30 percent allocated equities. During 2023, the Association received $624,786 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capitalized participation pool patronage of $484,568 from the Bank.

In December 2022, the Association received a direct loan patronage of $4,923,265 from the Bank, representing 61 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $418,648 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $20,362 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2021, the Association received a direct loan patronage of $4,387,735 from the Bank, representing 60 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $278,592 in patronage payments from the Bank, based on the Association's stock investment in the Bank. The

Association also received a capital markets patronage of $21,185 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program. In addition, the Association also received a capitalized participation pool patronage of $49,635 from the Bank.

For more than 100 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

COVID Discussion:

Throughout the COVID-19 pandemic, the Association continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Demand for the Association's retail loans was historically high, leading to elevated growth in 2022 and 2021.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from five to 30 years, with 15- to 20-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $1,030,435,964, $952,871,122 and $871,649,828 as of December 31, 2023, 2022 and 2021, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses," in the accompanying financial statements.

Purchase and Sales of Loans:

During 2023, 2022 and 2021, the Association was participating in loans with other lenders. As of December 31, 2023, 2022 and 2021, these participations totaled $111,806,143, $103,454,213 and $97,996,077, or 10.9 percent, 10.9 percent and 11.2 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $606,903, $645,957 and $683,532, or 0.1 percent, 0.1 percent and 0.1 percent of loans, respectively. The Association additionally purchased participations from outside of the Farm Credit System of $6,255,401, $6,919,334 and $7,348,534, or 0.6 percent, 0.7 percent and 0.8 percent of loans during 2023, 2022 and 2021, respectively. The Association has also sold participations of $38,791,418, $36,077,741 and $33,794,763 as of December 31, 2023, 2022 and 2021, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

The following table illustrates the Association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

Nonperforming Assets

	2023		2022		2021	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual loans	**$ 2,781,157**	**100.0%**	$ 1,005,885	100.0%	$ 2,115,427	100.0%
Nonperforming assets	**$ 2,781,157**	**100.0%**	$ 1,005,885	100.0%	$ 2,115,427	100.0%

At December 31, 2023, 2022 and 2021, nonperforming loans were $2,781,157, $1,005,885 and $2,115,427, representing 0.3 percent, 0.1 percent and 0.2 percent of loan volume, respectively.

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

Allowance for Credit Losses on Loans:

Effective January 1, 2023, the Association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

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

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

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

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $2,463,374, $2,103,114 and $2,376,000 at December 31, 2023, 2022 and 2021, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. The allowance coverage is considered adequate due to the Association's low historical losses and first-lien real estate collateral.

Results of Operations:

The Association's net income for the year ended December 31, 2023, was $20,726,113 as compared to $21,801,417 for the year ended December 31, 2022, reflecting a decrease of $1,075,304, or 4.9 percent. The Association's net income for the year ended December 31, 2021 was $18,334,698. Net income increased $3,466,719, or 18.9 percent, in 2022 versus 2021.

Net interest income for 2023, 2022 and 2021 was $28,192,284, $25,565,059 and $23,260,996, respectively, reflecting increases of $2,627,225 or 10.3 percent, for 2023 versus 2022 and $2,304,063, or 9.9 percent, for 2022 versus 2021. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2023		2022		2021	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,008,541,647**	**$ 60,042,704**	$ 923,159,209	$ 46,230,625	$ 843,023,595	$ 39,245,690
Interest-bearing liabilities	**879,678,061**	**31,850,420**	801,719,414	20,665,566	727,540,518	15,984,694
Impact of capital	**$ 128,863,586**		$ 121,439,795		$ 115,483,077	
Net interest income		**$ 28,192,284**		$ 25,565,059		$ 23,260,996

	2023	2022	2021
	Average Yield	Average Yield	Average Yield
Yield on loans	**5.95%**	5.01%	4.66%
Cost of interest-bearing liabilities	**3.62%**	2.58%	2.20%
Interest rate spread	**2.33%**	2.43%	2.46%

	2023 vs. 2022			2022 vs. 2021		
	Increase due to			Increase due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 4,277,660**	**$ 9,534,419**	**$ 13,812,079**	$ 3,730,553	$ 3,254,382	$ 6,984,935
Interest expense	**2,011,333**	**9,173,521**	**11,184,854**	1,629,785	3,051,087	4,680,872
Net interest income	**$ 2,266,327**	**$ 360,898**	**$ 2,627,225**	$ 2,100,768	$ 203,295	$ 2,304,063

Interest income for 2023 increased by $13,812,079, or 29.9 percent, compared to 2022, primarily due to an increase in average loan volume and an increase in interest rates. Interest expense for 2023 increased by $11,184,854, or 54.1 percent, compared to 2022 due to an increase in average loan volume and an increase in interest rates. The interest rate spread decreased by 10 basis points to 2.33 percent in 2023 from 2.43 percent in 2022, primarily because of an increase in cost of funds. The interest rate spread decreased by 3 basis points to 2.43 percent in 2022 from 2.46 percent in 2021, primarily because of an increase in cost of funds.

Noninterest income for 2023 decreased by $2,779,800, or 43.1 percent, compared to 2022, due primarily to a $2,710,652 decrease in Bank patronage. Noninterest income for 2022 increased by $1,196,206 or 22.8 percent, compared to 2021, due primarily to an increase in Bank patronage.

Provisions for loan losses increased by $324,050, or 211.4 percent, compared to 2022, due primarily to a decrease in qualitative reserves in 2022 leading to a loan loss reversal.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. In 2023, operating expenses increased by $598,679, or 5.8 percent, compared to 2022, primarily due to an increase in salaries and employee benefits expense of $331,641, an increase in directors' expense of $92,281, and an increase in occupancy and equipment expense of $89,808. The $598,679 increase in operating expenses was partially offset by a decrease of $17,033 in premiums to the Insurance Fund, resulting from a decrease in the premium rates from 20 basis points in 2022 to 18 basis points in 2023.

For the year ended December 31, 2023, the Association's return on average assets was 2.0 percent, as compared to 2.3 percent and 2.1 percent for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2023, the Association's return on average members' equity was 12.7 percent, as compared to 15.5 percent and 13.1 percent for the years ended December 31, 2022 and 2021, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

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

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $900,789,413, $823,977,823 and $752,201,210 as of December 31, 2023, 2022 and 2021, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.6 percent, 2.6 percent and 2.5 percent at December 31, 2023, 2022 and 2021, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2022, is due to an increase in the Association's assets since the prior year. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $129,240,381, $128,758,013 and $119,360,192 at December 31, 2023, 2022 and 2021, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,046,891,033 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2024, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

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

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

Capital Resources:

The Association's capital position remains strong, with total members' equity of $172,403,722, $162,401,647 and $149,528,989 at December 31, 2023, 2022 and 2021, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2023, 2022 and 2021 was 14.1 percent, 14.1 percent and 14.5 percent, respectively.

The Association is also required to maintain minimum common equity Tier 1 (CET1), Tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent and 8.0 percent, respectively, along with a capital conservation buffer of 2.5 percent applicable to each ratio. The 2.5 percent capital conservation buffer was phased in over a three-year period ending on December 31, 2019. The Association's common equity Tier 1 ratio was 14.0 percent, Tier 1 capital ratio was 14.0 percent and total capital ratio was 14.3 percent at December 31, 2023. Further, the Association is required to maintain a minimum Tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's Tier 1 leverage ratio was 14.2 percent and UREE leverage ratio was 14.0 percent at December 31, 2023.

The CET1 capital ratio is an indicator of the Association's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods and paid-in capital. The Tier 1 capital ratio is a measure of the Association's quality of capital and financial strength. The total capital ratio is supplementary to the Tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods, and limitations and allowance and reserve for credit losses subject to certain limitations. The Tier 1 leverage ratio is used to measure the amount of leverage an association has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents.

Regulatory Matters:

At December 31, 2023, the Association was not under written agreements with the Farm Credit Administration (FCA).

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

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

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

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 9, "Note Payable to the Bank," in the accompanying financial statements.

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

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9, "Note Payable to the Bank," in the accompanying financial statements.

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

Summary:

Over the past 100 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Plains Land Bank, FLCA

Opinion

We have audited the accompanying financial statements of Plains Land Bank, FLCA (the "Association"), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related 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 "financial statements").

In our opinion, the accompanying 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 financial statements and our auditors' report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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

Austin, Texas
March 8, 2024

PLAINS LAND BANK, FLCA

BALANCE SHEET

	December 31,		
	2023	2022	2021
Assets			
Cash	**$ 9,445**	$ 7,026	$ 11,310
Loans	**1,030,435,964**	952,871,122	871,649,828
Less: allowance for credit losses on loans	**2,463,374**	2,103,114	2,376,000
Net loans	**1,027,972,590**	950,768,008	869,273,828
Accrued interest receivable	**24,537,081**	19,264,965	15,537,365
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**20,071,326**	17,906,140	16,600,480
Other	**5,246,859**	2,457,569	2,460,717
Premises and equipment	**2,322,303**	2,424,353	2,674,324
Other assets	**360,001**	499,174	749,033
Total assets	**$ 1,080,519,605**	$ 993,327,235	$ 907,307,057
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 900,789,413**	$ 823,977,823	$ 752,201,210
Accrued interest payable	**2,922,767**	2,250,424	1,368,353
Drafts outstanding	**38,000**	288,319	200,915
Other liabilities	**4,365,703**	4,409,022	4,007,590
Total liabilities	**908,115,883**	830,925,588	757,778,068
Members' Equity			
Capital stock and participation certificates	**2,351,245**	2,267,000	2,188,585
Unallocated retained earnings	**169,804,879**	159,833,480	147,232,063
Accumulated other comprehensive income	**247,598**	301,167	108,341
Total members' equity	**172,403,722**	162,401,647	149,528,989
Total liabilities and members' equity	**$ 1,080,519,605**	$ 993,327,235	$ 907,307,057

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

PLAINS LAND BANK, FLCA

STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
Interest Income			
Loans	**$ 60,042,704**	$ 46,230,625	$ 39,245,690
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**31,850,420**	20,665,566	15,984,694
Net interest income	**28,192,284**	25,565,059	23,260,996
Provision for Credit Losses (Provision Reversal)	**170,733**	(153,317)	165,794
Net interest income after provision for credit losses	**28,021,551**	25,718,376	23,095,202
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**3,370,391**	6,081,043	4,737,147
Loan fees	**208,407**	142,138	394,632
Financially related services income	**9,275**	8,809	8,157
Gain on sale of premises and equipment, net	**24,900**	144,234	49,838
Other noninterest income	**54,433**	70,982	61,226
Total noninterest income	**3,667,406**	6,447,206	5,251,000
Noninterest Expenses			
Salaries and employee benefits	**5,783,322**	5,451,681	5,966,484
Directors' expense	**417,792**	325,511	226,509
Purchased services	**728,956**	794,147	627,503
Travel	**206,122**	190,953	200,820
Occupancy and equipment	**656,870**	567,062	577,756
Communications	**106,899**	111,483	98,470
Advertising	**419,326**	394,639	322,936
Public and member relations	**279,318**	236,201	221,558
Supervisory and exam expense	**362,010**	325,379	290,160
Insurance Fund premiums	**1,574,990**	1,592,023	1,165,714
Loss on sale of loans, net	**49,748**	-	-
Loss on other property owned	**-**	-	85,238
Other noninterest expense	**377,491**	375,086	228,356
Total noninterest expenses	**10,962,844**	10,364,165	10,011,504
NET INCOME	**20,726,113**	21,801,417	18,334,698
Other comprehensive income:			
Change in postretirement benefit plans	**(53,569)**	192,826	(18,909)
COMPREHENSIVE INCOME	**$ 20,672,544**	$ 21,994,243	$ 18,315,789

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 2,098,280	$ 137,695,231	$ 127,250	$ 139,920,761
Comprehensive income	-	18,334,698	(18,909)	18,315,789
Capital stock/participation certificates issued	378,780	-	-	378,780
Capital stock/participation certificates retired	(288,475)	-	-	(288,475)
Patronage cash dividends	-	(8,797,866)	-	(8,797,866)
Balance at December 31, 2021	2,188,585	147,232,063	108,341	149,528,989
Comprehensive income	-	21,801,417	192,826	21,994,243
Capital stock/participation certificates issued	339,680	-	-	339,680
Capital stock/participation certificates retired	(261,265)	-	-	(261,265)
Patronage cash dividends	-	(9,200,000)	-	(9,200,000)
Balance at December 31, 2022	2,267,000	159,833,480	301,167	162,401,647
Cumulative effect of a change in accounting principle		(254,714)		(254,714)
Balance at January 1, 2023	2,267,000	159,578,766	301,167	162,146,933
Comprehensive income	-	20,726,113	(53,569)	20,672,544
Capital stock/participation certificates issued	288,280	-	-	288,280
Capital stock/participation certificates retired	(204,035)	-	-	(204,035)
Patronage cash dividends	-	(10,500,000)	-	(10,500,000)
Balance at December 31, 2023	**$ 2,351,245**	**$ 169,804,879**	**$ 247,598**	**$ 172,403,722**

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

PLAINS LAND BANK, FLCA

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	**$ 20,726,113**	$ 21,801,417	$ 18,334,698
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses (credit loss reversal)	**170,733**	(153,317)	165,794
Loss on sale of other property owned, net	**-**	-	151,135
Depreciation	**321,954**	335,574	351,412
Gain on sale of premises and equipment, net	**(24,900)**	(15,483)	(49,838)
Gain on sales of lease assets	**-**	(119,306)	-
Loss on sale of loans, net	**49,748**	-	-
Allocated equities patronage from the Bank	**(678,611)**	-	-
Increase in accrued interest receivable	**(5,272,116)**	(3,727,600)	(2,238,043)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(2,789,290)**	3,148	1,433,342
Decrease (increase) in other assets	**195,716**	62,199	(232,509)
Increase in accrued interest payable	**672,343**	882,071	91,368
(Decrease) increase in other liabilities	**(152,198)**	496,376	1,420,890
Net cash provided by operating activities	**13,219,492**	19,565,079	19,428,249
Cash flows from investing activities:			
Increase in loans, net	**(77,700,430)**	(81,318,385)	(80,177,621)
Cash recoveries of loans previously charged off	**19,420**	-	1,084
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(2,165,186)**	(1,305,660)	(3,935,820)
Proceeds from other investments in the Bank	**678,611**	-	-
Purchases of premises and equipment	**(219,904)**	(206,578)	(2,055,585)
Proceeds from sales of premises and equipment	**24,900**	136,458	1,649,956
Proceeds from sales of other property owned	**-**	382,370	494,755
Net cash used in investing activities	**(79,362,589)**	(82,311,795)	(84,023,231)

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

PLAINS LAND BANK, FLCA

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**76,811,590**	71,776,613	73,354,298
(Decrease) increase in drafts outstanding	**(250,319)**	87,404	(53,549)
Issuance of capital stock and participation certificates	**288,280**	339,680	378,780
Retirement of capital stock and participation certificates	**(204,035)**	(261,265)	(288,475)
Cash dividends paid	**(10,500,000)**	(9,200,000)	(8,797,866)
Net cash provided by financing activities	**66,145,516**	62,742,432	64,593,188
Net increase (decrease) in cash	**2,419**	(4,284)	(1,794)
Cash at the beginning of the year	**7,026**	11,310	13,104
Cash at the end of the year	**$ 9,445**	$ 7,026	$ 11,310
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**-**	-	645,890
Loans charged off	**85,840**	97,091	789,250
Patronage distributions declared	**10,500,000**	9,200,000	8,797,866
Effect of change in accounting principle, current expected credit losses (CECL)	**254,714**	-	-
Transfer of allowance for credit losses on loans from (into) allowance for credit losses on unfunded commitments	**15,473**	(22,478)	-
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 31,178,077**	$ 19,783,495	$ 15,893,326

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

PLAINS LAND BANK, FLCA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Plains Land Bank, FLCA ("the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, the southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltree, Oldham, Potter, Randall, and Roberts in the state of Texas.

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

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2023, the District consisted of the Bank, one FLCA and 12 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

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

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

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance.

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

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

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

A. Recently Issued or Adopted Accounting Pronouncements:

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

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

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

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 2,103,114	$ 240,474	$ 2,343,588
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 96,288	$ 14,240	$ 110,528
Retained earnings:			
Unallocated retained earnings	$ 159,833,480	$ (254,714)	$ 159,578,766

In December 2022, the FASB issued an update entitled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021. In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2021, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2023, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be September 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief. The adoption of this guidance was not material to the Association's financial condition or its results of operations.

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

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

C. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Deferred loan origination costs, net of deferred loan origination fees for the period ended December 31, 2023 were $473,047. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

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

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

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable -- The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the balance sheet. The Association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

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

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

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

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities.

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

Allowance for Credit Losses on Loans -- The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default).

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

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

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

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

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

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

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The Association also considers loan and borrower characteristics, such as internal risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments.

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

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

Allowance for Credit Losses on Unfunded Commitments -- The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the balance sheet. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the 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.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying balance sheet. During 2023, the Association received a direct patronage from the Bank that was 30 percent allocated equities.

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

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

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

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

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

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

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $268,588, $200,869 and $164,825 for the years ended December 31, 2023, 2022 and 2021 respectively. For the DB plan, the Association recognized pension costs of $235,401, $408,118 and $449,286 for the years ended December 31, 2023, 2022 and 2021, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $206,919, $159,517 and $146,353 for the years ended December 31, 2023, 2022 and 2021, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the balance sheet.

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

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

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

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

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

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

K. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

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

A summary of loans as of December 31 follows:

	2023		2022		2021	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 899,151,772**	**87.2%**	$ 837,434,250	87.9%	$ 764,558,538	87.7%
Agribusiness:						
Processing and marketing	**41,216,144**	**4.0%**	35,189,049	3.7%	42,726,479	4.9%
Farm-related business	**17,487,237**	**1.7%**	16,627,960	1.7%	10,328,964	1.2%
Loans to cooperatives	**6,027,270**	**0.6%**	6,105,306	0.6%	3,114,690	0.4%
Rural residential real estate	**18,733,310**	**1.8%**	18,800,883	2.0%	14,771,419	1.7%
Energy	**15,244,705**	**1.5%**	14,200,148	1.5%	15,679,977	1.8%
Production and intermediate-term	**13,077,971**	**1.3%**	6,637,358	0.7%	5,222,308	0.6%
Communication	**11,448,582**	**1.1%**	13,172,300	1.4%	11,701,039	1.3%
Agricultural export finance	**4,413,502**	**0.4%**	2,237,859	0.2%	1,997,974	0.2%
Water and wastewater	**3,635,471**	**0.4%**	2,466,009	0.3%	1,548,440	0.2%
Total	**$ 1,030,435,964**	**100.0%**	$ 952,871,122	100.0%	$ 871,649,828	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2023:

	Other Farm Credit Institutions		**Non-Farm Credit Institutions**		**Total**	
	Participations Purchased	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Agribusiness	$ 44,417,129	$ -	$ -	$ -	$ 44,417,129	$ -
Energy	15,244,705	-	-	-	15,244,705	-
Production and intermediate-term	13,077,971	-	-	-	13,077,971	-
Real estate mortgage	12,898,218	38,270,312	6,255,401	-	19,153,619	38,270,312
Communication	11,448,582	-	-	-	11,448,582	-
International	4,413,502	-	-	-	4,413,502	-
Water and wastewater	3,635,471	-	-	-	3,635,471	-
Rural residential real estate	415,164	521,106	-	-	415,164	521,106
Total	$105,550,742	$ 38,791,418	$ 6,255,401	$ -	$111,806,143	$ 38,791,418

The following percentages are based on the borrower's physical location, the borrower's headquarter location, or the physical location of the underlying collateral where applicable:

County	2023	2022	2021
Randall	**14.5%**	12.7%	13.3%
Carson	**9.8%**	9.8%	9.2%
Potter	**8.7%**	9.6%	9.6%
Hale	**6.5%**	6.7%	7.7%
Ochiltree	**5.6%**	5.2%	5.3%
Gray	**4.6%**	4.7%	5.0%
Sherman	**4.2%**	2.4%	2.7%
Lubbock	**3.3%**	2.5%	2.0%
Deaf Smith	**3.2%**	2.3%	2.6%
Hansford	**3.0%**	3.1%	3.1%
Moore	**2.0%**	2.3%	1.9%
Hutchinson	**1.9%**	1.7%	1.8%
Floyd	**1.6%**	1.8%	2.1%
Lipscomb	**1.3%**	1.5%	1.7%
Armstrong	**1.2%**	1.0%	0.9%
Motley	**1.1%**	0.9%	1.0%
Oldham	**1.0%**	0.8%	0.9%
Roberts	**1.0%**	2.0%	1.2%
Other Texas Counties	**11.1%**	13.9%	13.3%
Oklahoma	**2.9%**	4.6%	4.3%
Nebraska	**1.6%**	0.2%	0.0%
Colorado	**1.5%**	1.6%	1.7%
Kansas	**1.0%**	0.9%	1.0%
Virginia	**0.3%**	0.9%	1.1%
Other States	**7.1%**	6.9%	6.6%
	100.0%	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table.

	2023		2022		2021	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Cattle	**$ 361,076,706**	**35.0%**	$ 348,268,560	36.5%	$ 338,763,576	38.9%
Cotton	**225,713,835**	**21.9%**	214,851,114	22.5%	169,631,599	19.5%
Coarse grains	**226,169,103**	**21.9%**	193,326,429	20.3%	175,331,508	20.1%
Wheat	**39,087,234**	**3.8%**	33,431,571	3.5%	34,007,721	3.9%
Rural home loans	**34,433,106**	**3.3%**	28,524,741	3.0%	18,503,853	2.1%
Electric services	**13,435,134**	**1.3%**	14,391,372	1.5%	15,874,258	1.8%
Telecommunications	**11,448,582**	**1.1%**	13,172,300	1.4%	11,701,039	1.3%
Other	**119,072,264**	**11.7%**	106,905,035	11.3%	107,836,274	12.4%
Total	**$ 1,030,435,964**	**100.0%**	$ 952,871,122	100.0%	$ 871,649,828	100.0%

While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

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

Credit Quality

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

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

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

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

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage									
Acceptable	$ 145,353,100	$ 158,142,912	$ 167,621,451	$ 152,850,977	$ 56,161,778	$ 170,467,201	$ 36,967,811	$ 3,981,449	$ 891,546,679
OAEM	-	159,002	322,434	-	-	-	10,099	-	491,535
Substandard/Doubtful	-	1,496,304	3,275,926	647,505	719,465	574,834	-	399,524	7,113,558
	$ 145,353,100	$ 159,798,218	$ 171,219,811	$ 153,498,482	$ 56,881,243	$ 171,042,035	$ 36,977,910	$ 4,380,973	$ 899,151,772
Current period gross charge-offs	18,212	22,107	18,022	-	27,499	-	-	-	85,840
Production and intermediate-term									
Acceptable	$ -	$ 1,254,037	$ -	$ 58,502	$ -	$ 898,091	$ -	$ 10,867,341	$ 13,077,971
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ -	$ 1,254,037	$ -	$ 58,502	$ -	$ 898,091	$ -	$ 10,867,341	$ 13,077,971
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	$ 9,012,021	$ 19,510,431	$ 8,960,508	$ 4,621,754	$ 2,050,000	$ 5,648,676	$ 12,333,031	$ -	$ 62,136,421
OAEM	-	1,493,012	-	606,903	-	-	494,315	-	2,594,230
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 9,012,021	$ 21,003,443	$ 8,960,508	$ 5,228,657	$ 2,050,000	$ 5,648,676	$ 12,827,346	$ -	$ 64,730,651
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Communications									
Acceptable	$ 3,491,331	$ 1,477,236	$ -	$ 6,480,015	$ -	$ -	$ -	$ -	$ 11,448,582
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 3,491,331	$ 1,477,236	$ -	$ 6,480,015	$ -	$ -	$ -	$ -	$ 11,448,582
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	$ 1,997,561	$ -	$ -	$ -	$ -	$ 12,414,403	$ 389,114	$ -	$ 14,801,078
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	443,627	-	-	443,627
	$ 1,997,561	$ -	$ -	$ -	$ -	$ 12,858,030	$ 389,114	$ -	$ 15,244,705
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Water and wastewater									
Acceptable	$ -	$ -	$ 1,698,002	$ -	$ -	$ -	$ 1,937,469	$ -	$ 3,635,471
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ 1,698,002	$ -	$ -	$ -	$ 1,937,469	$ -	$ 3,635,471
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	$ 1,753,641	$ 4,588,849	$ 3,948,231	$ 3,133,599	$ 1,139,562	$ 3,841,968	$ -	$ -	$ 18,405,850
OAEM	-	-	145,062	180,508	-	1,890	-	-	327,460
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 1,753,641	$ 4,588,849	$ 4,093,293	$ 3,314,107	$ 1,139,562	$ 3,843,858	$ -	$ -	$ 18,733,310
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Agricultural export finance									
Acceptable	$ 4,413,502	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,413,502
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 4,413,502	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,413,502
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 166,021,156	$ 184,973,465	$ 182,228,192	$ 167,144,847	$ 59,351,340	$ 193,270,339	$ 51,627,425	$ 14,848,790	$ 1,019,465,554
OAEM	-	1,652,014	467,496	787,411	-	1,890	504,414	-	3,413,225
Substandard/Doubtful	-	1,496,304	3,275,926	647,505	719,465	1,018,461	-	399,524	7,557,185
	$ 166,021,156	**$ 188,121,783**	**$ 185,971,614**	**$ 168,579,763**	**$ 60,070,805**	**$ 194,290,690**	**$ 52,131,839**	**$ 15,248,314**	**$ 1,030,435,964**
Total current period gross charge-offs	$ 18,212	$ 22,107	$ 18,022	$ -	$ 27,499	$ -	$ -	$ -	$ 85,840

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31, 2023, 2022 and 2021:

	2023	2022	2021
Real estate mortgage			
Acceptable	**99.1** %	99.5 %	98.7 %
OAEM	**0.1**	-	-
Substandard/doubtful	**0.8**	0.5	1.3
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**93.7**	100.0	100.0
OAEM	**6.3**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**97.1**	92.9	86.5
OAEM	**-**	-	-
Substandard/doubtful	**2.9**	7.1	13.5
	100.0	100.0	100.0
Water and wastewater			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**98.3**	100.0	100.0
OAEM	**1.7**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**98.9**	99.5	98.7
OAEM	**0.4**	-	-
Substandard/doubtful	**0.7**	0.5	1.3
	100.0 %	100.0 %	100.0 %

Nonperforming assets (including related accrued interest for 2022 and 2021) and related credit quality statistics are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Nonaccrual loans:			
Real estate mortgage	**$ 2,337,530**	$ -	$ -
Energy	**443,627**	1,005,885	2,115,427
Total nonperforming assets	**$ 2,781,157**	$ 1,005,885	$ 2,115,427
Nonaccrual loans as a percentage of total loans	**0.3%**	0.1%	0.2%
Nonperforming assets as a percentage of total loans and other property owned	**0.3%**	0.1%	0.2%
Nonperforming assets as a percentage of capital	**1.6%**	0.6%	1.4%

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

	December 31, 2023			
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized For the Year Ended December 31, 2023**
Nonaccrual loans:				
Real estate mortgage	$ -	$ 2,337,530	$ 2,337,530	$ -
Energy	443,627	-	443,627	-
Total nonaccrual loans	$ 443,627	$ 2,337,530	$ 2,781,157	$ -

Accrued interest receivable on loans of $24,537,081 at December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the balance sheet. The Association wrote off accrued interest receivable of $222,736 during 2023.

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

December 31, 2023:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 2,742,538**	**$ -**	**$ 2,742,538**	**$ 896,409,234**	**$ 899,151,772**	**$ -**
Processing and marketing	**-**	**-**	**-**	**41,216,144**	**41,216,144**	**-**
Rural residential real estate	**-**	**-**	**-**	**18,733,310**	**18,733,310**	**-**
Farm-related business	**-**	**-**	**-**	**17,487,237**	**17,487,237**	**-**
Energy	**-**	**-**	**-**	**15,244,705**	**15,244,705**	**-**
Production and intermediate-term	**-**	**-**	**-**	**13,077,971**	**13,077,971**	**-**
Communication	**-**	**-**	**-**	**11,448,582**	**11,448,582**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,027,270**	**6,027,270**	**-**
Agricultural export finance	**-**	**-**	**-**	**4,413,502**	**4,413,502**	**-**
Water and wastewater	**-**	**-**	**-**	**3,635,471**	**3,635,471**	**-**
Total	**$ 2,742,538**	**$ -**	**$ 2,742,538**	**$ 1,027,693,426**	**$ 1,030,435,964**	**$ -**

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

December 31, 2022:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,392,781	$ -	$ 2,392,781	$ 853,582,676	$ 855,975,457	$ -
Processing and marketing	-	-	-	35,429,252	35,429,252	-
Rural residential real estate	-	-	-	18,885,149	18,885,149	-
Farm-related business	-	-	-	16,735,924	16,735,924	-
Energy	-	957	957	14,352,033	14,352,990	-
Production and intermediate-term	-	-	-	6,678,123	6,678,123	-
Communication	-	-	-	13,209,305	13,209,305	-
Loans to cooperatives	-	-	-	6,136,340	6,136,340	-
Agricultural export finance	-	-	-	2,263,995	2,263,995	-
Water and wastewater	-	-	-	2,469,552	2,469,552	-
Total	$ 2,392,781	$ 957	$ 2,393,738	$ 969,742,349	$ 972,136,087	$ -

December 31, 2021:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ -	$ -	$ -	$ 779,728,987	$ 779,728,987	$ -
Processing and marketing	-	-	-	42,969,467	42,969,467	-
Rural residential real estate	-	-	-	14,838,298	14,838,298	-
Farm-related business	-	-	-	10,348,836	10,348,836	-
Energy	-	1,248,898	1,248,898	14,446,466	15,695,364	-
Production and intermediate-term	-	-	-	5,233,974	5,233,974	-
Communication	-	-	-	11,701,663	11,701,663	-
Loans to cooperatives	-	-	-	3,120,054	3,120,054	-
Agricultural export finance	-	-	-	2,001,415	2,001,415	-
Water and wastewater	-	-	-	1,549,135	1,549,135	-
Total	$ -	$ 1,248,898	$ 1,248,898	$ 885,938,295	$ 887,187,193	$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

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

	Year Ended December 31, 2023			
	Payment Deferral	Combination Interest Rate & Term Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	$ 3,310,919	$ 399,524	$ 3,710,443	0.41%
Total	$ 3,310,919	$ 399,524	$ 3,710,443	0.41%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during 2023 was $23,037 at December 31, 2023. Subsequent to these modifications, the loans have not experienced default, and as of December 31, 2023, are current in all required payments.

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

	Financial Effect For the Year Ended December 31, 2023
	Payment Deferral Financial Effect (Change in Weighted Average Payment after Modification) (in days)
Real estate mortgage	234
	Combination – Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield Before Modifications)
Real estate mortgage	8.81%
	Combination – Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield after Modification)
Real estate mortgage	8.58%
	Combination – Interest Rate Reduction and Term Extension Financial Effect (Change in the Weighted Average Maturity After Modification) (in days)
Real estate mortgage	1,826

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

	Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$ 3,710,443	$ -	$ -
Total	**$ 3,710,443**	**$ -**	**$ -**

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

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2023	2022	2021
Interest income which would have been recognized under the original terms	**$ 251,858**	$ 97,103	$ 5,753
Less: interest income recognized	**-**	-	-
Foregone interest income	**$ 251,858**	$ 97,103	$ 5,753

The increase in foregone interest for 2023 relates to an increase in nonaccrual loans.

Troubled Debt Restructurings

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

	For the Year Ended December 31, 2022	
	Pre-modification Outstanding Recorded Investment*	**Post-modification Outstanding Recorded Investment***
Troubled debt restructurings:		
Energy	$ 1,248,898	$ 337,706
Total	$ 1,248,898	$ 337,706

	For the Year Ended December 31, 2021	
	Pre-modification Outstanding Recorded Investment*	**Post-modification Outstanding Recorded Investment***
Troubled debt restructurings:		
Energy	$ -	$ -
Total	$ -	$ -

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

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

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

	Loans Modified as TDRs		**TDRs in Nonaccrual Status***	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Troubled debt restructurings:				
Energy	$ 337,706	$ -	$ 337,706	$ -
Total	$ 337,706	$ -	$ 337,706	$ -

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

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of the Association's lending and leasing limit base but the Association's board of directors has generally established more restrictive lending limits.

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 2, "Summary of Significant Accounting Policies." A summary of changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2023 is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	$ 1,529,278	$ 19,406	$ 237,504	$ 21,524	$ 253,991	$ 6,557	$ 31,616	$ 3,238	$ 2,103,114
Cumulative effect of a change in accounting principle	401,588	(15,736)	(134,133)	(15,296)	(6,039)	(4,656)	16,251	(1,505)	240,474
Balance at January 1, 2023	1,930,866	3,670	103,371	6,228	247,952	1,901	47,867	1,733	2,343,588
Charge-offs	(85,840)	-	-	-	-	-	-	-	(85,840)
Recoveries	15,709	-	-	-	3,711	-	-	-	19,420
Provision for loan losses (loan loss reversal)	292,861	3,325	3,289	5,429	(123,124)	470	3,966	(10)	186,206
Other	-	-	-	-	-	-	-	-	-
Balance at December 31, 2023	**$ 2,153,596**	**$ 6,995**	**$ 106,660**	**$ 11,657**	**$ 128,539**	**$ 2,371**	**$ 51,833**	**$ 1,723**	**$ 2,463,374**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	$ 10,868	$ 7,035	$ 70,498	$ -	$ 896	$ 3,175	$ -	$ 3,816	$ 96,288
Cumulative effect of a change in accounting principle	20,135	(4,587)	2,920	-	(158)	(2,660)	-	(1,410)	14,240
Balance at January 1, 2023	31,003	2,448	73,418	-	738	515	-	2,406	110,528
Provision for unfunded commitments	(1,668)	1,476	(15,198)	-	(259)	634	-	(458)	(15,473)
Balance at December 31, 2023	**$ 29,335**	**$ 3,924**	**$ 58,220**	**$ -**	**$ 479**	**$ 1,149**	**$ -**	**$ 1,948**	**$ 95,055**

The allowance for credit losses as of December 31, 2023 was $2,558,429, reflecting an increase of $359,027 from December 31, 2022. Excluding the impact of the adoption of the CECL accounting guidance of $254,714 as previously discussed, the increase was driven by an increase in loan volume offset by a decrease in specific reserves on nonaccrual loans.

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

Allowance for Credit Losses - Prior to CECL Adoption

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

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:									
Balance at December 31, 2021	$1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 450,054	$ 5,773	$ 25,857	$ 5,294	$ 2,376,000
Charge-offs	-	-	-	-	(97,091)	-	-	-	(97,091)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	(134,222)	4,144	71,183	140	(99,027)	(1,265)	7,786	(2,056)	(153,317)
Other	(3,111)	1,750	(21,194)	-	55	2,049	(2,027)	-	(22,478)
Balance at December 31, 2022	$1,529,278	$ 19,406	$ 237,504	$ 21,524	$ 253,991	$ 6,557	$ 31,616	$ 3,238	$ 2,103,114
Reserve for Losses on Unfunded Commitments:									
Balance at December 31, 2021	$ 7,758	$ 8,785	$ 49,304	$ -	$ 951	$ 5,224	$ -	$ 1,789	$ 73,811
Provision for unfunded commitments	3,110	(1,750)	21,194	-	(55)	(2,049)	-	2,027	22,477
Balance at December 31, 2022	$ 10,868	$ 7,035	$ 70,498	$ -	$ 896	$ 3,175	$ -	$ 3,816	$ 96,288

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:									
Balance at December 31, 2020	$2,240,849	$ 38,077	$ 369,848	$ 28,759	$ 249,276	$ 5,980	$ 31,073	$ -	$ 2,963,862
Charge-offs	-	-	(789,250)	-	-	-	-	-	(789,250)
Recoveries	1,084	-	-	-	-	-	-	-	1,084
Provision for loan losses	(575,679)	(28,552)	571,119	(7,375)	199,397	5,017	(3,427)	5,294	165,794
Other	357	3,987	35,798	-	1,381	(5,224)	(1,789)	-	34,510
Balance at December 31, 2021	$1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 450,054	$ 5,773	$ 25,857	$ 5,294	$ 2,376,000
Reserve for Losses on Unfunded Commitments:									
Balance at December 31, 2020	$ 8,115	$ 12,772	$ 85,102	$ -	$ 2,332	$ -	$ -	$ -	$ 108,321
Provision for unfunded commitments	(357)	(3,987)	(35,798)	-	(1,381)	5,224		1,789	(34,510)
Balance at December 31, 2021	$ 7,758	$ 8,785	$ 49,304	$ -	$ 951	$ 5,224	$ -	$ 1,789	$ 73,811

*Reserve for losses on letters of credit and unfunded commitments recorded in other liabilities.

NOTE 4 — LEASES:

The Association has operating leases for office space in Amarillo, Texas, as well as three billboards in Canadian, Texas, Pampa, Texas, and Perryton, Texas. Lease expense was $103,957, $94,137 and $79,660 for 2023, 2022 and 2021, respectively.

The components of lease expense were as follows:

	2023	2022	2021
Operating lease cost	**$ 99,555**	$ 91,280	$ 78,195
Net lease cost	**$ 99,555**	$ 91,280	$ 78,195

Other information related to leases was as follows:

	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	**$ 103,957**	$ 94,137	$ 79,660
Right-of-use assets obtained in exchange for new lease obligations:			
Operating leases	**$ 128,828**	$ 185,281	$ 260,685

Lease term and discount rate are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Weighted average remaining lease term in years			
Operating leases	1.39	2.23	3.21
Weighted average discount rate			
Operating leases	3.33%	2.46%	2.43%

Future minimum lease payments under non-cancellable leases as of December 31, 2023, were as follows:

	Total
2024	$ 101,720
2025	38,467
2026	-
2027	-
2028	-
Thereafter	-
Total lease payments	$ 140,187
Less: interest	3,028
Total	$ 137,159

The Association has leases with terms of 12 months or less for temporary office space in Pampa, Texas, as well as five billboards. The lease expense for these short-term leases was $24,225 for the twelve months ended December 31, 2023.

During the first quarter of 2021, the Association also entered into a sales-type lease agreement in which the Association was the lessor. At the termination of the lease, the Association had the right to grant the lessee the option to purchase the property, which was valued at $318,059 at the inception of the lease. This lease terminated on April 30, 2022, and the property was purchased by the lessee.

Other information related to sales-type leases was as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Interest income	**$ -**	$ 2,285	$ 5,661
Cash received for amounts included in the measurement of leased assets	**$ -**	$ 20,000	$ 47,630

The property was carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method using the estimated useful life of the asset. Any maintenance and repairs were charged to operating expense, and improvements were capitalized. At the date of sale, the Association recognized a gain of $119,306, reflected in 2022 operations.

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 3.91 percent, 3.80 percent and 4.05 percent of the issued stock of the Bank as of December 31, 2023, 2022 and 2021. As of those dates, the Bank's assets totaled $37.28 billion, $35.99 billion and $33.09 billion and members' equity totaled $1.69 billion, $1.62 billion and $2.00 billion. The Bank's earnings were $199.9 million, $269.9 million and $254.6 million during 2023, 2022 and 2021.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2023	2022	2021
Building and improvements	**$ 3,073,828**	$ 3,017,308	$ 3,016,768
Automobiles	**641,112**	582,150	570,671
Land and improvements	**556,177**	556,177	550,886
Furniture and equipment	**316,810**	293,433	283,263
Computer equipment and software	**221,495**	195,198	165,957
Construction in progress	**15,633**	-	-
	4,825,055	4,644,266	4,587,545
Accumulated depreciation	**(2,502,752)**	(2,219,913)	(1,913,221)
Total	**$ 2,322,303**	$ 2,424,353	$ 2,674,324

The Association owns office space in the cities of Amarillo, Pampa, Perryton, and Plainview in the state of Texas.

NOTE 7 — OTHER PROPERTY OWNED, NET:

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

	2023	2022	2021
Loss on sale, net	**$ -**	$ -	$ (151,135)
Carrying value adjustments	**-**	-	-
Operating income, net	**-**	-	65,897
Net loss on other property owned	**$ -**	$ -	$ (85,238)

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2023	2022	2021
Accounts receivable, net	**$ 230,929**	$ 235,718	$ 488,175
Right of use asset	**128,828**	185,281	260,685
Other	**244**	78,175	173
Total	**$ 360,001**	$ 499,174	$ 749,033

Other liabilities comprised the following at December 31:

	2023	2022	2021
Insurance premium payable	**$ 1,508,280**	$ 1,521,702	$ 1,105,837
Accounts payable, net	**1,337,461**	1,343,958	1,038,010
Postretirement benefits liability	**976,574**	968,493	1,183,739
Accrued leave	**274,017**	252,291	252,088
Lease liability	**137,176**	198,031	276,292
Other	**132,195**	124,547	151,624
Total	**$ 4,365,703**	$ 4,409,022	$ 4,007,590

NOTE 9 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2024, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2023, 2022 and 2021, was $900,789,413 at 3.6 percent, $823,977,823 at 2.6 percent and $752,201,210 at 2.5 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2023, 2022 and 2021, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2023, was $1,046,891,033, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2023, 2022 and 2021, the Association was not subject to remedies associated with the covenants in the general financing agreement.

Other than the funding relationship with the Bank, the Association has no other uninsured or insured debt.

NOTE 10 — MEMBERS' EQUITY:

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

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans), or participation certificates (for rural home and farm related businesses) is equal to two percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2023, 2022 and 2021, the Association had no Class C stock.

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

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings.

The following dividends and patronage distributions were declared and paid in 2023, 2022 and 2021, respectively:

Date Declared	Date Paid	Patronage
January 2023	**March 2023**	**$ 10,500,000**
January 2022	March 2022	$ 9,200,000
January 2021	March 2021	$ 8,797,866

In January 2024, the Association declared a $9,500,000 patronage which will be paid in March/April of 2024.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2023, the Association is not prohibited from retiring stock or distributing earnings.

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

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2023
Common equity tier 1 ratio	4.50%	7.00%	14.04%
Tier 1 capital ratio	6.00%	8.50%	14.04%
Total capital ratio	8.00%	10.50%	14.27%
Permanent capital ratio	7.00%	7.00%	14.07%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	14.22%
UREE leverage ratio	1.50%	1.50%	14.00%

Risk-weighted assets have been defined by 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. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

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

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

- Common equity tier 1 (CET1) ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Tier 1 capital T1 ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 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 and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated Retained Earnings Equivalents (UREE) leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 165,970,388	$ 165,970,388	$ 165,970,388	$ 165,970,388
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,350,185	2,350,185	2,350,185	2,350,185
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	2,482,371	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,892,227)	(17,892,227)	(17,892,227)	(17,892,227)
	$ 150,428,346	**$ 150,428,346**	**$ 152,910,717**	**$ 150,428,346**
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,089,222,882	$ 1,089,222,882	$ 1,089,222,882	$ 1,089,222,882
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(17,892,227)	(17,892,227)	(17,892,227)	(17,892,227)
Allowance for loan losses	-	-	-	(2,412,579)
	$ 1,071,330,655	**$ 1,071,330,655**	**$ 1,071,330,655**	**$ 1,068,918,076**

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

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

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 165,970,388	$ 165,970,388
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,350,185	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(17,892,227)	(17,892,227)
	$ 150,428,346	**$ 148,078,161**
Denominator:		
Total Assets	$ 1,078,061,693	$ 1,078,061,693
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(20,047,145)	(20,047,145)
	$ 1,058,014,548	**$ 1,058,014,548**

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board. A strong capital base, as outlined in the Plan, will afford the Association the opportunity to position itself to address the changing lending environment, and provide the highest quality service to its stockholders.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

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

	2023	2022	2021
Class A stock	**442,601**	425,344	415,328
Participation certificates	**27,648**	28,056	22,389
Total	**470,249**	453,400	437,717

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

	2023	2022	2021
Accumulated other comprehensive income at January 1	**$ 301,167**	$ 108,341	$ 127,250
Actuarial (losses) gains	**(8,547)**	203,259	(8,476)
Amortization of prior service credits included in salaries and employee benefits	**(3,966)**	(10,433)	(10,433)
Amortization of actuarial gain included in salaries and employee benefits	**(41,056)**	-	-
Other comprehensive (loss) income	**(53,569)**	192,826	(18,909)
Accumulated other comprehensive income at December 31	**$ 247,598**	$ 301,167	$ 108,341

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

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

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year.
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan.
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule.

There were no supplemental 401(k) plans offered to active employees during 2023, 2022 and 2021.

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

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

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

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

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

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

	2023	2022	2021
Funded status of plan	**73.3%**	70.9%	70.5%
Association's contribution	**$ 235,401**	$ 408,118	$ 449,286
Percentage of Association's contribution to total contributions	**3.6%**	3.9%	3.0%

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 74.1 percent, 71.8 percent and 72.0 percent at December 31, 2023, 2022 and 2021, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

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

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2023	2022	2021
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 968,493**	$ 1,183,739	$ 1,180,774
Service cost	**4,144**	5,796	5,526
Interest cost	**48,555**	36,370	32,450
Plan participants' contributions	**20,706**	27,585	16,596
Actuarial loss (gain)	**8,547**	(203,259)	8,476
Benefits paid	**(73,871)**	(81,738)	(60,083)
Accumulated postretirement benefit obligation, end of year	**$ 976,574**	$ 968,493	$ 1,183,739
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**53,165**	54,153	43,487
Plan participants' contributions	**20,706**	27,585	16,596
Benefits paid	**(73,871)**	(81,738)	(60,083)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (976,574)**	$ (968,493)	$ (1,183,739)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (976,574)**	$ (968,493)	$ (1,183,739)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial gain	**$ (247,598)**	$ (297,201)	$ (93,942)
Prior service cost (credit)	**-**	(3,966)	(14,399)
Total	**$ (247,598)**	$ (301,167)	$ (108,341)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2023**	12/31/2022	12/31/2021
Discount rate	**5.50%**	5.20%	3.15%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.50%/8.40%**	7.20%/7.70%	6.80%/6.00%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034**	2031	2030

Total Cost	2023	2022	2021
Service cost	**$ 4,144**	$ 5,796	$ 5,526
Interest cost	**48,555**	36,370	32,450
Amortization of:			
Unrecognized prior service cost	**(3,966)**	(10,433)	(10,433)
Unrecognized net gain	**(41,056)**	-	-
Net postretirement benefit cost	**$ 7,677**	$ 31,733	$ 27,543
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 8,547**	$ (203,259)	$ 8,476
Amortization of net actuarial gain	**41,056**	-	-
Amortization of prior service credit	**3,966**	10,433	10,433
Total recognized in other comprehensive income (loss)	**$ 53,569**	$ (192,826)	$ 18,909
AOCI Amounts Expected to be Amortized Into Expense in 2024			
Unrecognized prior service credit	**$ -**	$ (10,433)	$ (10,433)
Unrecognized net gain	**(34,628)**	-	-
Total	**$ (34,628)**	$ (10,433)	$ (10,433)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2022**	12/30/2021	12/31/2020
Discount rate	5.20%	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.20%/7.70%	6.80%/6.00%	6.60%/6.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2031	2030	2029

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2024	**$ 50,353**
Fiscal 2025	**54,853**
Fiscal 2026	**58,624**
Fiscal 2027	**62,283**
Fiscal 2028	**59,328**
Fiscal 2029–2033	**335,192**
Expected Contributions	
Fiscal 2024	**$ 50,353**

NOTE 12 — RELATED PARTY TRANSACTIONS:

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

Total loans to such persons at December 31, 2023, 2022 and 2021 for the Association amounted to $24,327,355, $24,461,384 and $22,521,293. During 2023, 2022 and 2021, $8,655,293, $2,523,974 and $5,983,990 of new loans were made, and repayments totaled $4,221,899, $2,303,921 and $2,864,157, respectively. In the opinion of management, no such loans outstanding at December 31, 2023, 2022 and 2021 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled $137,676, $48,915 and $46,133 in 2023, 2022 and 2021, respectively.

The Association received patronage payments from the Bank totaling $3,370,391, $6,081,043 and $4,737,147 during 2023, 2022 and 2021, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

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

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 317,698**	**$ 317,698**

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 760,144	$ 760,144

December 30, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,675,743	$ 1,675,743

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

	December 31, 2023 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 9,445**	**$ 9,445**	**$ -**	**$ -**	**$ 9,445**
Net loans	**1,027,654,890**	**-**	**-**	**949,239,009**	**949,239,009**
Total Assets	**$ 1,027,664,335**	**$ 9,445**	**$ -**	**$ 949,239,009**	**$ 949,248,454**
Liabilities:					
Note payable to Bank	**$ 900,789,413**	**$ -**	**$ -**	**$ 831,800,401**	**$ 831,800,401**

	December 31, 2022				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 7,026	$ 7,026	$ -	$ -	$ 7,026
Net loans	950,007,864	-	-	854,195,530	854,195,530
Total Assets	$ 950,014,890	$ 7,026	$ -	$ 854,195,530	$ 854,202,556
Liabilities:					
Note payable to Bank	$ 823,977,823	$ -	$ -	$ 740,884,143	$ 740,884,143

	December 31, 2021				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 11,310	$ 11,310	$ -	$ -	$ 11,310
Net loans	867,598,085	-	-	865,260,603	865,260,603
Total Assets	$ 867,609,395	$ 11,310	$ -	$ 865,260,603	$ 865,271,913
Liabilities:					
Note payable to Bank	$ 752,201,210	$ -	$ -	$ 750,179,143	$ 750,179,143

Uncertainty of Fair Value Measurements

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

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input	Level
Cash	Carrying value	Par/principal and appropriate interest yield	Level 1
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity	Level 3
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk	Level 3

About nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

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

Loans

Fair value is estimated by discounting the expected future cash flows using the Bank's and/or Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Bank's and/or Association's current loan origination rates as well as the Bank's management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Loans Evaluated for Impairment

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

Other Property Owned

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

Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 14 — COMMITMENTS AND CONTINGENCIES:

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

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2023, $68,027,110 of commitments and $950,653 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 6,888**	**$ 7,057**	**$ 7,007**	**$ 7,240**	**$ 28,192**
(Provision for) reversal of loan losses	**156**	**(291)**	**52**	**(88)**	**(171)**
Noninterest expense, net	**(984)**	**(655)**	**(2,842)**	**(2,814)**	**(7,295)**
Net income	**$ 6,060**	**$ 6,111**	**$ 4,217**	**$ 4,338**	**$ 20,726**

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 6,107	$ 6,305	$ 6,496	$ 6,657	$ 25,565
(Provision for) reversal of loan losses	33	51	(76)	145	153
Noninterest expense, net	(942)	(641)	(734)	(1,600)	(3,917)
Net income	$ 5,198	$ 5,715	$ 5,686	$ 5,202	$ 21,801

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,524	$ 5,704	$ 5,968	$ 6,065	$ 23,261
(Provision for) reversal of loan losses	(893)	45	208	474	(166)
Noninterest expense, net	(1,547)	(753)	(1,011)	(1,449)	(4,760)
Net income	$ 3,084	$ 4,996	$ 5,165	$ 5,090	$ 18,335

NOTE 16 — SUBSEQUENT EVENTS:

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

DISCLOSURE INFORMATION AND INDEX

(Unaudited)
Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

Plains Land Bank, FLCA (Association) serves its 17-county territory through its main administrative and lending office at 1616 S. Kentucky St., Suite C-250, Amarillo, Texas 79102-5210. Additionally, there are four branch lending offices located at: 5625 Fulton Drive, Amarillo, Texas 79109; 2526 Perryton Parkway, Pampa, Texas 79065; 800 SE Loop 143, Perryton, Texas 79070; and 3102 W. 7th Street, Plainview, Texas 79072. The Association owns the office buildings in Amarillo, Pampa, Perryton, and Plainview, free of debt. The Association leases the office building on Kentucky Street in Amarillo. The Pampa building is currently under construction and a temporary location is leased at 1835 N. Hobart, Pampa, Texas 79065.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

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

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, “Note Payable to the Bank,” Note 11, “Employee Benefit Plans,” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-

2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Plains Land Bank, FLCA 1616 S. Kentucky St., Suite C-250, Amarillo, Texas 79102-5210 or calling (806) 331-0926. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *balvis@plainslandbank.com*. The Association's annual stockholder report is available on its website at *www.plainslandbank.com* 75 days after the fiscal year-end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year-end.

SELECTED FINANCIAL DATA

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

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

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

DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Walter "Rusty" Henson	Chairman	2001	2024
Jerrell K. Key	Vice Chairman	2019	2025
Lea Stukey, CPA	Director-Elected Director	2016	2026
Mallory K. Vestal, Ph.D.	Director-Elected Director	2016	2024
Ryan T. Berry	Director	2021	2024
Dustin Babcock	Director	2022	2025
Michael S. Harrell	Director	2022	2025
Lynn F. Cowden	Director	2023	2026
Justin T. Noggler	Director	2023	2026
Eric Philipp	Director	2023	2026
Michael R. Estes	Director	2023	2024
Randy D. Darnell	Former Chairman	2002	Retired 2023
Daniel L. Krienke	Director	1999	Retired 2023
Steve Rader	Director	2002	Retired 2023
Kay Lynn McLaughlin	CEO	2010	N/A
Cory W. Bruce	CCO	1998	N/A
Stephen W. Donnell	Regional President	1994	N/A
Brooke Alvis	CFO	2022	N/A

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

Walter "Rusty" Henson, age 67, has been a farmer and rancher in Briscoe County for the last 42 years. He is the owner and manager of Henson Farms which consists of 17,000 acres of grassland and farmland. Mr. Henson holds a Bachelor of Science degree in Agribusiness from West Texas State University, and he currently serves as a director of the Caprock Soil & Water Conservation District. Mr. Henson was first appointed to the Plains Land Bank Board of

Directors to fill an unexpired board term in October 2000 and was then elected to the board in 2001. He currently serves as Chairman of the Board.

Jerrell K. Key, age 60, is a farmer and rancher in Hansford and Armstrong counties. Mr. Key holds a Bachelor of Science degree in Agricultural Economics with a minor in Business Finance from Texas Tech University. He is also managing partner of K&K Cattle Co., and the general manager of Adobe Walls Gin, LP in Spearman, Texas. He serves on the Board of Managers for Lone Star Gin, LP. Mr. Key was elected to the Plains Land Bank Board of Directors in 2019 and currently serves as Vice Chairman of the Board.

Lea Stukey, CPA, age 55, is a CPA and shareholder/owner of Lewis, Kaufman, Reid, Stukey, Gattis & Co., PC, which is a CPA firm located in Plainview, Texas. Her practice consists primarily of tax planning and preparation, payroll services, and business consultation services. She is also a partner in RAPCO and owner of LAKSNothing, LLC. Mrs. Stukey holds a Bachelor of Business Administration degree in Accounting from West Texas A&M University. She previously served as the president of the board for the Plainview Christian Academy where she resigned in 2020. Mrs. Stukey was appointed to the Plains Land Bank Board of Directors as an outside director in December 2016 and currently serves as Chairwoman of the Audit Committee and is designated as the board financial expert.

Mallory K. Vestal, Ph.D., age 40, has been an Associate Professor of Agricultural Business and Economics in the Department of Agricultural Sciences at West Texas A&M University since 2018 and was an Assistant Professor beginning in 2012. As of 2022, Dr. Vestal serves as the Plug Piehl Professor of Agriculture in the department. She holds a Doctor of Philosophy degree in Agricultural Economics and a Master of Science degree in Agricultural Economics from Oklahoma State University, as well as a Bachelor of Science degree in Agribusiness/Equine Industry and Business from West Texas A&M University. She currently serves on the board of the Southern Agricultural Economics Association. Dr. Vestal previously served as the Director of Judge Education for the National Reining Horse Association. Dr. Vestal was appointed to the Plains Land Bank Board of Directors as an outside director in December 2016 and currently serves as Chairwoman of the Compensation Committee.

Ryan T. Berry, age 33, is the owner/operator of Berry Farms and a co-owner of Berry Brothers Farms, LLC, as well as an investor in Lone Star Gin, LP. Both Berry Farms and Berry Brothers Farms, LLC produce corn, cotton, and grain sorghum. Mr. Berry holds a Bachelor of Science degree in Agricultural and Applied Economics from Texas Tech University. He was elected to the Plains Land Bank Board of Directors in 2021 and currently serves as Vice Chairman of the Audit Committee.

Dustin Babcock, age 41, owns and operates a grain and cotton farm in Carson, Gray, and Armstrong counties. Mr. Babcock holds a Bachelor of Science degree in Plant, Soil and Environmental Science from West Texas A&M University. He is an owner and director of TriStar Grain, LLC, and is an investor and serves on the board of Lone Star Gin, LP. Mr. Babcock was elected to the Plains Land Bank Board of Directors in 2022 and currently serves as Vice Chairman of the Compensation Committee.

Michael S. Harrell, age 56, farms cotton and small grain in Hale County, as well as manages a small beef cattle operation. Mr. Harrell holds a degree from Texas Tech University specializing in Mechanized Agriculture and Ag Education. He is a board member of Quarterway Cotton and was elected to the Plains Land Bank Board of Directors in 2022.

Lynn Cowden, age 66, resides north of Skellytown, Carson County, Texas, and has operations in Hutchinson, Roberts, Gray, and Armstrong counties. He is the owner of Cowden +L Cattle Co, LLC, LFC Ranch Properties, LTD, and a manager for Breezy Point Ranch -- Family Limited Partnership. He is a self-employed rancher and farmer specializing in corn, cotton, wheat, and alfalfa hay. He holds a Bachelor of Science degree in Agriculture Economics from Texas Tech University. Mr. Cowden was elected to the Plains Land Bank Board of Directors in 2023.

Justin T. Noggler, age 40, resides in Vega, Oldham County, Texas. He is a self-employed rancher and farmer specializing in wheat, milo and corn, and owns a small cow-calf herd. He has been the owner of Noggler Farms, Inc. for the last 20 years and is a partner in Coward Noggler Farms. Mr. Noggler is currently a member of the Hereford Grain Board and was elected to the Plains Land Bank Board of Directors in 2023.

Eric Philipp, age 54, resides in Perryton, Ochiltree County, Texas, where he also runs a cow-calf operation. He holds a Bachelor of Science degree in General Agriculture from West Texas State University. Mr. Philipp was elected to the Plains Land Bank Board of Directors in 2023.

Michael “Ross” Estes, age 56, is a life-long resident of Briscoe County. He graduated from Silverton High School and began farming in 1987 with his father. His farming operation primarily grows hay and cotton. Mr. Estes was elected to the Plains Land Bank Board of Directors in 2023.

Randy D. Darnell, age 63, is a full-time farmer and rancher in northeast Deaf Smith and northwest Randall counties. Mr. Darnell holds a Bachelor of Science degree in Ag Economics from Texas Tech University. He is a member and past president of the Canyon Independent School District board of trustees and the Construction Committee, and is an investor in Lone Star Gin, LP. Mr. Darnell was elected to the Plains Land Bank Board of Directors in 2002. Mr. Darnell retired from the Plains Land Bank Board of Directors in 2023.

Daniel L. Krienke, age 73, is a farmer in Ochiltree County, experienced in both dryland and irrigated farming. He graduated from Follett High School and attended Clarendon College after graduation. Mr. Krienke is presently a director of the Texas Grain Sorghum Association and the North Plains Groundwater Conservation District. Mr. Krienke was elected to the Plains Land Bank Board of Directors in 1999. Mr. Krienke retired from the Plains Land Bank Board of Directors in 2023.

Steve Rader, age 70, has a farm and ranch operation in Hemphill and Lipscomb counties, and operates grazing land in Ellis County, Oklahoma. Mr. Rader holds a Bachelor of Science degree in General Agriculture from Oklahoma State University. He was previously a partner in RNR Seeding which specializes in reclaiming oil field pipelines and locations. Mr. Rader was elected to the Plains Land Bank Board of Directors in 2002. Mr. Rader retired from the Plains Land Bank Board of Directors in 2023.

Kay Lynn McLaughlin, age 43, began her employment with the Association in March 2010. Mrs. McLaughlin holds a Bachelor of Business Administration degree, as well as Master of Business Administration and Master of Public Accounting degrees, all from West Texas A&M University. She previously served as a Loan Officer, Operations Manager, Controller, and Chief Financial Officer for Plains Land Bank, FLCA. She was promoted to Chief Executive Officer-Elect on March 1, 2021, and then Chief Executive Officer on October 1, 2021.

Cory W. Bruce, age 52, began his employment with the Association in March 1998. Mr. Bruce holds a Bachelor of Science degree in Plant Science and a Master of Business Administration degree in Agriculture from West Texas A&M University. He previously served as Vice President/Assistant Branch Manager of the Amarillo office and Vice President/Capital Markets of Panhandle-Plains Land Bank, FLCA and was promoted to Chief Credit Officer of the Association effective August 1, 2010. Mr. Bruce is currently a board member for West Texas A&M Ag Development Association.

Stephen W. Donnell, age 65, began his employment with the Association in June 1994. Mr. Donnell holds a Bachelor of General Studies degree from West Texas A&M University. He previously served as Senior Vice President of Lending in the Amarillo Office and was promoted to Regional President on October 1, 2020. Mr. Donnell is currently a member of the West Texas A&M Ag Development Association.

Brooke Alvis, age 33, began her employment with the Association in October 2022. Mrs. Alvis holds a Bachelor of Business Administration/Master of Public Accounting degree from West Texas A&M University and is a Certified Public Accountant. She had 13 years of financial and accounting experience prior to joining the Association. She previously served as Vice President of Finance for Plains Land Bank, FLCA. She was promoted to Chief Financial Officer on April 1, 2023.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $1,000 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Monthly retainers are paid to the chairman of the board and the chairman of the audit committee at a rate of $400 and $300 per month, respectively. Mileage for attending official meetings during 2023 was paid at the IRS-approved rate of 65.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2023**
Randy D. Darnell	6	6.5	$ 16,400
Walter “Rusty” Henson	12	8	24,200
Jerrell K. Key	10	11	21,334
Lea Stukey, CPA	12	7	22,000
Mallory K. Vestal, Ph. D.	12	15.5	27,500
Ryan T. Berry	9	8	17,800
Dustin Babcock	12	9	21,000
Michael S. Harrell	11	7	18,000
Lynn F. Cowden	5	2	7,333
Justin T. Noggler	6.5	2	8,500
Eric Phillip	6.5	2	8,500
Michael R. Estes	11	9	20,000
Daniel L. Krienke	6	7	14,500
Steve Rader	6	7	14,500
			$ 241,567

The aggregate compensation paid to directors in 2022 and 2021 was $223,375 and $146,504, respectively. Included in the amount above are three additional payments of $1,500 made to Randy Darnell, Daniel L. Krienke, and Steve Rader as retirement gifts resulting in total compensation paid of $241,567 for 2023.

Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2023:

	Committee	
Director	**Audit**	**Compensation**
Randy D. Darnell	$ 6,000	$ 1,000
Walter "Rusty" Henson	12,000	3,000
Jerrell K. Key	10,000	3,000
Lea Stuckey, CPA	12,000	3,000
Mallory K. Vestal, Ph. D.	12,000	3,000
Ryan T. Berry	9,000	1,000
Dustin Babcock	12,000	3,000
Michael S. Harrell	11,000	3,000
Lynn F. Cowden	5,000	2,000
Justin T. Noggler	6,000	2,000
Eric Phillip	6,000	2,000
Michael R. Estes	11,000	2,000
Daniel L. Krienke	6,000	1,000
Steve Rader	6,000	1,000
	$ 124,000	$ 30,000

Audit and Compensation Committee meeting compensation is included with the general board meeting honorarium of $1,000 per day. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $180,725, $105,936 and $96,009 in 2023, 2022 and 2021, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The primary objective of the compensation package is to create a work environment such that employees are fully engaged in the mission statement of "improving the means and well-being of farmers, ranchers, and rural life in our territory." The compensation plan will allow the Association to attract and retain top talent and align the interest of our employees and shareholders. It is important to offer our employees a strong and competitive compensation package. The package is designed to strengthen Association productivity and employee loyalty, while building team effort as well as reward for individual accomplishment. The compensation plan includes base pay, incentive bonus and benefits. The board of directors believes the compensation plan is competitive for our employees and brings value to our shareholders (owners). The Association will continue to strive to maintain this type of balance between employees and shareholders. Base salaries and benefits are based on market data and deemed to be competitive with other employers in the marketplace. The current incentive plan is administered in accordance with board approved Association policy, as recommended by the Board Compensation Committee. The board-approved incentive plan is intended to achieve the following:

- All employees share a portion of the increase in stockholder value of the organization after certain performance goals have been met.
- Motivate employees to achieve and exceed the desired Association business goals over the long term.
- Reward employees for increased productivity based on their individual contributions and the overall success of the Association.
- Reinforce teamwork throughout the organization.
- Provide an overall competitive compensation opportunity so that the Association can attract, retain, and motivate high quality individuals.

The sum of funds available for the incentive bonus payout to Association employees under the plan is a set percentage of 5.75 percent of the year-ending net income. This amount can be decreased by the Association, each office, and individual loan officers not meeting its and/or their goals. The goals used in the plan are balanced between new loan volume and volume growth, credit quality, and other job performance areas. Incentive payments are paid in the first quarter of each year based on the performance from January 1 through December 31 of the previous year.

Chief Executive Officer (CEO) Compensation Policy

The CEO salary is set by the Compensation Committee and is part of the same compensation plan for all employees. Part of the compensation plan is the incentive plan, which is also the same for all employees including the CEO. The CEO does not have an employment agreement; this is the same practice for all employees. The employment of the CEO by the Association is on an "at will" relationship. This means that either the employer or the employee is free to terminate the employment relationship at any time with or without reason.

Summary Compensation Table

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

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Other (f)	Total
Kay Lynn McLaughlin, CEO	**2023**	**$ 350,250**	**$ 90,218**	**$ -**	**$ 42,385**	**$ 6,788**	**$ 489,641**
	2022	312,917	55,744	-	37,803	4,615	411,079
	2021	213,275	45,770	-	30,114	4,519	293,678
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
5	**2023**	**$ 897,800**	**$ 404,999**	**$ 201,641**	**$ 137,157**	**$ 11,058**	**$1,652,655**
5	2022	790,200	288,553	(394,249)	119,677	9,695	813,876
5	2021	673,584	190,873	13,414	91,476	10,356	979,703

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) For 2023, the total includes the bonus paid in 2023 and the bonus accrued for 2023 performance. For 2022 and 2021, the total only includes the bonus that was paid in each year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits, premiums paid for life insurance, and other fringe benefits.
(f) Amounts in the “Other” column include annual leave.

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

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the Association employee for the year ended December 31, 2023:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2023
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)	Farm Credit Bank of Texas Pension Plan			
(1)		37	$ 1,997,720	$ -

Pension Benefits Table Narrative Disclosure

One current employee of the Association participates in the Farm Credit Bank of Texas Pension Plan (the “Pension Plan”), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996

("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

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

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2023 at the IRS-approved rate of 65.5 cents per mile.

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

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

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

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

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2023, or at any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's Audit Committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees for professional services rendered for the Association by PwC during 2023 were $94,483 for audit services performed. Other non-audit services were provided in the amount of $900 during 2023.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

As of March 28, 2019, the Association terminated Panhandle-Plains Land Bank Holding Co., LLC, and as of May 8, 2019, the Association has terminated the previously held relationship with Biostar B, LLC. These entities were limited liability companies, originally formed for the purpose of acquiring and managing unusual and complex collateral.

FINANCIAL STATEMENTS

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

MEMBER/SHAREHOLDER PRIVACY

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

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

This Association is committed to providing sound and dependable credit to Young, Beginning and Small (YBS) farmers and ranchers. The Association recognizes the vital nature of YBS to the overall future well-being of the agricultural industry. To ease entry for those new to agriculture, we provide reasonably priced financial products and services, consider flexibility with loan approvals and servicing, work with other Farm Credit and non-system lenders and implement outreach programs.

Mission Statement

To encourage and facilitate the entry of young, beginning, and small borrowers into agricultural operations.

Definitions for YBS farmers and ranchers are:

- *Young Farmer*: A farmer, rancher or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- *Beginning Farmer*: A farmer, rancher or producer or harvester of aquatic products who had 10 years or less of experience at farming, ranching or producing or harvesting aquatic products as of the date the loan was originally made.
- *Small Farmer*: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250,000 annual gross sales of agricultural or aquatic products at the date the loan was originally made. Effective January 1, 2024, the threshold for small farmer will increase to $350,000 gross cash farm income.

The following table outlines the Association's percentage of YBS loans as a percentage of our loan portfolio as of December 31, 2023. The Ag Census information, complied from the USDA 2017 Ag Census, is based on the number of Young, Beginning and Small operators as a percentage of total operators in the Association territory. The Association reports on the percentage of Young, Beginning and Small loans in the loan portfolio (by number) compared to the total number of loans in the portfolio. This difference in the two methods of calculation is considered to be insignificant and reasonable for comparison purposes. Also shown in the table are the goals for 2023 established by the board.

By Number					
	USDA	Goals	2023	2022	2021
Young	7.05%	16%	17.22%	16.98%	16.73%
Beginning	29.66%	32%	20.91%	27.93%	27.80%
Small	82.07%	50%	34.55%	43.40%	44.56%

The following table outlines our percentage of YBS volume as a percentage of our total loan volume as of December 31, 2023.

By Volume			
	2023	2022	2021
Young	15.86%	16.51%	14.16%
Beginning	17.49%	24.74%	24.71%
Small	23.63%	33.97%	35.37%

The Association established the following as some of the qualitative goals for 2024 in an effort to reach YBS farmers and ranchers:

- Report YBS activity to the board on a quarterly basis.
- Effectively make and service loans and provide credit related services to the YBS segment.
- Review current YBS program and determine enhancements and changes based on new YBS Final Rule and FCA revised BL-040.
- The demographic study shows 7.05 percent of Young operators in our territory. Maintain our goal of loans to Young borrowers at 16 percent through 2025.
- The demographic study shows 29.66 percent of Beginning operators in our territory. Maintain our goal of loans to Beginning borrowers at 32 percent through 2025.
- The demographic study shows 82.07 percent of Small operators in our territory. Increase our goal of loans to Small borrowers to 50 percent in 2024 and target 55 percent into 2025.
- Provide five $1,000 scholarships to Junior/Senior level Ag College students at WTAMU.
- Provide four $2,000 scholarships to high school students within our territory pursuing an agriculture related degree.
- Participate in the District's YBS leader development program.
- Participation by employees, primarily loan officers, in stock shows, producer meetings, county farm demonstrations, trade shows and any other activities that reach YBS producers.
- Implement effective outreach programs to attract YBS farmers and ranchers. Special programs and events we have held or sponsored to meet this need include:
    - West Texas A&M University Scholarships – The Association currently provides five $1,000 scholarships to Junior/Senior level Ag College students at West Texas A&M University. The Ag College faculty decides on the recipients. The Association criterion for the faculty is that there should be one recipient from each of the branch offices' territories.
    - Livestock Shows/Farm Shows/Rodeos – The Association will continue to provide assistance and sponsorship to various livestock shows, area farm shows and rodeos. These shows provide an opportunity to make contact with existing customers and reach potential customers.
    - Campus Visits – Association loan officers are committed to the development of YBS farmers in our area. They will continue to visit and make presentations for local agricultural students.
    - Educational Opportunities – The Association is actively involved with other lenders, producer groups, and the extension service in developing and sponsoring educational opportunities, leadership training, and business/financial training for YBS farmers and ranchers. The Association and board of directors also annually host the Canyon FFA Ag Issues Team, who give a mock presentation during one board meeting. Finally, Plains Land Bank is a sponsor of a classroom in the West Texas A&M University Ag Complex which was completed for the Fall Semester 2018.

- West Texas A&M University Ag Development Association – Three Association officers are currently on the board of directors for the Ag Development Association. Ag Development is involved in the ongoing growth and development of a dynamic collegiate agriculture program.

- Agriculture/Community Boards/Committees – Several Association officers are members of local agricultural groups (FFA, 4-H, Ag Group, County/City Ag), as well as non-agricultural committees/boards. This exposes many existing or potential YBS producers to Farm Credit and this Association.

- TALL – The Texas Agricultural Lifetime Leadership program is sponsored by Texas A&M System AgriLife Extension Service. The Association sponsors and participates in the TALL program.

- Online Presence – The website details the Association's commitment to identify and meet the needs of young, beginning, and small operators. It features press releases on recent Association scholarship recipients, YBS programs available to applicants and the Farm Credit Young Leaders Program, to name a few. Articles targeting YBS borrowers are regularly posted to Facebook.

- Media –
  - Digital: The Association features customer stories and will provide YBS education through social media, blogs, and the website.
  - Radio: Several Association officers participate in live or recorded interviews with local radio stations to promote area agricultural (including YBS) events and programs.
  - Television: Television ads feature some of the Association's YBS borrowers.

The YBS mission is to make a concerted and cooperative effort to finance Young, Beginning or Small farmers, ranchers and producers through a program designed to meet the needs of such applicants to the fullest extent of their creditworthiness. Association loan officers will provide instruction and guidance, as prudent lenders, to young, beginning, and small farmers and ranchers in areas such as financials analysis and management and other applicable areas. Specific activities and services to be provided will include Association sponsorship, co-sponsorship, participation in, or support of programs through or with FFA, FSA, commercial banks and the Texas Cooperative Extension Service that target the YBS segment. Participation will be in the form of financial help or direct personnel participation.

Loan officers will utilize when applicable the Association YBS Loan Programs and FSA guarantee programs for qualified loan applicants. The demographics information was compiled from the USDA 2017 Ag Census. The Ag Census information is based on the number of Young, Beginning and Small operators as a percentage of total operators in the Association territory. The Association reports on the percentage of Young, Beginning and Small loans in the loan portfolio (by number) compared to the total number of loans in the portfolio. The difference in the two methods of calculation is considered to be insignificant and thus reasonable for comparison purposes. The CCO will monitor and oversee the Association YBS activity.

Quarterly reports are provided to the Association board of directors detailing the number and volume of YBS customers in the portfolio and any additional YBS activity.

Plains Land Bank, FLCA

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