Premier Farm Credit

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1ST QUARTER REPORT 2024

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

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the three months ended March 31, 2024, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2023 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2023 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

CURRENT MARKET CONDITIONS

Our local economy continues to perform well with low unemployment, strong housing demand, new business investment, and strength in the energy sector. Most producers had adequate earnings in 2023 supported by average production and strong livestock prices. Heading into early spring, production for Northeast Colorado is currently projected to be favorable. The U.S. drought monitor indicates normal conditions in our territory. The territory received much needed moisture during the past year, which alleviated the prolonged drought conditions. Snowpack in the mountains is near 100% and reservoir water supplies in our territory are full, which will provide adequate water for our irrigated producers. Except for cattle, agricultural commodity prices declined over the past year with weakened demand for grain and feed exports. The challenge of high input costs remains relevant, as does the importance of adequate production to provide positive earnings.

Although the outlook for the U.S. economy continues to remain strong in 2024, economic growth is anticipated to slow down compared to 2023 due to high interest rates, slower GDP growth, decreased consumer spending, continued global supply chain pressures, and geopolitical risks. Labor shortages normalized by the end of 2023 and unemployment remains generally low in historical context. After recording strong growth for the past two years, the farm economy is anticipated to soften in the coming year. This is primarily a result of high farming expenses, declining agricultural commodity prices, and reduced government support payments. Additionally, global conflicts have continued to put pressures on commodity prices, creating volatility and uncertainty in the markets. As a result of a tighter monetary policy contributing to a stronger dollar, inflation is projected to decline in 2024. After several increases in Fed Funds rates in 2023, the Fed kept rates steady in the first quarter of 2024, and is expected to make multiple rate cuts through the coming year.

LOAN PORTFOLIO

Loans outstanding at March 31, 2024, totaled $980.5 million, a decrease of $13.7 million, or 1.38%, from loans of $994.2 million at December 31, 2023. The decrease was primarily due to loan prepayments and principal reductions on term loans, partially offset by new loans booked.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2024, was $5.9 million, an increase of $1.4 million, or 30.35%, from the same period ended one year ago. The increase in net income was primarily attributed to higher net interest income, reduced provisions for credit losses, and decreased noninterest expense, which were partially offset by a decreased noninterest income.

For the three months ended March 31, 2024, net interest income was $7.5 million, an increase of $668 thousand, or 9.80%, compared with the three months ended March 31, 2023. Net interest income increased as a result of increased loan volume and higher returns on capital.

The credit loss reversal for the three months ended March 31, 2024, was $261 thousand, a decrease of $611 thousand from the provision for credit losses for the same period ended one year ago. The credit loss reversal decreased as a result of reduced specific reserves associated with nonaccrual loan volume and improved economic conditions creating a decrease in the loss rates utilized in the calculation.

Noninterest income decreased $33 thousand during the first three months of 2024 compared with the first three months of 2023 primarily due to decreases in financially related services income, loan fee income, and mineral income, which were partially offset by an increase in patronage income. Patronage distribution from Farm Credit institutions increased in the first three months ended March 31, 2024, compared with the first three months in 2023 primarily due to increased patronage from CoBank related to our direct note payable to CoBank.

We received mineral income of $137 thousand during the first three months of 2024, which is distributed to us quarterly by CoBank. The decrease for the three months ended March 31, 2024, compared with first three months of 2023 is due to lower oil and gas commodity prices paid on production.

During the first three months of 2024, noninterest expense decreased $135 thousand to $3.1 million, primarily due to decreases in salaries and employee benefits and Farm Credit Insurance Fund premiums, partially offset by increases in occupancy and equipment, purchased services, supervisory and examination costs, and other noninterest expenses. Farm Credit System Insurance Corporation (FCSIC) premiums decreased $123 thousand for the three months ended March 31, 2024 compared with the same period in 2023 due to a decrease in the insurance premium accrual assessment rate on Systemwide adjusted insured debt from 18 basis points to 10 basis points.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2024, was $221.7 million, an increase from $215.8 million at December 31, 2023. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by net stock reductions.

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

Lyndsey D. Graves
Chair of the Audit Committee
May 6, 2024

Michael Grauberger
President & CEO
May 6, 2024

Jeffrey L. Schumacher
Chief Financial Officer
May 6, 2024

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2024	December 31 2023
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 980,458**	$ 994,199
Less allowance for loan losses	**1,609**	1,888
Net loans	**978,849**	992,311
Cash	**1,631**	17,973
Accrued interest receivable	**12,149**	14,413
Investment in CoBank, ACB	**22,923**	22,870
Premises and equipment, net	**752**	782
Prepaid benefit expense	**4,473**	4,520
Other assets	**2,962**	6,472
Total assets	**$ 1,023,739**	$ 1,059,341
LIABILITIES		
Note payable to CoBank, ACB	**$ 766,910**	$ 796,455
Advance conditional payments	**29,135**	32,121
Accrued interest payable	**2,801**	2,833
Patronage distributions payable	**-**	6,750
Accrued benefits liability	**846**	1,182
Reserve for unfunded commitments	**221**	200
Other liabilities	**2,123**	4,046
Total liabilities	**$ 802,036**	$ 843,587
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**821**	828
Unallocated retained earnings	**221,314**	215,383
Accumulated other comprehensive income/(loss)	**(432)**	(457)
Total shareholders' equity	**221,703**	215,754
Total liabilities and shareholders' equity	**$ 1,023,739**	$ 1,059,341

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended March 31	
UNAUDITED	**2024**	2023
INTEREST INCOME		
Loans	**$ 15,391**	$ 12,999
Total interest income	**15,391**	12,999
INTEREST EXPENSE		
Note payable to CoBank, ACB	**7,719**	5,992
Other	**190**	193
Total interest expense	**7,909**	6,185
Net interest income	**7,482**	6,814
(Credit loss reversal)/Provision for credit losses	**(261)**	350
Net interest income after credit loss reversal/provision for credit losses	**7,743**	6,464
NONINTEREST INCOME		
Financially related services income	**80**	105
Loan fees	**117**	151
Patronage distribution from Farm Credit institutions	**929**	874
Mineral income	**137**	164
Other noninterest income	**34**	36
Total noninterest income	**1,297**	1,330
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,515**	1,628
Occupancy and equipment	**138**	105
Purchased services from AgVantis, Inc.	**611**	577
Farm Credit Insurance Fund premium	**188**	311
Supervisory and examination costs	**101**	87
Other noninterest expense	**552**	532
Total noninterest expense	**3,105**	3,240
Income before income taxes	**5,935**	4,554
Provision for income taxes	**4**	4
Net income	**5,931**	4,550
COMPREHENSIVE INCOME		
Amortization of retirement costs	**25**	30
Total comprehensive income	**$ 5,956**	$ 4,580

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2022	$ 821	$ 201,969	$ (488)	$ 202,302
Comprehensive income		4,550	30	4,580
Stock issued	9			9
Stock retired	(17)			(17)
Cumulative effect of CECL adoption		(206)		(206)
Balance at March 31, 2023	$ 813	$ 206,313	$ (458)	$ 206,668
Balance at December 31, 2023	$ 828	$ 215,383	$ (457)	$ 215,754
Comprehensive income		5,931	25	5,956
Stock issued	11			11
Stock retired	(18)			(18)
Balance at March 31, 2024	**$ 821**	**$ 221,314**	**$ (432)**	**$ 221,703**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Recently Adopted or Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2024. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations, or cash flows.

NOTE 2 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans follows:

(dollars in thousands)	**March 31, 2024**	December 31, 2023
Real estate mortgage	**$ 459,068**	$ 463,160
Production and intermediate-term	**205,625**	218,718
Agribusiness	**190,651**	189,377
Rural infrastructure	**115,165**	113,002
Agricultural export finance	**9,949**	9,942
Total loans	**$ 980,458**	$ 994,199

The Association purchases and sells 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 the balances of participations purchased and sold at March 31, 2024:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 50,613	$ 32,937
Production and intermediate-term	74,249	7,283
Agribusiness	186,552	-
Rural infrastructure	115,165	-
Agricultural export finance	9,949	-
Total	$ 436,528	$ 40,220

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. The 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% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

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 institution reviews, at least on an annual basis, or when a credit action is taken, the probability of default category.

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

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

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of:

	March 31, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**95.38%**	95.75%
OAEM	**4.02%**	3.78%
Substandard	**0.60%**	0.47%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**95.45%**	96.92%
OAEM	**2.82%**	2.23%
Substandard	**1.73%**	0.85%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.41%**	96.44%
OAEM	**1.56%**	1.33%
Substandard	**2.03%**	2.23%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**95.36%**	94.79%
OAEM	**4.28%**	5.21%
Substandard	**0.36%**	-
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**95.64%**	96.07%
OAEM	**3.28%**	3.10%
Substandard	**1.08%**	0.83%
Total	**100.00%**	100.00%

Accrued interest receivable on loans of $12.1 million at March 31, 2024 and $14.4 million at December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. The Association wrote off accrued interest receivable of $2 thousand during the first three months of 2024 and $50 thousand during the first three months of 2023.

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. The following table shows these nonperforming assets and related credit quality statistics as follows:

(dollars in thousands)	**March 31, 2024**	December 31, 2023
Nonaccrual loans		
Production and intermediate-term	**$ 1,674**	$ 1,588
Total nonperforming assets	**$ 1,674**	$ 1,588
Nonaccrual loans to total loans	**0.17%**	0.16%
Nonperforming assets to total shareholders' equity	**0.76%**	0.74%

The Association had no accruing loans 90 days or more past due or other property owned for the periods presented.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses during the period:

	March 31, 2024		
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Production and intermediate-term	$ 1,589	$ 85	$ 1,674
Total	$ 1,589	$ 85	$ 1,674

	December 31, 2023		
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Production and intermediate-term	$ 301	$ 1,287	$ 1,588
Total	$ 301	$ 1,287	$ 1,588

The Association had no interest income recognized on nonaccrual loans during the three months ended March 31, 2024 or March 31, 2023.

The following tables provide an age analysis of past due loans at amortized cost:

	March 31, 2024					
(dollars in thousands)	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	$ -	$ -	$ -	$ 459,068	$ 459,068	$ -
Production and intermediate-term	532	1,583	2,115	203,510	205,625	-
Agribusiness	-	-	-	190,651	190,651	-
Rural infrastructure	-	-	-	115,165	115,165	-
Agricultural export finance	-	-	-	9,949	9,949	-
Total	$ 532	$ 1,583	$ 2,115	$ 978,343	$ 980,458	$ -

	December 31, 2023					
(dollars in thousands)	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	$ -	$ -	$ -	$ 463,160	$ 463,160	$ -
Production and intermediate-term	1,748	-	1,748	216,970	218,718	-
Agribusiness	-	-	-	189,377	189,377	-
Rural infrastructure	-	-	-	113,002	113,002	-
Agricultural export finance	-	-	-	9,942	9,942	-
Total	$ 1,748	$ -	$ 1,748	$ 992,451	$ 994,199	$ -

Loan Modifications to Borrowers Experiencing Financial Difficulty

The Association did not have any loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2024 or March 31, 2023.

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

	Payment Status of Modified Loans		
	During the Past Twelve Months Ended March 31, 2024		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Agribusiness	$ 466	$ -	$ -
Total	$ 466	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the year ended December 31, 2023 were $404 thousand.

The Association had no loans held for sale at March 31, 2024 and December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of the loans 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. The Association uses a single economic scenario over a reasonable and supportable forecast period of 12 months. Subsequent to the forecast period, the Association explicitly reverts to long run historical loss experience beyond the 12 months to inform the estimate of losses for the remaining contractual life of the loan portfolio. The economic forecasts are updated on a quarterly basis and incorporate macroeconomic variables such as agricultural commodity prices, unemployment rates, Gross Domestic Product (GDP) annual growth rates, government spending to GDP, real consumer spending, United States exports, inflation, and Fed Funds rates.

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% of the Association's lending and leasing limit base but the Association's board of directors has generally established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities.

A summary of changes in the allowance for loan losses is as follows:

(dollars in thousands)	Balance at December 31, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2024
Real estate mortgage	$ 40	$ -	$ -	$ -	$ 40
Production and intermediate-term	600	-	1	144	745
Agribusiness	105	-	2	8	115
Rural infrastructure	1,143	-	-	(434)	709
Total	$ 1,888	$ -	$ 3	$ (282)	$ 1,609

(dollars in thousands)	Balance at December 31, 2022	Cumulative Effect of CECL Adoption	Balance at January 1, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2023
Real estate mortgage	$ 87	$ (44)	$ 43	$ -	$ -	$ (4)	$ 39
Production and intermediate-term	241	(85)	156	-	-	798	954
Agribusiness	920	91	1,011	-	-	(337)	674
Rural infrastructure	71	228	299	-	-	20	319
Agricultural export finance	2	(2)	-	-	-	-	-
Total	$ 1,321	$ 188	$ 1,509	$ -	$ -	$ 477	$ 1,986

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

(dollars in thousands)	For the Three Months Ended March 31, 2024
Balance at beginning of period	$ 200
Provision for reserve for unfunded commitments	21
Total	$ 221

(dollars in thousands)	For the Three Months Ended March 31, 2023
Balance at beginning of period	$ 272
Cumulative Effect of CECL Adoption	19
Balance at January 1	$ 291
Reversal of reserve for unfunded commitments	(127)
Total	$ 164

NOTE 3 – CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	As of March 31, 2024	As of December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.56%	17.59%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.56%	17.59%	6.0%	2.5%	8.5%
Total capital ratio	17.75%	17.81%	8.0%	2.5%	10.5%
Permanent capital ratio	17.59%	17.63%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.39%	19.46%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.30%	19.38%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following table presents the activity in the accumulated other comprehensive income/loss, net of tax by component:

(dollars in thousands)	For the Three Months Ended March 31 **2024**	2023
Pension and other benefit plans:		
Beginning balance	**$ (457)**	$ (488)
Other comprehensive income before reclassifications	**-**	-
Amounts reclassified from accumulated other comprehensive income/loss	**25**	30
Net current period other comprehensive income/(loss)	**25**	30
Ending balance	**$ (432)**	$ (458)

The following table represents reclassifications out of accumulated other comprehensive loss:

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss — For the Three Months Ended March 31 **2024**	2023	Location of Gain/Loss Recognized in Statement of Income
Pension and other benefit plans:			
Net actuarial loss	**$ 25**	$ 30	Salaries and employee benefits
Total reclassifications	**$ 25**	$ 30	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2023 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

(dollars in thousands)	**Fair Value Measurement Using** **Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets held in nonqualified benefits trusts				
March 31, 2024	**$ 921**	**$ -**	**$ -**	**$ 921**
December 31, 2023	$ 820	$ -	$ -	$ 820

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2024 or December 31, 2023.

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

(dollars in thousands)	**Fair Value Measurement Using** **Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
March 31, 2024				
Loans	**$ -**	**$ -**	**$ 1,130**	**$ 1,130**
December 31, 2023				
Loans	$ -	$ -	$ 1,130	$ 1,130

With regard to 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 takes into account unobservable inputs such as income and expense, comparable sales, replacement cost, and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2024 or December 31, 2023.

Valuation Techniques

As more fully discussed in Note 2 of the 2023 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

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

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans. 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 6, 2024, which is the date the financial statements were issued, and no material subsequent events were identified.