



PROUD MEMBER OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

For the Quarter Ended September 30, 2024

REPORT OF MANAGEMENT

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



Jeff Norte,
Chief Executive Officer



John Malazzo,
Chairman, Board of Directors



Sally Lawson,
Chief Financial Officer

November 8, 2024

Third Quarter 2024 Financial Report

Table of Contents

Management's Discussion and Analysis.....	4
Consolidated Balance Sheets.....	8
Consolidated Statements of Comprehensive Income.....	9
Consolidated Statements of Changes in Members' Equity.....	10
Notes to the Consolidated Financial Statements.....	11

**MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)**

The following commentary reviews the financial performance of Capital Farm Credit, ACA, referred to as the association, for the quarter ended September 30, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 Annual Report to Stockholders. The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder. The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA. The consolidated financial statements were prepared under the oversight of the association’s audit committee.

Agriculture conditions deteriorated during the third quarter in Texas due to dry conditions throughout much of the state and adverse conditions along the coastal bend due to Hurricane Beryl. Low commodity prices for row crops and high input costs persist adding to the difficulties facing farmers across the state. Cattle prices continue to be strong and improvement in Class III milk price has improved the dairy outlook for the year. Rural land values and real cash rents declined slight over the quarter.

At the September meeting of the Federal Open Market Committee, the Committee lowered the federal funds rate range to 4.75 to 5.00 percent. This is the first reduction since March 2020. While the inflation rate has not dropped to their target of 2.00 percent, the committee believes inflation will continue to trend in that direction. Job growth in Texas at 2.2 percent continues to outpace the U.S. rate of 1.4 percent. Manufacturing production expanded slightly in Texas and exports remain strong.

Rating Agency Actions

Fitch Ratings Actions

On December 20, 2023, Fitch reaffirmed the association’s “BBB” with a stable outlook rating.

S&P Global Rating Actions

On December 8, 2023, S&P reaffirmed the association’s “BBB” with a stable outlook rating.

Corporate Headquarters

In September 2024, the association relocated its corporate headquarters and credit office to its new building in College Station, Texas.

Patronage Refunds by Association

The board of directors approved a \$243,498 patronage distribution for 2023. Of that amount, \$118,791 of this distribution was paid in cash in March 2024, and \$124,707 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. It is the board’s intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Though there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association’s capital position and determine if some cash retirements of these equities can be made. In 2022, the board of directors approved a \$270,028 patronage distribution, with cash patronage payable of \$127,595 and \$142,433 in nonqualified allocations. In March 2023, the association finalized the computation of these distributions, which resulted in an increase in cash patronage payable of \$1 for an actual cash distribution of \$127,596, and a decrease of nonqualified allocated equities of \$1 for a final allocation of \$142,432.

In October 2023, the board of directors approved a resolution to retire \$70,065 in nonqualified allocated equities, which were paid to the recipients in November 2023. The retirement was a distribution of all earnings allocated in 2014. In September 2022, the board of directors approved a resolution to retire \$59,747 in nonqualified allocated equities which was paid to the recipients in November 2022. The retirement was a distribution of the remaining earnings allocated in 2013.

Loan Portfolio

Total loans outstanding at September 30, 2024, including nonperforming loans, were \$12,727,198 compared to \$12,121,901 at December 31, 2023, reflecting an increase of \$605,297, or approximately 5.0 percent, with increases in the real estate mortgage, farm-related business, production and intermediate term, water and waste disposal and energy, offset by decreases in communication, rural residential real estate, lease receivable, and mission-related investments industries. The association has experienced moderate growth during the first three quarters of 2024.

The association's portfolio quality remains strong with credit quality of 96.8 percent acceptable at September 30, 2024, compared to 97.3 percent at December 31, 2023. Substandard loans increased slightly from 1.0 percent at December 31, 2023 to 1.4 percent at September 30, 2024, and other assets especially mentioned increased from 1.7 percent at December 31, 2023 to 1.8 percent at September 30, 2024. The association recorded \$970 in recoveries and \$9,408 in charge-offs for the nine months ended September 30, 2024, and \$198 in recoveries and \$2,542 in charge-offs for the same period in 2023. The charge-offs in 2024 were primarily related to one relationship. The association's allowance for loan losses was 0.3 percent of total loans outstanding as of September 30, 2024, and at 0.2 percent at December 31, 2023.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, and other property owned. The following table summarizes the association's components and trends of high-risk assets:

	September 30, 2024	%	December 31, 2023	%
Nonaccrual loans	\$ 27,137	73.5	\$ 36,009	60.8
Loans 90 days past due and still accruing interest	1,061	2.9	-	-
Other property owned, net	8,698	23.6	23,177	39.2
Total	\$ 36,896	100.0	\$ 59,186	100.0

Nonaccrual loans decreased \$8,872 during the nine months ended September 30, 2024, with decreases in farm-related business, production and intermediate-term, and energy industries, partially offset by increases in the real estate mortgage and rural residential real estate industries. Nonaccrual loans were 0.2 percent of total loans outstanding at September 30, 2024 and 0.3 percent December 31, 2023.

Loans that are 90 or more days past due and still accruing interest increased \$1,061 in the nine months ended September 30, 2024 in the real estate mortgage and production and intermediate-term industries. These loans have a documented plan that details how and when the amount owed will be paid.

Other property owned decreased \$14,479 during the nine months of 2024. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices that are in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with distressed customers and industries through periods of adversity.

Results of Operations

The association had net income of \$211,370 and \$69,213 for the nine and three months ended September 30, 2024, compared to net income of \$203,846 and \$55,481 for the same periods in 2023, reflecting increases of \$7,524 and \$13,732 or 3.7 percent and 24.8 percent, respectively. The increase in net income for the nine month period ended September 30, 2024, was primarily attributable to an increase in interest income of \$77,369 or 14.7 percent, offset by increases in interest expense of \$66,851 or 25.0 percent, an increase in provision for loan losses of \$1,474 or 16.2 percent, a decrease in noninterest income of \$1,522 or 2.7 percent, and an increase in noninterest expenses of \$3 or 0.0 percent for the same period in the prior year. The increase in net income for the three month period ended September 30, 2024, was attributable to an increase in interest income of \$24,179 or 13.2 percent, a decrease in the provision for loan losses of \$1,007 or 31.0 percent and an increase in noninterest income of \$10,126 or 241.2 percent, offset by an increase in interest expense of \$21,253 or 22.2 percent, and an increase in noninterest expenses of \$332 or 1.0 percent compared to the same period of 2023.

Net interest income was \$270,090 and \$90,884 for the nine and three months ended September 30, 2024, compared to \$259,572 and \$87,958 for the same periods in 2023, respectively, reflecting an increase of \$10,518 and \$2,926 or 4.1 percent and 3.3 percent, respectively. Interest income for the nine and three months ended September 30, 2024, increased by \$77,369 and \$24,179 or 14.7 or 13.2 percent, respectively, from the same periods of 2023, primarily as a result of an increase in average earning assets of \$690,944 for the nine month period ended September 30, 2024, and an increase in interest rates. Interest expense for the nine and three months ended September 30, 2024, increased by \$66,851 and \$21,253 or 25.0 and 22.2 percent, respectively, from the same periods of 2023, due to an increase in the direct note and an increase in interest rates.

The effects of changes in average volume and interest rates on net interest income in the nine months ended September 30, 2024, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the nine months ended September 30, 2024		For the nine months ended September 30, 2023	
	Average Balance	Interest	Average Balance	Interest
Accrual loans and investments	\$ 12,341,765	\$ 604,458	\$ 11,650,821	\$ 527,089
Interest-bearing liabilities	10,794,571	334,368	10,088,067	267,517
Impact of capital	\$ 1,547,194		\$ 1,562,754	
Net interest income		\$ 270,090		\$ 259,572
	Average Yield		Average Yield	
Yield on loans	6.54%		6.05%	
Cost of interest-bearing Liabilities	4.14%		3.55%	
Net interest spread	2.40%		2.50%	
Net interest income as a percentage of average earning assets	2.92%		2.98%	

	For the nine months ended 2024 vs. 2023		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income	\$ 31,287	\$ 46,082	\$ 77,369
Interest expense	18,752	48,099	66,851
Net interest income	\$ 12,535	\$ (2,017)	\$ 10,518

The association's noninterest income for the nine months ended September 30, 2024, decreased \$1,522 or 2.7 percent and increased \$10,126 or 241.2 percent for the three months ended September 30, 2024, compared to the same periods in 2023. The decrease in the nine months ended September 30, 2024, is primarily a result of a decrease in other noninterest income of \$5,324 or 31.2 percent, offset by increases in loan fees of \$2,109 or 45.6 percent, increases in the accrual of patronage from the bank of \$1,189 or 3.7 percent, an increase in financially related services income of \$734 or 61.5 percent and an increase in the gain on sale of premises and equipment of \$113 or 10.5 percent. The increase in the three months ended September 30, 2024, is primarily a result of an increase in the accrual of patronage from the bank of \$15,163 or 378.1 percent, an increase in loan fees of \$761 or 45.1 percent and an increase in gain on other property owned of \$409 or 100.0 percent, offset by a decrease in other noninterest income of \$5,795 or 101.5 percent, decreases in financially related services income of \$240 or 48.1 percent, and a decrease in gain on sale of premises and equipment of \$172 or 54.4 percent, over the same period of 2023.

Noninterest expenses for the nine and three months ended September 30, 2024, increased by \$3 and \$332 or 0.0 and 1.0 percent, respectively, from the same periods of 2023. The increase in the nine month period is primarily driven by an increase in salaries and employee benefits of \$1,594 or 2.5 percent, an increase in occupancy and equipment of \$1,590 or 30.7 percent, offset by decreases in insurance fund premiums as a result of lower rates of \$5,253 or 40.6 percent, a decrease in advertising of \$628 or 16.4 percent and a decrease in communications of \$53 or 6.2 percent. The increase in the three month period is primarily driven by an increase in salaries and employee benefits of \$1,369 or 6.6 percent offset by a decrease in insurance fund premiums of \$1,720 or 39.6 percent for the same period of 2023.

The association's return on average assets for the nine months ended September 30, 2024, was 2.2 percent and 2.3 percent for the same period of 2023. The association's return on average equity for the nine months ended September 30, 2024, was 14.8 percent, compared to 14.9 percent for the same period in 2023.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the bank, which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the association's borrowings.

	<u>September 30, 2024</u>	December 31, 2023
Note payable to the bank	\$11,100,566	\$10,524,700
Accrued interest on note payable	39,132	34,372
Total	<u>\$11,139,698</u>	<u>\$10,559,072</u>

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of \$11,100,566 as of September 30, 2024, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 4.3 percent at September 30, 2024. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase in note payable to the bank since December 31, 2023, is due to the association's increase in loan volume. The increase in accrued interest on the note payable is the result of the increase in the interest rate from 4.0 percent at December 31, 2023 to 4.3 percent at September 30, 2024 and an increase in the direct note. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$1,624,167 at September 30, 2024. The maximum amount the association may borrow from the bank as of September 30, 2024, was \$12,657,961 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

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

Capital Resources and Regulatory Matters

The association's capital position increased by \$203,986 or 11.4 percent at September 30, 2024, compared to December 31, 2023 primarily as a result of net earnings for the period offset by dividend payments. The association's debt as a percentage of members' equity was 5.62:1 as of September 30, 2024, compared to 6.01:1 percent as of December 31, 2023. Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. The regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio remains in effect, with some modifications to align with the new regulations. As of September 30, 2024, the association exceeded all regulatory capital requirements. For more information, see Note 4-"Members Equity" in the accompanying financial statements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Relationship with the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2023 Annual Report of Capital Farm Credit more fully describe the association's relationship with the bank.

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, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the bank are also available on its website at www.farmcreditbank.com.

The association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its website at www.capitalfarmcredit.com or can be requested by emailing Javier.Lemus@capitalfarmcredit.com.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
<u>ASSETS</u>		
Loans	\$ 12,727,198	\$ 12,121,901
Less: Allowance for losses	(32,198)	(30,106)
Net Loans	12,695,000	12,091,795
Accrued interest receivable	126,120	108,578
Investment in and receivable from the bank:		
Capital stock	204,366	204,642
Receivable	42,043	23,531
Investment in Rural Business Investment Company (RBIC)	8,250	12,581
Investments in other Farm Credit Institutions	35,353	29,304
Other property owned, net	8,698	23,177
Premises and equipment, net	87,965	69,070
Right of use asset - leases	5,610	6,542
Other assets	19,677	19,704
 Total assets	\$ 13,233,082	\$ 12,588,924
<u>LIABILITIES</u>		
Note payable to the bank	\$ 11,100,566	\$ 10,524,700
Advanced conditional payments	13,907	10,310
Accrued interest payable	39,132	34,372
Lease liabilities	5,932	6,813
Drafts outstanding	486	555
Patronage distributions payable	7	118,797
Unfunded post retirement medical obligations	22,319	21,925
Reserve for unfunded commitments	477	415
Other liabilities	49,809	74,576
 Total liabilities	11,232,635	10,792,463
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	28,301	28,018
Preferred stock	200,000	200,000
Non-qualified allocated retained earnings	940,472	940,473
Unallocated retained earnings	828,989	625,119
Accumulated other comprehensive income	2,685	2,851
 Total members' equity	2,000,447	1,796,461
 Total liabilities and members' equity	\$ 13,233,082	\$ 12,588,924

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(UNAUDITED)

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<u>Interest Income</u>				
Total interest income	\$ 207,686	\$ 183,507	\$ 604,458	\$ 527,089
<u>Interest Expense</u>				
Note Payable to the bank	116,708	95,448	334,091	267,285
Advance conditional payments	94	101	277	232
Total interest expense	116,802	95,549	334,368	267,517
Net interest income	90,884	87,958	270,090	259,572
<u>Provision for Loan Losses</u>				
Provision for loan losses	2,241	3,248	10,592	9,118
Net interest income after provision for losses	88,643	84,710	259,498	250,454
<u>Noninterest Income</u>				
Patronage income from the bank	11,153	(4,010)	33,052	31,863
Loan fees	2,447	1,686	6,738	4,629
Financially related services income	259	499	1,927	1,193
Gain on sale of premises and equipment, net	144	316	1,186	1,073
Gain on other property owned, net	409	-	155	498
Other noninterest income/ (loss)	(87)	5,708	11,741	17,065
Total noninterest income	14,325	4,199	54,799	56,321
<u>Noninterest Expense</u>				
Salaries and employee benefits	22,269	20,900	65,568	63,974
Insurance fund premium	2,620	4,340	7,672	12,925
Occupancy and equipment	2,216	1,746	6,767	5,177
Purchased services	898	954	3,390	2,947
Advertising	1,012	1,421	3,207	3,835
Public and member relations	795	762	3,129	3,116
Travel	1,054	1,066	2,881	2,825
Data processing	672	565	2,067	1,620
Supervisory and exam expense	684	607	2,053	1,820
Training	670	305	1,864	750
Business insurance expense	-	2	1,484	1,336
Director's expense	310	249	1,080	945
Communications	227	231	798	851
Loss on other property owned, net	-	18	-	-
Other noninterest expenses	325	254	965	801
Total noninterest expenses	33,752	33,420	102,925	102,922
Income before income tax	69,216	55,489	211,372	203,853
Provision for (benefit from) income taxes	3	8	2	7
Net income	\$ 69,213	\$ 55,481	\$ 211,370	\$ 203,846
<u>Other comprehensive (loss)</u>				
Change in postretirement benefit plans	(55)	(73)	(166)	(220)
Income tax expense related items of other comprehensive income	-	-	-	-
Other comprehensive (loss), net of tax	(55)	(73)	(166)	(220)
COMPREHENSIVE INCOME	\$ 69,158	\$ 55,408	\$ 211,204	\$ 203,626

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Non-qualified Allocated	Unallocated		
Balance at December 31, 2022	\$ 28,337	\$ 200,000	\$ 885,831	\$ 610,986	\$ 3,193	\$ 1,728,347
Cumulative effect of implementation of CECL				\$ (2,684)		\$ (2,684)
Balance at January 1, 2023	\$ 28,337	\$ 200,000	\$ 885,831	\$ 608,302	\$ 3,193	\$ 1,725,663
Net income	-	-	-	203,846	-	203,846
Other comprehensive income	-	-	-	-	(220)	(220)
Capital stock/participation certificates issued	2,432	-	-	-	-	2,432
Capital stock/participation certificates/ allocated equities retired	(2,752)	-	-	-	-	(2,752)
Preferred stock dividends	-	-	-	(7,500)	-	(7,500)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualified allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	(1)	-	-	(1)
Balance at September 30, 2023	28,017	200,000	885,830	804,648	2,973	1,921,468
Net income	-	-	-	66,470	-	66,470
Other comprehensive income	-	-	-	-	(122)	(122)
Capital stock/participation certificates issued	741	-	-	-	-	741
Capital stock/participation certificates/ allocated equities retired	(740)	-	(70,065)	-	-	(70,805)
Preferred stock dividends	-	-	-	(2,500)	-	(2,500)
Patronage distributions declared:						
Cash	-	-	-	(118,791)	-	(118,791)
Nonqualified allocations	-	-	124,707	(124,707)	-	-
Change in patronage declared and paid	-	-	1	(1)	-	-
Balance at December 31, 2023	28,018	200,000	940,473	625,119	2,851	1,796,461
Net income	-	-	-	211,370	-	211,370
Other comprehensive loss	-	-	-	-	(166)	(166)
Capital stock/participation certificates issued	2,510	-	-	-	-	2,510
Capital stock/participation certificates/ allocated equities retired	(2,227)	-	-	-	-	(2,227)
Preferred stock dividends	-	-	-	(7,500)	-	(7,500)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualified allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	(1)	-	-	(1)
Balance at September 30, 2024	\$ 28,301	\$ 200,000	\$ 940,472	\$ 828,989	\$ 2,685	\$ 2,000,447

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

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called 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 192 counties in the state of Texas. The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act), to meet the needs of American agriculture.

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 Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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 Stockholders. 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. Certain amounts in the prior period’s financial statements have been reclassified to the current period’s financial statement presentation.

Recently Adopted 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 enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. 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.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker (“CODM”) and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The association is currently assessing the potential impact of this standard on its disclosures.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	September 30, 2024	%	December 31, 2023	%
Real estate mortgage	\$ 9,173,358	72.1	\$ 8,830,351	72.9
Production and intermediate term	1,781,969	14.0	1,711,271	14.1
Farm-related business	1,238,348	9.7	1,063,487	8.8
Communication	207,568	1.6	211,603	1.7
Energy	179,026	1.4	144,451	1.2
Rural residential real estate	76,116	0.6	86,726	0.7
Water and waste disposal	51,971	0.4	51,751	0.4
Lease receivables	17,192	0.2	20,532	0.2
Mission-related investments	1,650	0.0	1,729	0.0
Total	\$ 12,727,198	100.0	\$ 12,121,901	100.0

At September 30, 2024, the association held two transactions, which are reported as loans on the consolidated balance sheet totaling \$1,650 and with \$0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against loans as presented on the balance sheet. The association held 61,595 and \$80,752 in funds which were netted against the loan balance at September 30, 2024 and December 31, 2023, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were \$13,907 and \$10,310 on the balance sheet at September 30, 2024 and December 31, 2023, respectively.

The association purchases or sells participation interests in loans with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold as of September 30, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Real estate mortgage	\$ 329,885	\$ 1,326,740	\$ -	\$ -	\$ 329,885
Production and Intermediate-term	858,144	1,328,107	10,614	11,538	868,758	1,339,645
Farm-related business	933,945	141,793	733	-	934,678	141,793
Communication	207,568	-	-	-	207,568	-
Energy	179,026	-	-	-	179,026	-
Water and waste disposal	51,971	-	-	-	51,971	-
Lease receivables	17,192	-	-	-	17,192	-
Mission-related investments	1,650	-	-	-	1,650	-
Total	\$ 2,579,381	\$ 2,796,640	\$ 11,347	\$ 11,538	\$ 2,590,728	\$ 2,808,178

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

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 related amortized cost loan balance as of :

September 30, 2024	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total	September 30, 2024
	2024	2023	2022	2021	2020	Prior				
Real estate mortgage										
Acceptable	\$ 1,056,176	\$ 1,052,483	\$ 1,348,083	\$ 2,185,063	\$ 1,267,027	\$ 2,018,796	\$ 13,786	\$ 64,678	\$ 9,006,092	98.2%
OAEM	9,387	14,033	8,922	16,939	8,078	31,457	-	161	88,977	1.0%
Substandard/Doubtful	4,246	6,892	11,219	11,812	19,643	20,634	3,843	-	78,289	0.8%
Total	\$ 1,069,809	\$ 1,073,408	\$ 1,368,224	\$ 2,213,814	\$ 1,294,748	\$ 2,070,887	\$ 17,629	\$ 64,839	\$ 9,173,358	100.0%
Current period gross charge-offs	1	4	5	80	1	22	-	-	113	
Production and intermediate-term										
Acceptable	233,591	158,793	153,171	101,243	28,445	84,602	906,716	15,322	1,681,883	94.4%
OAEM	1,583	8,813	468	227	198	794	43,477	-	55,560	3.1%
Substandard/Doubtful	275	411	761	803	1,034	1,203	40,039	-	44,526	2.5%
Total	235,449	168,017	154,400	102,273	29,677	86,599	990,232	15,322	1,781,969	100.0%
Current period gross charge-offs	-	-	78	13	-	1	239	-	331	
Farm-related business										
Acceptable	105,753	137,885	198,123	98,617	58,737	111,291	350,408	54,177	1,114,991	90.0%
OAEM	2,095	-	-	10,395	16,180	28,536	21,690	335	79,231	6.4%
Substandard/Doubtful	-	4,020	-	8,695	15,751	1,484	14,176	-	44,126	3.6%
Total	107,848	141,905	198,123	117,707	90,668	141,311	386,274	54,512	1,238,348	100.0%
Current period gross charge-offs	-	48	-	5,623	-	-	3,282	-	8,953	
Communication										
Acceptable	39,131	33,539	30,125	66,978	9,848	21,361	4,863	-	205,845	99.2%
OAEM	1,723	-	-	-	-	-	-	-	1,723	0.8%
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	40,854	33,539	30,125	66,978	9,848	21,361	4,863	-	207,568	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Energy										
Acceptable	22,766	6,813	31,143	35,000	-	27,385	46,269	9,298	178,674	99.8%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	352	-	-	352	0.2%
Total	22,766	6,813	31,143	35,000	-	27,737	46,269	9,298	179,026	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Rural residential real estate										
Acceptable	-	246	9,339	18,809	15,285	30,592	-	-	74,271	97.6%
OAEM	-	-	155	91	359	738	-	-	1,343	1.8%
Substandard/Doubtful	-	-	-	220	125	157	-	-	502	0.6%
Total	-	246	9,494	19,120	15,769	31,487	-	-	76,116	100.0%
Current period gross charge-offs	-	-	-	2	-	9	-	-	11	
Water and Waste Disposal Loans										
Acceptable	1,520	13,068	35,699	-	1,269	-	415	-	51,971	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	1,520	13,068	35,699	-	1,269	-	415	-	51,971	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Lease										
Acceptable	76	2,689	2,365	283	41	3,070	-	-	8,524	49.6%
OAEM	-	1,439	-	104	-	2,269	-	-	3,812	22.2%
Substandard/Doubtful	-	-	74	3,686	1,096	-	-	-	4,856	28.2%
Total	76	4,128	2,439	4,073	1,137	5,339	-	-	17,192	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Mission Related Loans										
Acceptable	-	-	-	-	-	1,650	-	-	1,650	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,650	-	-	1,650	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Total Loans										
Acceptable	\$ 1,459,013	\$ 1,405,516	\$ 1,808,048	\$ 2,505,993	\$ 1,380,652	\$ 2,298,747	\$ 1,322,457	\$ 143,475	\$ 12,323,901	96.8%
OAEM	14,788	24,285	9,545	27,756	24,815	63,794	65,167	496	230,646	1.8%
Substandard/Doubtful	4,521	11,323	12,054	25,216	37,649	23,830	58,058	-	172,651	1.4%
Total	\$ 1,478,322	\$ 1,441,124	\$ 1,829,647	\$ 2,558,965	\$ 1,443,116	\$ 2,386,371	\$ 1,445,682	\$ 143,971	\$ 12,727,198	100.0%
Total current period gross charge-	\$ 1	\$ 52	\$ 83	\$ 5,718	\$ 1	\$ 32	\$ 3,521	\$ -	\$ 9,408	

December 31, 2023	Term Loans by Origination Year						Revolving Loans			December 31, 2023
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Converted to Term Loans	Total	
Real estate mortgage										
Acceptable	\$ 1,136,168	\$ 1,471,279	\$ 2,367,765	\$ 1,374,759	\$ 568,251	\$ 1,711,142	\$ 226	\$ 51,013	\$ 8,680,603	98.3%
OAEM	11,556	10,825	15,168	27,715	13,660	18,498	-	174	97,596	1.1%
Substandard/Doubtful	2,474	15,590	8,682	5,588	5,435	10,541	3,842	-	52,152	0.6%
Total	\$ 1,150,198	\$ 1,497,694	\$ 2,391,615	\$ 1,408,062	\$ 587,346	\$ 1,740,181	\$ 4,068	\$ 51,187	\$ 8,830,351	100.0%
Current period gross charge-offs	-	-	6	1	78	11	-	-	96	
Production and intermediate-term										
Acceptable	258,481	176,169	110,457	42,196	39,578	70,680	935,600	15,473	1,648,634	96.3%
OAEM	8,355	576	143	300	698	220	38,936	-	49,228	2.9%
Substandard/Doubtful	2,732	288	1,033	1,129	227	1,507	6,493	-	13,409	0.8%
Total	269,568	177,033	111,633	43,625	40,503	72,407	981,029	15,473	1,711,271	100.0%
Current period gross charge-offs	-	-	-	-	13	-	2,299	-	2,312	
Farm-related business										
Acceptable	144,040	199,171	171,509	63,187	55,176	63,487	248,944	34,095	979,609	92.1%
OAEM	-	533	6,098	10,594	-	8,640	8,486	366	34,717	3.3%
Substandard/Doubtful	2,881	-	14,615	16,948	3,446	1,610	9,661	-	49,161	4.6%
Total	146,921	199,704	192,222	90,729	58,622	73,737	267,091	34,461	1,063,487	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Communication										
Acceptable	30,251	37,114	73,824	22,980	21,523	-	5,315	-	191,007	90.3%
OAEM	-	14,905	-	5,397	-	-	294	-	20,596	9.7%
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	30,251	52,019	73,824	28,377	21,523	-	5,609	-	211,603	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Energy										
Acceptable	5,838	36,523	35,868	-	-	28,414	27,757	9,558	143,958	99.7%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	493	-	-	493	0.3%
Total	5,838	36,523	35,868	-	-	28,907	27,757	9,558	144,451	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Rural residential real estate										
Acceptable	419	11,041	21,360	17,784	7,952	26,714	-	-	85,270	98.3%
OAEM	-	13	100	470	-	620	-	-	1,203	1.4%
Substandard/Doubtful	-	54	-	-	-	199	-	-	253	0.3%
Total	419	11,108	21,460	18,254	7,952	27,533	-	-	86,726	100.0%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Water and Waste Disposal Loans										
Acceptable	14,489	35,957	-	1,305	-	-	-	-	51,751	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	14,489	35,957	-	1,305	-	-	-	-	51,751	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Lease Receivables										
Acceptable	4,647	3,383	759	259	-	3,931	-	-	12,979	63.2%
OAEM	-	-	151	1,222	-	2,532	-	-	3,905	19.0%
Substandard/Doubtful	-	-	3,648	-	-	-	-	-	3,648	17.8%
Total	4,647	3,383	4,558	1,481	-	6,463	-	-	20,532	100.0%
Current period gross charge-offs	-	-	-	-	-	1,309	-	-	1,309	
Mission Related Loans										
Acceptable	-	-	-	-	-	1,729	-	-	1,729	100%
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,729	-	-	1,729	100%
Current period gross charge-offs	-	-	-	-	-	-	-	-	-	
Total Loans										
Acceptable	\$ 1,594,333	\$ 1,970,637	\$ 2,781,542	\$ 1,522,470	\$ 692,480	\$ 1,906,097	\$ 1,217,842	\$ 110,139	\$ 11,795,540	97.3%
OAEM	19,911	26,852	21,660	45,698	14,358	30,510	47,716	540	207,245	1.7%
Substandard/Doubtful	8,087	15,932	27,978	23,665	9,108	14,350	19,996	-	119,116	1.0%
Total	\$ 1,622,331	\$ 2,013,421	\$ 2,831,180	\$ 1,591,833	\$ 715,946	\$ 1,950,957	\$ 1,285,554	\$ 110,679	\$ 12,121,901	100.0%
Total current period gross charge-offs	\$ -	\$ -	\$ 6	\$ 1	\$ 91	\$ 1,320	\$ 2,299	\$ -	\$ 3,717	

Accrued interest receivable on loans of \$126,120 and \$108,578 at September 30, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheet. The association wrote off accrued interest receivable of \$216 and \$60 for the nine and three months ended September 30, 2024, respectively, compared to \$172 and \$105 for the same periods of 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more delinquent, and other property owned and related credit quality statistics:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Nonaccrual loans:		
Real estate mortgage	\$ 19,079	\$ 15,505
Production and intermediate-term	3,256	3,741
Farm-related business	4,173	16,172
Energy	352	493
Rural residential real estate	277	98
Total nonaccrual loans	<u>\$ 27,137</u>	<u>\$ 36,009</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	\$ 505	\$ -
Production and intermediate-term	556	-
Total accruing loans 90 days or more past due	<u>\$ 1,061</u>	<u>\$ -</u>
Total nonperforming loans	\$ 28,198	\$ 36,009
Other property owned	8,698	23,177
Total nonperforming assets	<u>\$ 36,896</u>	<u>\$ 59,186</u>
Nonaccrual loans as a percentage of total loans	0.21%	0.30%
Nonperforming assets as a percentage of total loans and other property owned	0.29%	0.49%
Nonperforming assets as a percentage of capital	1.84%	3.29%

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:

	<u>September 30, 2024</u>			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Nonaccrual loans:					
Real estate mortgage	\$ 210	\$ 18,869	\$ 19,079	\$ 326	\$ 977
Production and intermediate-term	1,118	2,138	3,256	(53)	413
Farm-related business	-	4,173	4,173	-	26
Energy	352	-	352	-	-
Rural residential real estate	-	277	277	4	14
Lease receivables	-	-	-	(128)	-
Total nonaccrual loans	<u>\$ 1,680</u>	<u>\$ 25,457</u>	<u>\$ 27,137</u>	<u>\$ 149</u>	<u>\$ 1,430</u>

	<u>December 31, 2023</u>			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 15,505	\$ 15,505	\$ 152	\$ 851
Production and intermediate-term	1,505	2,236	3,741	19	188
Farm-related business	10,341	5,831	16,172	221	830
Energy	493	-	493	-	-
Rural residential real estate	-	98	98	4	13
Total nonaccrual loans	<u>\$ 12,339</u>	<u>\$ 23,670</u>	<u>\$ 36,009</u>	<u>\$ 396</u>	<u>\$ 1,882</u>

The following table provides an aging analysis of past due loans at amortized cost by portfolio segment as of:

<u>September 30, 2024</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or less than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Loans > 90 Days and Accruing</u>
Real estate mortgage	\$ 101,162	\$ 9,267	\$ 110,429	\$ 9,062,929	\$ 9,173,358	\$ 505
Production and intermediate-term	5,681	1,558	7,239	1,774,730	1,781,969	556
Farm-related business	171	4,173	4,344	1,234,004	1,238,348	-
Communication	-	-	-	207,568	207,568	-
Energy	-	-	-	179,026	179,026	-
Rural residential real estate	1,525	206	1,731	74,385	76,116	-
Water and waste disposal	-	-	-	51,971	51,971	-
Lease receivables	1,439	-	1,439	15,753	17,192	-
Mission-related investments	-	-	-	1,650	1,650	-
Total	\$ 109,978	\$ 15,204	\$ 125,182	\$ 12,602,016	\$ 12,727,198	\$ 1,061

<u>December 31, 2023</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past</u>	<u>Total Past Due</u>	<u>Not Past Due or less than 30</u>	<u>Total Loans</u>	<u>Loans > 90 Days and Accruing</u>
Real estate mortgage	\$ 83,746	\$ 4,787	\$ 88,533	\$ 8,741,818	\$ 8,830,351	\$ -
Production and intermediate-term	19,228	315	19,543	1,691,728	1,711,271	-
Farm-related business	3,237	16,172	19,409	1,044,078	1,063,487	-
Rural residential real estate	1,278	21	1,299	85,427	86,726	-
Energy	-	-	-	144,451	144,451	-
Communication	-	-	-	211,603	211,603	-
Mission-related investments	-	-	-	1,729	1,729	-
Lease receivables	1,507	-	1,507	19,025	20,532	-
Water and waste disposal	-	-	-	51,751	51,751	-
Total	\$ 108,996	\$ 21,295	\$ 130,291	\$ 11,991,610	\$ 12,121,901	\$ -

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 and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

<u>For the Three Months Ended September 30, 2024</u>			
	<u>Payment Deferral</u>	<u>Total</u>	<u>Percentage of Total by Loan Type</u>
Real estate mortgage	\$ 12	\$ 12	0.0%
Farm-related business	1,961	1,961	0.2%
Total	\$ 1,973	\$ 1,973	0.0%

For the Nine Months Ended September 30, 2024

	Term Extension & Payment Deferral				Percentage of Total by Loan Type
	Term Extension	Payment Deferral	Payment Deferral	Total	
Real estate mortgage	\$ 2,910	\$ 12	\$ -	\$ 2,922	0.0%
Farm-related business	-	1,961	6,172	8,133	0.7%
Total	\$ 2,910	\$ 1,973	\$ 6,172	\$ 11,055	0.1%

For the Three Months Ended September 30, 2023

For the Nine Months Ended September 30, 2023

	For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2023	
	Term Extension	Percentage of Total by Loan Type	Term Extension	Percentage of Total by Loan Type
Real estate mortgage	\$ 1,526	0.0%	\$ 2,392	0.0%
Farm-related business	2,920	0.3%	2,920	0.0%
Total	\$ 4,446	0.0%	\$ 5,312	0.0%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine and three months ended September 30, 2024 was \$188 and \$56, respectively, compared to \$35 and \$59, for the same periods of 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the nine months ended September 30, 2024.

	Financial Effect		Financial Effect	
	For the Three Months Ended September 30, 2024		For the Nine Months Ended September 30, 2024	
	Payment Deferral		Payment Deferral	
Real estate mortgage	365 days		365 days	
Farm-related business	365 days		365 days	
	Term Extension		Term Extension	
Real estate mortgage	-		1,419 days	
	Combination – Term Extension and Payment Deferral		Combination – Term Extension and Payment Deferral	
Farm-related business	-		233 days	

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the nine and three months ended September 30, 2023:

	Financial Effect		Financial Effect	
	For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2023	
	Term Extension		Term Extension	
Real estate mortgage	142 days		6,706 days	
Farm-related business	356 days		28 days	

There were no modifications to borrowers experiencing financial difficulty that defaulted during the nine months ended September 30, 2024 that received a modification in the twelve months before default. There were no modifications to borrowers experiencing financial difficulty on or after January 1, 2023, the date of adoption of the guidance, “Financial Instruments-Credit Losses: Troubled Debt Restructurings and Vintage Disclosure,” that defaulted during the nine months ended September 30, 2024.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2024:

Nine Months Ended September 30, 2024			
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	\$ 2,923	\$ -	\$ -
Production and intermediate-term	2,595	-	-
Farm-related business	1,961	-	1,327
Total	\$ 7,479	\$ -	\$ 1,327

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 adoption of CECL, through September 30, 2023:

Nine Months Ended September 30, 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	\$ 2,392	\$ -	\$ -
Farm-related business	2,920	-	-
Total	\$ 5,312	\$ -	\$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2024, were \$792 and \$2,893 during the year ended December 2023.

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 boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses on loans:									
Balance at June 30, 2024	\$ 15,818	\$ 7,706	\$ 4,612	\$ 124	\$ 435	\$ 715	\$ 5	\$ 720	\$ 30,135
Charge-offs	(10)	(167)	1	-	-	-	-	-	(176)
Recoveries	-	164	198	-	-	-	-	(333)	29
Provision for (reversal of) loan losses	698	439	404	(9)	(54)	(4)	-	736	2,210
CECL Adjustment-Allowance	-	-	-	-	-	-	-	-	-
Balance at September 30, 2024	\$ 16,506	\$ 8,142	\$ 5,215	\$ 115	\$ 381	\$ 711	\$ 5	\$ 1,123	\$ 32,198
Balance at December 31, 2023	\$ 15,859	\$ 4,929	\$ 7,505	\$ 152	\$ 404	\$ 668	\$ 6	\$ 583	\$ 30,106
Charge-offs	(113)	(331)	(8,953)	(11)	-	-	-	-	(9,408)
Recoveries	1	586	383	-	-	-	-	-	970
Provision for (reversal of) loan losses	759	2,958	6,280	(26)	(23)	43	(1)	540	10,530
CECL Adjustment-Allowance	-	-	-	-	-	-	-	-	-
Balance at September 30, 2024	\$ 16,506	\$ 8,142	\$ 5,215	\$ 115	\$ 381	\$ 711	\$ 5	\$ 1,123	\$ 32,198
Balance at June 30, 2023	\$ 15,023	\$ 4,611	\$ 6,490	\$ 170	\$ 427	\$ 388	\$ 6	\$ 528	\$ 27,643
Charge-offs	(6)	-	-	-	-	-	-	(1)	(7)
Recoveries	-	5	1	-	-	-	-	-	6
Provision for (reversal of) loan losses	1,554	837	649	(9)	43	77	-	56	3,207
Balance at September 30, 2023	\$ 16,571	\$ 5,453	\$ 7,140	\$ 161	\$ 470	\$ 465	\$ 6	\$ 583	\$ 30,849
Balance at December 31, 2022	\$ 13,067	\$ 4,512	\$ 2,444	\$ 38	\$ 735	\$ 190	\$ -	\$ 400	\$ 21,386
Charge-offs	(52)	(1,780)	-	-	-	-	-	(710)	(2,542)
Recoveries	13	153	2	-	30	-	-	-	198
Provision for (reversal of) loan losses	2,502	3,318	2,904	(39)	(405)	126	-	685	9,091
CECL Adjustment-Allowance	1,041	(750)	1,790	162	110	149	6	208	2,716
Balance at September 30, 2023	\$ 16,571	\$ 5,453	\$ 7,140	\$ 161	\$ 470	\$ 465	\$ 6	\$ 583	\$ 30,849
Allowance for credit losses on unfunded commitments:									
Balance at June 30, 2024	\$ 17	\$ 239	\$ 170	\$ -	\$ 13	\$ 7	\$ -	\$ -	\$ 446
Provision for (reversal of) loan losses	2	12	16	-	1	-	-	-	31
Balance at September 30, 2024	\$ 19	\$ 251	\$ 186	\$ -	\$ 14	\$ 7	\$ -	\$ -	\$ 477
Balance at December 31, 2023	\$ 25	\$ 167	\$ 201	\$ -	\$ 12	\$ 10	\$ -	\$ -	\$ 415
Provision for (reversal of) loan losses	(6)	84	(15)	-	2	(3)	-	-	62
Balance at September 30, 2024	\$ 19	\$ 251	\$ 186	\$ -	\$ 14	\$ 7	\$ -	\$ -	\$ 477
Balance at June 30, 2023	\$ 14	\$ 148	\$ 231	\$ -	\$ 10	\$ 6	\$ -	\$ -	\$ 409
Provision for (reversal of) loan losses	11	40	(16)	-	4	2	-	-	41
Balance at September 30, 2023	\$ 25	\$ 188	\$ 215	\$ -	\$ 14	\$ 8	\$ -	\$ -	\$ 450
Balance at December 31, 2022	\$ 3	\$ 276	\$ 164	\$ -	\$ 9	\$ 4	\$ -	\$ -	\$ 456
Provision for (reversal of) loan losses	8	62	(49)	-	5	1	-	-	27
CECL Adjustment-unfunded commitments	14	(150)	100	-	-	3	-	-	(33)
Balance at September 30, 2023	\$ 25	\$ 188	\$ 215	\$ -	\$ 14	\$ 8	\$ -	\$ -	\$ 450

Discussion of Changes in Allowance for Credit Losses

The ACL increased \$2,154 to \$ 32,675 at September 30, 2024, as compared to \$30,521 at December 31, 2023. This is largely due to a charge-off to a relationship during the first quarter offset by a downgrade to another relationship during the quarter. The association's specific reserves decreased by \$2,645 to \$783 at September 30, 2024, as compared to \$3,428 at December 31, 2023 as a result of a charge off to a relationship during the first quarter of 2024.

NOTE 3 —LEASES:

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the association's operating leases, the discount rates used to determine the present value of the association's lease liability are based on the association's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the association's cost of funds from the bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in "Occupancy and equipment" in the income statement.

The components of lease expense were as follows:

Classification	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30, 2024</u>	September 30, 2023	<u>September 30, 2024</u>	September 30, 2023
Operating lease expense	\$ 696	\$ 733	\$ 2,154	\$ 2,216
Short-term lease expense	65	68	230	173
Total lease expense	<u>\$ 761</u>	<u>\$ 801</u>	<u>\$ 2,384</u>	<u>\$ 2,389</u>

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30, 2024</u>	September 30, 2023	<u>September 30, 2024</u>	September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 700	\$ 734	\$ 2,080	\$ 2,175
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	(30)	127	999	313

Lease term and discount rate are as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Weighted average remaining lease term in years		
Operating leases	1.99	2.39
Weighted average discount rate		
Operating leases	4.6%	3.2%

Future minimum lease payments under non-cancellable leases as of September 30, 2024 were as follows:

	Operating Leases
2024 (excluding the nine months ended 9/30/2024)	\$ 644
2025	1,782
2026	1,121
2027	874
2028	787
Thereafter	796
Total lease payments	6,004
Less: interest	-
Total	<u>\$ 6,004</u>

NOTE 4 — MEMBERS EQUITY:

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 patronage, 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 and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, 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.

On January 19, 2021 the association issued \$200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth. The issuance carries an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026 and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association has made dividend payments on March 15, June 15, and September 15, 2024, for a total amount of \$7,500.

Regulatory Capital Ratios

	Regulatory Minimums with Buffer	As of September 30, 2024	As of December 31, 2023
Risk-adjusted:			
Common equity tier 1 ratio	7.0%	11.1%	11.5%
Tier 1 capital ratio	8.5%	12.6%	13.0%
Total capital ratio	10.5%	12.8%	13.3%
Permanent capital ratio	7.0%	12.6%	13.1%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.0%	13.5%	13.9%
UREE leverage ratio	1.5%	4.4%	5.0%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2024:

90 Day Average Balances (dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 773,414	\$ 773,414	\$ 773,414	\$ 773,414
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,255	28,255	28,255	28,255
Allocated equities held ≥ 7 years	940,472	940,472	940,472	940,472
Nonqualified allocated equities not subject to retirement	-	-	-	-
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	30,595	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(214,622)	(214,622)	(214,622)	(214,622)
Other regulatory required deductions	(974)	(974)	(974)	(974)
	\$ 1,526,545	\$ 1,726,545	\$ 1,757,140	\$ 1,726,545
Denominator:				
Risk-adjusted assets excluding allowance	\$ 13,945,284	\$ 13,945,284	\$ 13,945,284	\$ 13,945,284
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(215,596)	(215,596)	(215,596)	(215,596)
Allowance for loan losses	-	-	-	(30,149)
	\$ 13,729,688	\$ 13,729,688	\$ 13,729,688	\$ 13,699,539

Non-risk-adjusted Capital Ratios

90 Day Average Balances (dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 773,414	\$ 773,414
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	28,255	-
Allocated equities held ≥ 7 years	940,472	-
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(214,622)	(214,622)
Other regulatory required deductions	(974)	(974)
	\$ 1,726,545	\$ 557,818
Denominator:		
Total Assets	\$ 13,044,820	\$ 13,044,820
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(237,618)	(237,618)
	\$ 12,807,202	\$ 12,807,202

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the nine months ended September 30:

	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive income at January 1	\$ 2,851	\$ 3,193
Amortization of prior service (credit) included		
in salaries and employee benefits	(103)	(138)
Amortization of actuarial (gain) included		
in salaries and employee benefits	(63)	(82)
Other comprehensive (loss), net of tax	(166)	(220)
Accumulated other comprehensive income at September 30	<u>\$ 2,685</u>	<u>\$ 2,973</u>

NOTE 5 — INCOME TAXES:

The association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 6 — 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 15 to the 2023 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

<u>September 30, 2024</u>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 9,281	\$ -	\$ -	\$ 9,281
Total assets	<u>\$ 9,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,281</u>
 <u>December 31, 2023</u>	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 8,462	\$ -	\$ -	\$ 8,462
Total assets	<u>\$ 8,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,462</u>

Assets and liabilities measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy levels are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

<u>September 30, 2024</u>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 897	\$ 897
Other property owned	-	-	10,280	10,280

<u>December 31, 2023</u>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 8,911	\$ 8,911
Other property owned	-	-	33,902	33,902

*Loans represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance “Accounting by Creditors for Impairment of a Loan.” The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral. With regard to 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. The association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 15 to the 2023 Annual Report to Stockholders, authoritative 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. The following represents a brief summary of the valuation techniques used for the association’s assets and liabilities. For a more complete description, see Notes to the 2023 Annual Report to Stockholders.

Investments

Include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgements and experience with the securities. These fair value measurements are classified as level 3 investments.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB 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 the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the associations' current loan origination rates as well as 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.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine and three months ended September 30:

	For the three months ended		For the nine months ended	
	Other Benefits September 30,		Other Benefits September 30,	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Service Cost	\$ 60	\$ 58	\$ 181	\$ 174
Interest Cost	295	272	885	817
Expected return on plan assets	-	-	-	-
Amortization of prior service (credits)	(34)	(46)	(103)	(138)
Amortization of net actuarial (gain)	(21)	(27)	(63)	(82)
Net periodic benefit cost	<u>\$ 300</u>	<u>\$ 257</u>	<u>\$ 900</u>	<u>\$ 771</u>

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2024, was \$22,319 and is included in "Unfunded post-retirement medical obligations" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. Contributions due and unpaid are recognized as a liability. For the DB plan, the association recognized costs of \$720 and \$1,251 for the nine months ended September 30, 2024 and 2023, respectively. For the three months ended September 30, 2024 and 2023, the association recognized costs of \$240 and \$417, respectively.

The association's contributions to the DC Plan are expensed as incurred. For the nine months ended September 30, 2024 and 2023, the association recognized pension costs of \$2,852 and \$2,824, respectively. For the three months ended September 30, 2024 and 2023, the association recognized costs of \$671 and \$636, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. For the nine month period ended September 30, 2024 and 2023, the association contributed \$2,081 and \$2,042, respectively. The association contributed \$506 and \$474 for the three month period September 30, 2024 and 2023, respectively.

The association also participates in a defined contribution nonqualified supplemental 401(k) plan. The total expenses of the nonqualified plan included in the association's employee benefit costs were \$161 and \$206 for the nine months ended September 30, 2024 and 2023, respectively. For the three month period ended September 30, 2024 and 2023, the association's benefit costs were \$25 and \$34, respectively.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal 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.

NOTE 9 — SUBSEQUENT EVENTS:

On October 8, 2024, the Uvalde credit office suffered significant damage as a result of a fire, and the office is currently closed. The association activated its Business Continuity Plan (BCP) to ensure the association continues to provide critical functions with the resources available and while adapting to the situation. The association is currently assessing the damage but does not consider the impact to be material to the association.

In October 2024, the board of directors approved a resolution to retire \$60,000 in nonqualified allocated equities which will be paid to recipients in November 2024. The retirement is a distribution of approximately 74 percent of the earnings allocated in 2015.

The association has evaluated subsequent events through November 8, 2024, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.