
Farm Credit of Central Florida, ACA
THIRD QUARTER 2024

TABLE OF CONTENTS

Management’s Discussion and Analysis of
 Financial Condition and Results of Operations2

Consolidated Financial Statements
 Consolidated Balance Sheets6
 Consolidated Statements of Comprehensive Income 7
 Consolidated Statements of Changes in Members’ Equity8

Notes to the Consolidated Financial Statements.....9

CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2024 quarterly report of Farm Credit of Central Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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.

/s/ Reginald T. Holt
Chief Executive Officer

/s/ Anne M. Sullivan
Chief Financial Officer

/s/ David A. Mereness
Chairman of the Audit committee

November 8, 2024

Farm Credit of Central Florida, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Central Florida (Association) for the period ended September 30, 2024, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2023 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including horticulture, fruits/vegetables, citrus, and cattle. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, reduces the level of dependency on a given commodity.

The total loan volume of the Association as of September 30, 2024, was \$915,909, an increase of \$34,915 as compared to \$880,994 at December 31, 2023. The increase in loan volume since December 2023 is due to growth within the long-term portfolio of the Association. This is offset by the short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak balance between October and December and declines between January and June as strawberry and other winter vegetable growers pay down their loans using proceeds from the sale of their crops.

The impact of Hurricanes Helene and Milton in September and October 2024 is still being assessed by the Association. While the storms are expected to have a substantial impact on crop production and agriculture in the State of Florida, they are not expected to have a material impact on the Association's financial condition or the results of operations.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from \$5,031 at December 31, 2023, to \$5,534 at September 30, 2024. As a percent of total loans, nonaccrual loans were 0.60 percent and 0.57 percent at September 30, 2024 and December 31, 2023, respectively. On September 30, 2024 the Association owned equity in two capital markets entities valued at \$574, which are listed as OPOs on the balance sheet.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLCL). The ACLCL at September 30, 2024, was \$3,093 or 0.34 percent of total loans compared to \$2,058 or 0.23 percent of total loans at December 31, 2023, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

The Association's primary source of funding is provided by AgFirst Farm Credit Bank (the Bank) in the form of notes payable. See *Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the

Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassifies the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of \$671 and \$1,897 for the three and nine months ended September 30, 2023, respectively, as shown in the tables below.

	For the three months ended			For the nine months ended		
	September 30, 2024	September 30, 2023	September 30, 2023*	September 30, 2024	September 30, 2023	September 30, 2023*
Interest Income	\$ 16,003	\$ 14,081	\$ 14,081	\$ 46,686	\$ 38,807	\$ 38,807
Interest Expense	9,115	8,317	7,646	25,748	21,791	19,894
Net Interest Income	6,888	5,764	6,435	20,938	17,016	18,913
Provision for Credit Losses	165	472	472	975	5,629	5,629
Noninterest Income	3,077	2,481	2,481	10,048	7,873	7,873
Noninterest Expense	4,855	3,980	4,651	13,354	11,464	13,361
Provision for Income Taxes	—	—	—	—	—	—
Net income	\$ 4,945	\$ 3,793	\$ 3,793	\$ 16,657	\$ 7,796	\$ 7,796
Net Interest Margin	2.89%	2.54%	2.83%	2.97%	2.63%	2.92%
Operating Efficiency Ratio	48.73%	48.30%	52.19%	43.32%	46.07%	49.89%

*reflects the pro-forma results if the amended notes payable rate had been in effect during 2023

For the three months ended September 30, 2024

Net income for the three months ended September 30, 2024, was \$4,945, an increase of \$1,152 as compared to net income of \$3,793 for the same period ended in 2023. The increase in 2024 is a result of increased net interest income, increased noninterest income, and decreased provisions for loan losses in 2024, offset by increased noninterest expense.

For the three months ended September 30, 2024, net interest income was \$6,888 and the net interest margin was 2.89 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was \$6,435, an increase of \$453, and the net interest margin was 2.83 percent, an increase of 6 basis points for the three months ended September 30, 2024. The increase in net interest income is a result of increased loan and spreads.

The provision for credit losses for the three months ended September 30, 2024, was \$165, a decrease of \$307 from the provision for credit losses of \$472 for the same period ended during the prior year. The decrease in the provision expense is due to large loan provisions in the third quarter of 2023, offset by a larger provision for unfunded commitments in the third quarter of 2024.

Noninterest income increased \$596 to \$3,077 during the first three months of 2024 compared with the first three months of 2023 primarily due to increased income from financially related services, increased crop insurance income and increased other noninterest income. In the first quarter of 2024, the Association entered into a contract with the Florida Department of Agriculture and Consumer Services to underwrite loans for a state funded loan program for those affected by Hurricane Idalia which has been amended to include 2024 Hurricanes Debby, Helene and Milton. The Association has recorded \$189 in income from this contract during the third quarter of 2024.

For the three months ended September 30, 2024 noninterest expense was \$4,855. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was \$4,651, an increase of \$204 for the three months ended September 30, 2024. The increase is due to increases in salaries and benefits and other operating expenses offset by decreased insurance fund premiums. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of \$393 for the three months ended September 30, 2024.

For the nine months ended September 30, 2024

Net income for the nine months ended September 30, 2024, was \$16,657, an increase of \$8,861 as compared to net income of \$7,796 for the same period ended in 2023. The increase in 2024 is a result of increased net interest income, increased noninterest income, and decreased provision for loan losses in 2024, offset by increased noninterest expense.

For the nine months ended September 30, 2024, net interest income was \$20,938 and the net interest margin was 2.97 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was \$18,913, an increase of \$2,025

and the net interest margin was 2.92 percent, an increase of 5 basis points for the nine months ended September 30, 2024. The increase is attributed to increased loan volumes and investment volumes.

The provision for credit losses for the nine months ended September 30, 2024, was \$975, a decrease of \$4,654 from the provision of credit losses of \$5,629 for the same period ended during the prior year. The large provision in 2023 was due to one commercial credit that moved to nonaccrual and was charged off, as well as one capital markets loan that was moved to nonaccrual in the same period. In 2024, the Association had one commercial credit move to nonaccrual as well as one commercial credit transferred to OPO, causing an offsetting reversal to the first quarter provision.

Noninterest income increased \$2,175 to \$10,048 during the first nine months of 2024 compared with the first nine months of 2023 primarily due to increased income from financially related services, a \$255 refund from the Farm Credit System Insurance Corporation, and increased other noninterest income. In the first quarter of 2024, the Association entered into a contract with the Florida Department of Agriculture and Consumer Services to underwrite loans for a state funded loan program for those affected by Hurricanes Idalia, Debby, Helene and Milton. The Association has recorded \$714 in income from this contract during the first three quarters of 2024.

For the nine months ended September 30, 2024 noninterest expense was \$13,354. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was \$13,361, a decrease of \$7 for the nine months ended September 30, 2024. The decrease is due to decreased insurance fund premiums and a gain on the sale of an OPO, offset by increases in salaries and benefits and other operating expenses. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of \$393 for the nine months ended September 30, 2024.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2024, was \$862,325 as compared to \$844,626 at December 31, 2023.

CAPITAL RESOURCES

Total members' equity at September 30, 2024, was \$153,673, an increase of \$14,997 from a total of \$138,676 at December 31, 2023. The increase is due to income from the first three quarters offset by surplus revolvment of \$1,421 in the third quarter. Total capital stock and participation certificates were \$1,245 on September 30, 2024, compared to \$1,209 on December 31, 2023. The increase is attributed to the issuance of stock and participation certificates in the normal course of business.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	9/30/24	12/31/23	9/30/23
Permanent Capital Ratio	7.00%	16.21%	15.64%	16.51%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	16.15%	15.58%	16.45%
Tier 1 Capital ratio	8.50%	16.15%	15.58%	16.45%
Total Regulatory Capital Ratio	10.50%	16.55%	15.95%	16.83%
Tier 1 Leverage Ratio**	5.00%	13.56%	12.87%	13.63%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	11.98%	11.27%	11.95%

*Include full capital conservation buffers.

**The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

REGULATORY MATTERS

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between FCA's risk-weightings and the federal banking regulators. The final rule excludes certain acquisition, development, and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated less than \$500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

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

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-533-2773, or writing Anne M. Sullivan, CFO, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802, or accessing the website, www.farmcreditfl.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit Of Central Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2024 <i>(unaudited)</i>	December 31, 2023 <i>(audited)</i>
Assets		
Cash	\$ 10	\$ 11
Investments in debt securities:		
Held to maturity	79,830	79,085
Loans	915,909	880,994
Allowance for credit losses on loans	(3,093)	(2,058)
Net loans	912,816	878,936
Loans held for sale	—	7,800
Accrued interest receivable	7,202	6,231
Equity investments in other Farm Credit institutions	16,585	15,584
Premises and equipment, net	4,257	4,277
Other property owned	574	501
Accounts receivable	8,190	10,967
Other assets	4,665	4,603
Total assets	\$ 1,034,129	\$ 1,007,995
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 862,325	\$ 844,626
Accrued interest payable	3,245	3,418
Patronage refunds payable	349	8,793
Accounts payable	894	1,552
Advanced conditional payments	3,517	902
Other liabilities	10,126	10,028
Total liabilities	880,456	869,319
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	1,245	1,209
Retained earnings		
Allocated	14,999	16,406
Unallocated	136,851	120,369
Accumulated other comprehensive income	578	692
Total members' equity	153,673	138,676
Total liabilities and members' equity	\$ 1,034,129	\$ 1,007,995

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

Farm Credit Of Central Florida, ACA
Consolidated Statements of
Comprehensive Income

(unaudited)

<i>(dollars in thousands)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest Income				
Loans	\$ 14,680	\$ 12,948	\$ 42,703	\$ 37,057
Investments	1,323	1,133	3,983	1,750
Total interest income	16,003	14,081	46,686	38,807
Interest Expense	9,115	8,317	25,748	21,791
Net interest income	6,888	5,764	20,938	17,016
Provision for credit losses	165	472	975	5,629
Net interest income after provision for credit losses	6,723	5,292	19,963	11,387
Noninterest Income				
Loan fees	144	199	231	442
Fees for financially related services	598	263	2,284	1,347
Patronage refunds from other Farm Credit institutions	2,102	1,961	6,306	5,934
Gains (losses) on sales of rural home loans, net	48	27	124	118
Gains (losses) on other transactions	56	30	129	26
Insurance Fund refunds	—	—	255	—
Other noninterest income	129	1	719	6
Total noninterest income	3,077	2,481	10,048	7,873
Noninterest Expense				
Salaries and employee benefits	2,592	2,623	7,467	7,347
Occupancy and equipment	268	277	805	826
Insurance Fund premiums	189	326	564	959
Purchased services	1,110	107	2,588	380
Data processing	63	55	197	187
Other operating expenses	633	594	1,800	1,767
(Gains) losses on other property owned, net	—	(2)	(67)	(2)
Total noninterest expense	4,855	3,980	13,354	11,464
Net income	\$ 4,945	\$ 3,793	\$ 16,657	\$ 7,796
Other comprehensive income net of tax				
Employee benefit plans adjustments	(38)	(36)	(114)	(108)
Comprehensive income	\$ 4,907	\$ 3,757	\$ 16,543	\$ 7,688

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2022	\$ 1,212	\$ 17,827	\$ 116,802	\$ 610	\$ 136,451
Cumulative effect of change in accounting principle			38		38
Comprehensive income (loss)			7,796	(108)	7,688
Capital stock/participation certificates issued/(retired), net	(4)				(4)
Retained earnings retired		(1,421)			(1,421)
Patronage distribution adjustment			(250)		(250)
Balance at September 30, 2023	\$ 1,208	\$ 16,406	\$ 124,386	\$ 502	\$ 142,502
Balance at December 31, 2023	\$ 1,209	\$ 16,406	\$ 120,369	\$ 692	\$ 138,676
Comprehensive income (loss)			16,657	(114)	16,543
Capital stock/participation certificates issued/(retired), net	36				36
Retained earnings retired		(1,407)			(1,407)
Patronage distribution adjustment			(175)		(175)
Balance at September 30, 2024	\$ 1,245	\$ 14,999	\$ 136,851	\$ 578	\$ 153,673

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

Farm Credit of Central Florida, ACA

Notes to the Consolidated Financial Statements

*(dollars in thousands, except as noted)
(unaudited)*

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Farm Credit of Central Florida, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or 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 amendments in this standard 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, 2025. 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 outstanding at period end follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Real estate mortgage	\$ 520,662	\$ 515,314
Production and intermediate-term	168,981	169,523
Agribusiness:		
Loans to cooperatives	10,468	11,574
Processing and marketing	100,277	89,819
Farm-related business	45,194	35,391
Rural infrastructure:		
Communication	30,879	23,323
Power and water/waste disposal	14,969	13,266
Rural residential real estate	18,045	16,351
Other:		
International	6,434	6,433
Total loans	<u>\$ 915,909</u>	<u>\$ 880,994</u>

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly. The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations.

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Real estate mortgage:		
Acceptable	99.44%	99.44%
OAEM	0.01	0.42
Substandard/doubtful/loss	0.55	0.14
	<u>100.00%</u>	<u>100.00%</u>
Production and intermediate-term:		
Acceptable	97.68%	96.35%
OAEM	0.63	1.76
Substandard/doubtful/loss	1.69	1.89
	<u>100.00%</u>	<u>100.00%</u>
Agribusiness:		
Acceptable	90.97%	91.53%
OAEM	4.39	2.90
Substandard/doubtful/loss	4.64	5.57
	<u>100.00%</u>	<u>100.00%</u>
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	-	-
Substandard/doubtful/loss	-	-
	<u>100.00%</u>	<u>100.00%</u>
Rural residential real estate:		
Acceptable	97.97%	99.17%
OAEM	1.32	-
Substandard/doubtful/loss	0.71	0.83
	<u>100.00%</u>	<u>100.00%</u>
Other:		
Acceptable	100.00%	100.00%
OAEM	-	-
Substandard/doubtful/loss	-	-
	<u>100.00%</u>	<u>100.00%</u>
Total loans:		
Acceptable	97.67%	97.64%
OAEM	0.90	1.03
Substandard/doubtful/loss	1.43	1.33
	<u>100.00%</u>	<u>100.00%</u>

Accrued interest receivable on loans of \$6,378 and \$5,354 at September 30, 2024 and December 31, 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following tables provide an aging analysis of past due loans as of:

September 30, 2024						
	30 Through 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	90 Days or More Past Due and Accruing
Real estate mortgage	\$ 234	\$ 2,731	\$ 2,965	\$ 517,697	\$ 520,662	\$ –
Production and intermediate-term	578	2,651	3,229	165,752	168,981	–
Agribusiness	–	–	–	155,939	155,939	–
Rural infrastructure	–	–	–	45,848	45,848	–
Rural residential real estate	243	–	243	17,802	18,045	–
Other	–	–	–	6,434	6,434	–
Total	\$ 1,055	\$ 5,382	\$ 6,437	\$ 909,472	\$ 915,909	\$ –

December 31, 2023						
	30 Through 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	90 Days or More Past Due and Accruing
Real estate mortgage	\$ 2,080	\$ 1,609	\$ 3,689	\$ 511,625	\$ 515,314	\$ –
Production and intermediate-term	1,522	2,666	4,188	165,335	169,523	–
Agribusiness	–	–	–	136,784	136,784	–
Rural infrastructure	–	–	–	36,589	36,589	–
Rural residential real estate	147	–	147	16,204	16,351	–
Other	–	–	–	6,433	6,433	–
Total	\$ 3,749	\$ 4,275	\$ 8,024	\$ 872,970	\$ 880,994	\$ –

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans as of:

September 30, 2024			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 2,683	\$ 143	\$ 2,826
Production and intermediate-term	2,597	94	2,691
Rural residential real estate	–	17	17
Total	\$ 5,280	\$ 254	\$ 5,534

December 31, 2023			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 77	\$ 1,636	\$ 1,713
Production and intermediate-term	2,965	332	3,297
Rural residential real estate	–	21	21
Total	\$ 3,042	\$ 1,989	\$ 5,031

The Association recognized \$13 and \$53 of interest income on nonaccrual loans during the three months ended September 30, 2024 and September 30, 2023, respectively. The Association recognized \$371 and \$213 of interest income on nonaccrual loans during the nine months ended September 30, 2024 and September 30, 2023, respectively.

Reversals of interest income on loans that moved to nonaccrual status were not material for the three and nine months ended September 30, 2024 and September 30, 2023.

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

	<u>September 30, 2024</u>
Allowance for Credit Losses on Loans:	
Balance at June 30, 2024	\$ 3,022
Charge-offs	(1)
Recoveries	-
Provision for credit losses on loans	72
Balance at September 30, 2024	<u>\$ 3,093</u>
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2024	\$ 237
Provision for unfunded commitments	93
Balance at September 30, 2024	<u>\$ 330</u>
Total allowance for credit losses	<u>\$ 3,423</u>
Allowance for Credit Losses on Loans:	
Balance at December 31, 2023	\$ 2,058
Charge-offs	(407)
Recoveries	527
Provision for credit losses on loans	915
Balance at September 30, 2024	<u>\$ 3,093</u>
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2023	\$ 270
Provision for unfunded commitments	60
Balance at September 30, 2024	<u>\$ 330</u>
Total allowance for credit losses	<u>\$ 3,423</u>
	<u>September 30, 2023</u>
Allowance for Credit Losses on Loans:	
Balance at June 30, 2023	\$ 2,778
Charge-offs	(1,523)
Recoveries	1,085
Provision for credit losses on loans	405
Balance at September 30, 2023	<u>\$ 2,745</u>
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2023	\$ 138
Provision for unfunded commitments	67
Balance at September 30, 2023	<u>\$ 205</u>
Total allowance for credit losses	<u>\$ 2,950</u>
Allowance for Credit Losses on Loans:	
Balance at December 31, 2022	\$ 4,378
Cumulative effect of a change in accounting principle	(149)
Balance at January 1, 2023	\$ 4,229
Charge-offs	(8,141)
Recoveries	1,122
Provision for credit losses on loans	5,535
Balance at September 30, 2023	<u>\$ 2,745</u>
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2022	\$ -
Cumulative effect of a change in accounting principle	111
Balance at January 1, 2023	\$ 111
Provision for unfunded commitments	94
Balance at September 30, 2023	<u>\$ 205</u>
Total allowance for credit losses	<u>\$ 2,950</u>

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following tables show the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2024, disaggregated by loan type and type of modification granted:

	For the Three Months Ended September 30, 2024		
	Maturity Extension	Total	Percentage of Total by Loan Type
Agribusiness	\$ 4,234	\$ 4,234	2.72%
Total	\$ 4,234	\$ 4,234	0.46%

	For the Nine Months Ended September 30, 2024		
	Maturity Extension	Total	Percentage of Total by Loan Type
Agribusiness	\$ 4,234	\$ 4,234	2.72%
Total	\$ 4,234	\$ 4,234	0.46%

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended September 30, 2024:

	Maturity Extension
	Financial Effect
Agribusiness	Added a weighted average 1.04 years to the life of loans

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

	Maturity Extension
	Financial Effect
Agribusiness	Added a weighted average 1.04 years to the life of loans

There were no modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

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:

	Current	30-89 Days Past Due	90 Days or More Past Due	Total
	Agribusiness	\$ 4,234	\$ -	\$ -
Total	\$ 4,234	\$ -	\$ -	\$ 4,234

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2024 was \$15. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were \$2,251 and \$0 at September 30, 2024 and December 31, 2023, respectively.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three or nine months ended September 30, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at September 30, 2023. There were no modifications to distressed borrowers that occurred during the previous nine months and for which there was a subsequent payment default during the period.

Loans held for sale were \$0 and \$7,800 at September 30, 2024 and December 31, 2023, respectively. Such loans are carried at the lower of cost or fair value.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

A summary of the amortized cost of investment securities held-to-maturity follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	<u>Amortized Cost</u>	
ABSs	\$ 79,830	\$ 79,085

A summary of the contractual maturity and amortized cost of investment securities follows:

	<u>Amortized Cost</u>
In one year or less	\$ —
After one year through five years	—
After five years through ten years	41,766
After ten years	38,064
Total	<u>\$ 79,830</u>

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At September 30, 2024, the Association does not consider any unrealized losses to be credit-related and an allowance for credit losses on investments is not necessary.

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 2.93 percent of the issued stock and allocated retained earnings of the Bank as of September 30, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled \$46.6 billion and shareholders' equity totaled \$2.0 billion. The Bank's earnings were \$189 million for the first nine months of 2024. In addition, the Association held investments of \$1,164 related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	<u>Changes in Accumulated Other Comprehensive Income by Component (a)</u>			
	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Employee Benefit Plans:				
Balance at beginning of period	\$ 616	\$ 538	\$ 692	\$ 610
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	(38)	(36)	(114)	(108)
Net current period other comprehensive income	(38)	(36)	(114)	(108)
Balance at end of period	<u>\$ 578</u>	<u>\$ 502</u>	<u>\$ 578</u>	<u>\$ 502</u>

Reclassifications Out of Accumulated Other Comprehensive Income (b)

	Three Months Ended September 30,		Nine Months Ended September 30,		Income Statement Line Item
	2024	2023	2024	2023	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ 38	\$ 36	\$ 114	\$ 108	Salaries and employee benefits
Net amounts reclassified	\$ 38	\$ 36	\$ 114	\$ 108	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument’s categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	September 30, 2024				
	Fair Value Measurement Using			Level 3	Total Fair Value
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 1,157	\$ –	\$ –	\$ –	\$ 1,157
Nonrecurring assets					
Nonaccrual loans	\$ –	\$ –	\$ 3,116	\$ 3,116	\$ 3,116
Other property owned	\$ –	\$ –	\$ 574	\$ 574	\$ 574
	December 31, 2023				
	Fair Value Measurement Using			Level 3	Total Fair Value
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 1,020	\$ –	\$ –	\$ –	\$ 1,020
Nonrecurring assets					
Nonaccrual loans	\$ –	\$ –	\$ 1,779	\$ 1,779	\$ 1,779
Other property owned	\$ –	\$ –	\$ 501	\$ 501	\$ 501

Valuation Techniques

Assets held in trust funds

Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Nonaccrual loans

Fair values of nonaccrual loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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, and are therefore classified as Level 3.

Other property owned

For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 6 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 7 — Leases

Lessee

The Association leases certain assets, consisting primarily of real estate, transportation and office equipment, under standard industry terms. The contracts are assessed at inception to determine whether a contract is, or contains, a lease.

The components of lease costs were as follows:

	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Operating lease cost	\$ 287	\$ 386
Variable lease cost (costs excluded from lease payments)	120	150
Sublease income	—	—
Lease costs	<u>\$ 407</u>	<u>\$ 536</u>

Other information related to leases was as follows:

	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 322	\$ 423
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 2	\$ 3

Lease term and discount rate for the periods ended were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Weighted average remaining lease term in years:		
Operating leases	11.22	11.96
Weighted average discount rate:		
Operating leases	3.09%	3.10%

Maturities of lease liabilities as of period end were as follows:

	<u>Operating Leases</u> <u>September 30, 2024</u>
2024	\$ 107
2025	439
2026	449
2027	457
2028	464
Thereafter	<u>3,586</u>
Total lease payments	5,502
Less: imputed interest	<u>882</u>
Total lease liabilities	<u>\$ 4,620</u>

Note 8 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through November 8, 2024, which was the date the financial statements were issued.