# Quarterly Report to Shareholders

American AgCredit

Your future grows here

as of September 30, 2024

# Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the third quarter of 2024. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2023 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.agloan.com, or can be obtained free of charge by calling our corporate headquarters at (800) 800-4865. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, the voting stock of American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, and Colorado, as well as the states of Nevada, Hawaii, and New Mexico.

**Forward Looking Statements**

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Economic Overview**

The United States' economy has proved resilient in 2024 as inflation has eased and the labor market is cooler than a year ago but still strong. In September, the labor force added 254,000 new jobs, the largest monthly gain over the past six months, and dropping the unemployment rate to 4.1% after steadily increasing over the past four months. The majority of new hires were added to the food and drink industry, health care, government, social assistance, and construction. Hourly wage gains have been strong over the past 12 months. Average hourly earnings increased year-over-year by 4.0% through the end of September. Steady wage increases have kept up with the pace of consumer spending, but there's also been an increasing portion of spending funded by consumer debt. According to the latest consumer debt data from the Federal Reserve Bank of New York, American's total credit card debt amounted to $1.14 trillion as of the second quarter of 2024, the highest on record since the consumer debt tracking began in 1999. According to the Bureau of Economic Analysis, real gross domestic product (GDP) increased 2.8% in the second quarter to 3.0%, as compared to the 1.4% increase in the first quarter. The stronger than expected real GDP reflected an acceleration in consumer spending and a rise in business inventories. The annual inflation rate in the U.S. slowed for the sixth consecutive month to 2.4% in September 2024, the lowest since February 2021, and much lower than the record highs seen in 2022. As the pace of inflation slowed, the Federal Reserve cut interest rates for the first time in four years lowering the federal funds rate by 50 basis points to a range of 4.75%-5.00%. Stocks rallied to record highs immediately following the Federal Open Market Committee's (FOMC) rate cut announcement, but fears of escalated conflicts in the Middle East, rising bond yields, and the strength in the labor market potentially delaying further rate cuts, have added pressure in the stock markets. The 10-year Treasury yield, a benchmark for mortgages and car loans, topped 4.28% in October, its highest since late July. The solid jobs report may persuade the Federal Reserve to move forward with less rate cuts than previously expected during the fourth quarter of the year while still attempting to be accommodative to economic growth.

Although drought conditions generally improved in the first half of 2024, leading to satisfactory conditions and water availability for the most recent growing cycle, the trend in the second half has been drier, leading to a general elevation in drought conditions going into the 2024/2025 winter season. For 2024, the National Oceanic and Atmospheric Administration (NOAA) predicted an above-normal level of Atlantic hurricane activity. In September, Hurricane Helene landed in Florida's Big Bend region, causing devastating damage in Virginia, Tennessee, North Carolina, Georgia, and Florida. Although outside of the Association's primary service area, some agricultural commodities such as poultry, timber, pecans, and cotton were especially impacted by the hurricane’s destruction. Driven by an expected transition to a La Niña pattern, NOAA currently forecasts the upcoming winter months to be colder and stormier than average across much of the Northern half of the U.S., with more-than-normal precipitation predicted across the Pacific Northwest and Great Lakes areas.

In November 2023, Congress extended the Agriculture Improvement Act of 2018, also known as the Farm Bill, the largest piece of federal legislation for food and farming, which recently expired September 30, 2024. Congress must approve a new federal farm bill every five years and the current legislation is more than a year overdue. The next opportunity for Congress to discuss the reauthorization or extension of the Farm Bill will be November 12, 2024.

**Commodity Review and Outlook**

The Association’s commodity portfolio remains well-diversified. Vineyards/wineries and tree fruits/nuts lead our commodity portfolio at 14.98% and 12.97%, respectively, followed by beef at 12.58%, field crops at 12.23%, dairies at 11.69%, and forest products at 7.25%. The top six commodities make up 71.70% of the total portfolio with the remaining 28.30% spread over sixteen additional categories.

Following is a summary of economic conditions among the Association’s significant commodities:

- **Vineyards and wineries:** In the first nine months of 2024, there was little change in the trajectory of wine sales. Retail and direct-to-consumer wine sales volumes held up better in dollar terms but declined 4% and 10% by volume, respectively, compared to the same period last year. Retail sales volumes are falling across most price tiers, but the luxury segment has seen modest improvement. White wine sales continue to hold up better than red and rosé in the three-tier channel, driven by a recent adjustment in consumer preference. Wine exports increased in 2024 mostly due to a second quarter surge in bulk exports but are still trailing well below 2022 levels. Grape inventories remain elevated and low bulk wine prices have depressed demand for grapes. According to Allied Grape Growers, a grower-owned winegrape marketing association, an estimated 30,000 to 40,000 acres of wine grapes have been pulled across California this year, with the heaviest removal activity in the San Joaquin Valley of California. As inflation abates and interest rates come down, some stabilization in wine sales may be achieved over the next year, but it may be several years before the market is back in balance in the absence of stronger-than-anticipated wine sales.

- **Tree fruits and nuts:** The almond industry is in a stronger position in comparison to the same time last year. The 2023/2024 almond crop has seen robust shipments which have reduced carryover and bolstered pricing, driven largely by exports. This year’s exports were the second highest on record at about 1.96 billion pounds, 6.3% higher than last year. On the contrary, domestic shipments have only increased 1.6% compared with last year and have been subdued since their peak in 2020/2021. Domestic demand remains low due to consumer sentiment given the historic inflation in food prices and consumer preferences. Overall, the 2024 almond supply and demand balance has raised prices, benefiting an industry that has faced challenges in recent years. According to the United States Department of Agriculture (USDA), the California walnut production is forecast at 670,000 tons, down 19% from 2023’s production of 824,000. The forecast is based on 370,000 bearing acres, down 4% from 2023’s estimated bearing acreage of 385,000 acres. With less supply there will likely be higher prices, but the industry could face additional challenges from international competition from other top producers like China and Chile. Overall, while there is cautious optimism that the improvement in prices for California nut markets will continue this positive trend, there are still significant risks for nut farmers in the Central Valley to navigate, including tariff and strong dollar driven market volatility, ongoing liquidity stress, and continued pressure on land values (particularly in areas with lesser water availability and/or poor production history).

- **Beef:** The beef industry has been on a historic run over the past 12 to 18 months, particularly for the cow-calf rancher. Current herd numbers indicate heifers averaged more than 39% of cattle on feed over the last year, the highest percentage since 2001. The resulting slow herd rebuild has been influenced by the increase in expansion costs, hesitancy of ranchers to take on more risk, and the lack of available pastureland. The USDA currently projects the total supply of beef in 2025 to shrink about 5%, to the smallest amount since 2017. On a year-over-year basis, the Bureau of Labor Statistics’ (BLS) retail price for “all steaks” has increased for 16 consecutive months, and the ground beef retail price has increased for 14 consecutive months. Domestic supply of beef may increase only slightly in the latter half of 2024 because of higher imports and larger carcass weights. At the same time, demand for U.S. beef is exceptionally strong, with consumers currently willing to pay the higher prices. Provided that the U.S. does not fall into a recession, it is likely that beef prices will remain elevated.

- **Field crops:** In the 2023/2024 crop year, over 40% of U.S. corn exports have been to Mexico, where the newly elected president supports regionalization of supply chains to decrease costs. The U.S. is in an excellent geographic competitive position to continue to support Mexico's growing corn needs, but the weakening value of the peso and appreciated U.S. dollar would present a more expensive U.S. export. If the export pace to Mexico were to decline, there would be significant future corn price risk given the expected abundant supply domestically. Early reports for corn yield have been very positive, and this will likely be a record national yield which could help offset lower prices. The USDA projected the price of corn to be $4.20 per bushel in October, which is lower than the year ago price of $4.75. At the expense of corn, wet weather earlier in the season may have led U.S. farmers to increase soybean acreage. Ending soybean stocks are projected to be 550 million bushels, potentially the third largest on record which has kept prices at or below breakeven. The evolving domestic policy on green energy and global market dynamics could present both risk and reward to U.S. grain producers. Looking at winter wheat, acres increased 10.3% compared to the last marketing year, the most acres since 2015/2016, though, according to the USDA, 50% of traditional winter wheat acres were in drought as of September 2024, compared to 47% last year. If drought in the winter wheat region worsens, farmers may forgo wheat and replace those crops with sorghum, corn, soybeans or cotton in the spring.

- **Dairies:** The current year is shaping up to be a remarkable year for dairy profitability. A tight supply of raw milk has resulted in prices climbing near the highs seen in 2022, which when coupled with lower feed costs and elevated price for culls, the overall profit margin for producers has significantly improved in the second half of 2024, going into 2025. Supply continues to be a challenge as replacement inventories are low and rebuilding the herd is not the highest income producing priority for dairy farmers. Total cheese production in the first half of this year was in line with the levels of the past two years; however, this year the combination of strong exports and stable domestic demand has eaten away at stocks. As of the end of August, cheese inventories in cold storage sit 6% below the same time last year, a shortfall of 95 million pounds. The volume of exported cheese continues to increase despite climbing domestic prices, which are higher than global competitor prices. If milk prices do decline from their current levels, lower feed costs will help soften the blow to margins.

- **Forest products:** Despite the backdrop of elevated interest rates and stubborn inflation, forest products have remained resilient. Market pulp serves as the backbone of the pulp and paper industry used in packaging materials, paper, tissue, printing, and other writing materials. Prices for pulp, paper, and prefinished particle board and medium density fiberboard have decreased from pandemic highs but regained momentum during the first half of 2024. By the third quarter, prices weakened slightly due to increased inventories and competition from overseas but are expected to remain relatively stable throughout 2024. Timber prices, amid steady demand, are expected to remain constant through 2024 with expected fluctuations following the usual seasonal influences. According to the U.S. Census Bureau and the Department of Housing and Urban Development, single-family housing starts in September declined from the prior month and were 0.7% below the same time last year. Housing completions were also below estimate and declined 2.7% as compared to August, alongside overall permits which decreased 2.9% in September, the weakest reading since May. With mortgage rates declining due to monetary policy, there is the potential for additional home buyers to enter the market, putting further pressure on an already limited supply and increasing demand for new builds.

### Loan Portfolio

The total loan and lease balance was $21.0 billion at September 30, 2024, an increase of $544.4 million from $20.5 billion at December 31, 2023. On a year-over-year basis, loans increased by $2.9 billion when compared to September 30, 2023, resulting in a growth rate of 16.02%. The merger with Farm Credit of New Mexico in October 2023 contributed $1.9 billion to this increase in loan volume. Credit quality was 95.08% as of September 30, 2024, compared to 96.14% as of December 31, 2023. The decrease was primarily driven by the negative impact of ongoing inflationary influences (i.e. elevated input costs and interest rates, etc.), along with the market headwinds being experienced within the tree fruit and nut segment and vineyard and winery portion of the portfolio. Credit quality is a measurement of loans classified as either "Acceptable" or "Other Assets Especially Mentioned" divided by total loans under Farm Credit Administration's Uniform Classification System.

In addition to the $21.0 billion of loans and leases reported on our balance sheet, we serviced an additional $10.1 billion of loans and syndicated balances for other institutions as of September 30, 2024, as compared to $8.7 billion at September 30, 2023. The increase was partially due to the merger with Farm Credit of New Mexico in the fourth quarter of 2023.

**Nonearning Assets**

Nonaccrual loans increased by $186.9 million to $443.3 million at September 30, 2024, compared to $256.4 million at December 31, 2023. The change in nonaccrual loans was primarily due to transfers to nonaccrual status of $332.5 million and disbursements on nonaccrual loans of $11.2 million. Much of this increase was driven by the profitability challenges and resulting elevated adversity, as noted above, within the tree fruit & nut segment of the portfolio, primarily that which is located within the San Joaquin Valley. This was offset by $90.9 million year-to-date repayments on nonaccrual loans, charge-offs of nonaccrual loans of $42.9 million primarily related to certain corporate loan complexes, and a transfer to other property owned of $22.1 million. Subsequent to the transfer of the loan to other property owned, the Association received a $12.9 million paydown from a partial sale of the property. Nonaccrual loans represented 2.11% of total loan volume at the end of September 30, 2024, compared to 1.27% at September 30, 2023, and 1.25% at December 31, 2023.

**Allowance for Credit Losses**

The allowance for credit losses is composed of the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments. The allowance for credit losses on loans is an estimate of expected credit losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current and forecasted economic and environmental conditions. Due to the stresses discussed in the Commodity Outlook and Loan Portfolio sections, the Association recognized a new qualitative overlay, in addition, the Association implemented a recalibration of the quantitative reserve. This resulted in a total allowance for credit losses of $31.1 million at September 30, 2024, which included a $30.1 million allowance for loan losses and a $1.0 million reserve for unfunded commitments. Total allowance for credit losses at December 31, 2023, was $22.3 million.

**Financial Condition and Results of Operations**

Net income for the nine months ended September 30, 2024, was $307.4 million compared to $290.9 million for the same period last year, an increase of $16.5 million. The change in net income was primarily due to the following reasons:

- Net interest income increased by $39.7 million year-over-year due to growth in accrual loan volume. The Association's weighted average interest rate on interest-bearing liabilities was 4.09% and 4.10% as of September 30, 2024, and 2023, respectively.
- The Association recorded a provision for credit losses of $46.3 million through September 30, 2024, as compared to $14.3 million a year ago. The $32.0 million year-over-year increase is primarily the result of credit quality decline, an increase in charge-offs during 2024, and the new CECL qualitative overlay and quantitative reserve changes to the allowance calculation, as discussed above, adopted in the third quarter of 2024.
- Non-interest income increased by $27.8 million year-over-year. The increase was primarily due to a $13.2 million increase in patronage income from Farm Credit institutions, a $6.2 million increase from the Farm Credit System Insurance Corporation (FCSIC) premium refund allocation, a $6.0 million increase in loan origination fees, and a $1.0 million increase from the gain on the sale of the Ukiah, CA office building, which was partially offset by a decrease in financially-related services and loan servicing and late charges.
- Overall, non-interest operating expenses increased by $19.0 million compared to the same period last year, primarily caused by a $23.2 million increase in salaries and benefits due to the merger with Farm Credit of New Mexico, and higher travel and lodging expenses from increased travel, which was partially offset by a $6.4 million decrease in FCSIC insurance fund premiums.

- FCSIC insurance, a component of noninterest operating expense, decreased by $6.4 million when compared to September 2023. The FCSIC board voted to set the insurance premium assessment rate on adjusted insured debt to 10 basis points for 2024, as compared to 18 basis points for 2023.

The major components of change in net income are summarized as follows (dollars in thousands):

| | For the Nine Months Ended | | Increase (Decrease) in |
|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | Net Income |
| Net interest income | $436,376 | $396,633 | $39,743 |
| Provision for credit losses | (46,286) | (14,288) | (31,998) |
| Patronage income | 111,218 | 97,988 | 13,230 |
| Other income, net | 34,004 | 19,455 | 14,549 |
| Non-interest expenses | (227,893) | (208,849) | (19,044) |
| Provision for income taxes | (2) | (11) | 9 |
| **Net income** | **$307,417** | **$290,928** | **$16,489** |

The following table shows the Association’s year-to-date annualized return on average assets, return on equity, and net interest margin:

| | September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Return on average assets | 1.88% | 2.09% |
| Return on common equity | 12.24% | 14.38% |
| Return on total equity | 11.24% | 12.94% |
| Net interest margin | 2.82% | 3.00% |

**Liquidity and Funding**

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low-cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. The Association also received funding from preferred stock, subordinated debt, and funds held accounts. The direct note with CoBank is governed by a General Financing Agreement which was renewed June 1, 2023, for an additional five-year term.

**Shareholders’ Equity**

The Association’s capital position remains strong. Total shareholders’ equity was $3.8 billion at the end of the third quarter, an increase of $301.2 million from $3.5 billion at December 31, 2023. The increase in capital is primarily the result of the Association’s year-to-date net income. The Association was in compliance with all capital ratio requirements at September 30, 2024. The Association’s strong earnings and capital position enable us to effectively serve our mission and our customers and support our ability to maintain our cash patronage distribution program and pay preferred stock dividends.

**Other Matters**

After extensive careers with American AgCredit and nearly 120 years of combined experience within the Farm Credit System, Greg Somerhalder, President & Chief Operating Officer, will retire effective December 31, 2024, and Paula Olufs, Chief Customer Officer, and Gary Van Schuyver, Chief Banking Officer, will retire effective January 1, 2025. In preparation for these well-deserved retirements and to

## Management's Discussion and Analysis

continue to fulfill American AgCredit's mission, the Association is expanding its executive team. As of September 1, 2024, Mike Lancaster accepted the role of Chief Customer Value Officer; as of September 30, 2024, Dave Hoyt joined as Chief Transformation Officer; as of October 16, 2024, Luke Massey was named Chief Business Technology Officer and Matt Jacobs was named Chief Delivery Officer; and beginning January 1, 2025, Lynn Scherler will step into the role of Chief Banking Officer.

**Certification**

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

| | | |
|---|---|---|
| Joe Alamo<br>Chairman | Curt Hudnutt<br>Chief Executive Officer | Maryam Ghazi<br>Chief Financial Officer |

November 8, 2024

## Consolidated Statements of Condition *(dollars in thousands)*

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | *(Unaudited)* | *(Audited)* |
| **ASSETS** | | |
| Loans | $21,043,842 | $20,499,416 |
| Less: allowance for credit losses on loans | (30,137) | (21,227) |
| Net loans | 21,013,705 | 20,478,189 |
| Cash | 61,991 | 106,756 |
| Accrued interest receivable | 305,256 | 272,057 |
| Investment in CoBank | 550,325 | 547,062 |
| Investment in AgDirect | 34,645 | 29,744 |
| Premises and equipment, net | 122,047 | 122,643 |
| Other property owned | 11,476 | - |
| Other assets | 266,410 | 315,363 |
| **Total assets** | **$22,365,855** | **$21,871,814** |
| | | |
| **LIABILITIES** | | |
| Notes payable to CoBank | $17,883,803 | $17,436,357 |
| Subordinated debt | 198,048 | 197,923 |
| Funds Held accounts | 229,008 | 244,314 |
| Accrued interest payable | 103,276 | 100,413 |
| Cash patronage and preferred stock dividends payable | - | 215,426 |
| Reserve for unfunded commitments | 1,009 | 1,036 |
| Other liabilities | 159,883 | 186,689 |
| **Total liabilities** | **18,575,027** | **18,382,158** |
| | | |
| **SHAREHOLDERS' EQUITY** | | |
| Preferred stock | 300,000 | 300,000 |
| Common stock and participation certificates | 11,694 | 11,707 |
| Additional paid-in capital | 935,386 | 935,386 |
| Unallocated retained surplus | 2,556,185 | 2,259,128 |
| Accumulated other comprehensive loss | (12,437) | (16,565) |
| **Total shareholders' equity** | **3,790,828** | **3,489,656** |
| **Total liabilities and shareholders' equity** | **$22,365,855** | **$21,871,814** |

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

## Consolidated Statements of Comprehensive Income *(dollars in thousands)*

| *(Unaudited)* | For the Three Months Ended September 30, 2024 | For the Three Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2024 | For the Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| **INTEREST INCOME** | | | | |
| Loans | $365,638 | $303,857 | $1,072,394 | $864,501 |
| **Total interest income** | **365,638** | **303,857** | **1,072,394** | **864,501** |
| **INTEREST EXPENSE** | | | | |
| Notes payable to CoBank | 213,043 | 166,937 | 622,471 | 455,380 |
| Subordinated notes | 1,729 | 1,729 | 5,187 | 5,187 |
| Funds Held and other interest | 2,505 | 2,307 | 8,360 | 7,301 |
| **Total interest expense** | **217,277** | **170,973** | **636,018** | **467,868** |
| **Net interest income** | **148,361** | **132,884** | **436,376** | **396,633** |
| Provision for credit losses | (20,966) | (532) | (46,286) | (14,288) |
| **Net interest income after provision for credit losses** | **127,395** | **132,352** | **390,090** | **382,345** |
| **NON-INTEREST INCOME** | | | | |
| Patronage income from CoBank | 24,424 | 20,113 | 70,391 | 59,214 |
| Patronage income from other Farm Credit institutions | 10,452 | 10,362 | 37,551 | 36,155 |
| Patronage income from AgDirect | 1,084 | 906 | 3,276 | 2,591 |
| Loan origination fees | 3,267 | 1,995 | 12,200 | 6,178 |
| Servicing fees and late charges | 631 | 595 | 4,442 | 4,430 |
| Financially-related services | 2,227 | 1,758 | 4,009 | 4,213 |
| Miscellaneous | 1,780 | 1,313 | 13,353 | 4,662 |
| **Total non-interest income** | **43,865** | **37,042** | **145,222** | **117,443** |
| **NON-INTEREST EXPENSES** | | | | |
| Salaries and employee benefits | 52,407 | 48,685 | 154,071 | 130,889 |
| Occupancy and equipment expense | 2,778 | 2,409 | 7,962 | 7,525 |
| Insurance fund premiums | 4,348 | 6,611 | 13,074 | 19,500 |
| Supervisory and examination expense | 911 | 1,043 | 2,739 | 2,810 |
| Other operating expenses | 17,123 | 18,663 | 50,047 | 48,125 |
| **Total non-interest expenses** | **77,567** | **77,411** | **227,893** | **208,849** |
| Income before income taxes | 93,693 | 91,983 | 307,419 | 290,939 |
| Provision for income taxes | - | - | (2) | (11) |
| **Net income** | **$93,693** | **$91,983** | **$307,417** | **$290,928** |
| **COMPREHENSIVE INCOME** | | | | |
| Actuarial gain in retirement obligation | 1,376 | 1,378 | 4,128 | 4,133 |
| **Total comprehensive income** | **$95,069** | **$93,361** | **$311,545** | **$295,061** |

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

## Consolidated Statements of Changes in Shareholders' Equity *(dollars in thousands)*

| *(Unaudited)* | Common Stock and Participation Certificates | Preferred Stock | Additional Paid-in Capital | Unallocated Retained Surplus | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2022** | **$10,604** | **$300,000** | **$677,110** | **$1,850,386** | **$(16,796)** | **$2,821,304** |
| Comprehensive income | | | | 290,928 | 4,133 | 295,061 |
| Stock/participation certificates issued | 551 | | | | | 551 |
| Stock/participation certificates retired | (600) | | | | | (600) |
| Preferred stock dividends | | | | (11,813) | | (11,813) |
| Adjustment to prior period patronage accrual | | | | (3,430) | | (3,430) |
| Cumulative effect adjustment | | | | 31,647 | | 31,647 |
| **Balance at September 30, 2023** | **$10,555** | **$300,000** | **$677,110** | **$2,157,718** | **$(12,663)** | **$3,132,720** |
| | | | | | | |
| **Balance at December 31, 2023** | **$11,707** | **$300,000** | **$935,386** | **$2,259,128** | **$(16,565)** | **$3,489,656** |
| Comprehensive income | | | | 307,417 | 4,128 | 311,545 |
| Stock/participation certificates issued | 604 | | | | | 604 |
| Stock/participation certificates retired | (617) | | | | | (617) |
| Preferred stock dividends | | | | (11,813) | | (11,813) |
| Adjustment to prior period patronage accrual | | | | 1,453 | | 1,453 |
| **Balance at September 30, 2024** | **$11,694** | **$300,000** | **$935,386** | **$2,556,185** | **$(12,437)** | **$3,790,828** |

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

# Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

*(Unaudited)*

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders (2023 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited third quarter 2024 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.

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. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

**Recently Adopted or Issued Accounting Pronouncements**

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The 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 5% 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 5% 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 but could result in additional disclosures.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The amendments in this ASU improve reportable segment disclosure, but do not change the definition of the segment or the method of determining a segment of the criteria for aggregating operating segments. 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.

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

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 adoption of this guidance will not have an impact on our financial condition or results of operations but will impact segment disclosures.

### NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| Real estate mortgage | $10,904,011 | 51.8% | $10,799,663 | 52.7% |
| Production and intermediate-term | 4,432,742 | 21.1% | 4,595,789 | 22.4% |
| Agribusiness | 4,749,624 | 22.6% | 4,197,597 | 20.5% |
| Rural infrastructure | 866,901 | 4.1% | 828,029 | 4.0% |
| Rural residential real estate | 1,968 | 0.0% | 2,014 | 0.0% |
| Agricultural export finance | 88,596 | 0.4% | 76,324 | 0.4% |
| **Total loans** | **$21,043,842** | **100.0%** | **$20,499,416** | **100.0%** |

### PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at 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 | $743,172 | $2,143,307 | $- | $- | $743,172 | $2,143,307 |
| Production and intermediate-term | 1,090,662 | 1,585,433 | 25,348 | - | 1,116,010 | 1,585,433 |
| Agribusiness | 2,668,683 | 4,397,953 | - | - | 2,668,683 | 4,397,953 |
| Rural infrastructure | 837,594 | 161,687 | - | - | 837,594 | 161,687 |
| Agricultural export finance | 88,596 | - | - | - | 88,596 | - |
| **Total** | **$5,428,707** | **$8,288,380** | **$25,348** | **$-** | **$5,454,055** | **$8,288,380** |

# Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

## 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 its lending activities on an individual and portfolio basis through the application of sound lending and underwriting standards and policies, approved by its board of directors. The 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 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 and actual Association loss history 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 over the next 12 months. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken, both the probability of default and loss given default ratings.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between ratings one through nine (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. The categories are defined as follows:

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

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. The extent to which collateral secures certain loans is primarily based on the calculated Loan-to-Value ratio.

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of September 30, 2024:

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | Term Loans Amortized Cost by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Revolving Loans Converted to Term Loans Amortized Cost Basis | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | | | Total |
| **Real Estate Mortgage:** | | | | | | | | | |
| Acceptable | $767,045 | $871,604 | $1,411,020 | $1,568,812 | $1,292,445 | $3,327,224 | $568,334 | $74,011 | $9,880,495 |
| OAEM | 7,532 | 19,804 | 43,155 | 80,001 | 44,762 | 129,062 | 18,487 | 8,318 | 351,121 |
| Substandard/Doubtful | 18,032 | 70,993 | 89,076 | 75,108 | 104,637 | 262,033 | 45,800 | 6,716 | 672,395 |
| **Total** | **792,609** | **962,401** | **1,543,251** | **1,723,921** | **1,441,844** | **3,718,319** | **632,621** | **89,045** | **10,904,011** |
| Gross charge-offs | - | 238 | 5,152 | - | 184 | 5,633 | 89 | - | 11,296 |
| **Production and intermediate-term:** | | | | | | | | | |
| Acceptable | 429,898 | 420,280 | 311,602 | 204,308 | 165,520 | 229,834 | 2,249,328 | 8,504 | 4,019,274 |
| OAEM | 7,459 | 5,134 | 25,438 | 12,179 | 10,637 | 1,470 | 117,112 | 1,378 | 180,807 |
| Substandard/Doubtful | 30,230 | 13,838 | 23,541 | 9,990 | 5,845 | 14,784 | 123,527 | 10,906 | 232,661 |
| **Total** | **467,587** | **439,252** | **360,581** | **226,477** | **182,002** | **246,088** | **2,489,967** | **20,788** | **4,432,742** |
| Gross charge-offs | 889 | 588 | 2,211 | 1,510 | 176 | 29 | 3,129 | 111 | 8,643 |
| **Agribusiness:** | | | | | | | | | |
| Acceptable | 641,487 | 989,576 | 935,373 | 601,094 | 318,034 | 445,093 | 515,957 | 26,704 | 4,473,318 |
| OAEM | - | 56,700 | 20,097 | 22,619 | 3,394 | 2,027 | 25,517 | - | 130,354 |
| Substandard/Doubtful | 6,129 | 22,706 | 8,668 | 28,393 | 53,377 | 10,808 | 15,871 | - | 145,952 |
| **Total** | **647,616** | **1,068,982** | **964,138** | **652,106** | **374,805** | **457,928** | **557,345** | **26,704** | **4,749,624** |
| Gross charge-offs | 3,490 | 475 | - | 11,119 | - | - | (608) | 8,457 | 22,933 |
| **Rural infrastructure:** | | | | | | | | | |
| Acceptable | 191,931 | 311,632 | 137,706 | 137,040 | 18,911 | 33,287 | 13,766 | - | 844,273 |
| OAEM | - | - | 5,003 | - | 15,846 | 1,779 | - | - | 22,628 |
| **Total** | **191,931** | **311,632** | **142,709** | **137,040** | **34,757** | **35,066** | **13,766** | **-** | **866,901** |
| **Rural residential real estate:** | | | | | | | | | |
| Acceptable | 359 | - | - | 203 | 237 | 1,125 | - | - | 1,924 |
| Substandard/Doubtful | - | - | - | - | - | 44 | - | - | 44 |
| **Total** | **359** | **-** | **-** | **203** | **237** | **1,169** | **-** | **-** | **1,968** |
| **Agricultural export finance:** | | | | | | | | | |
| Acceptable | 4,737 | 29,996 | - | 12,048 | - | 15,001 | 7,439 | 19,375 | 88,596 |
| **Total** | **4,737** | **29,996** | **-** | **12,048** | **-** | **15,001** | **7,439** | **19,375** | **88,596** |
| **Total loans:** | | | | | | | | | |
| Acceptable | 2,035,457 | 2,623,088 | 2,795,701 | 2,523,505 | 1,795,147 | 4,051,564 | 3,354,824 | 128,594 | 19,307,880 |
| OAEM | 14,991 | 81,638 | 93,693 | 114,799 | 74,639 | 134,338 | 161,116 | 9,696 | 684,910 |
| Substandard/Doubtful | 54,391 | 107,537 | 121,285 | 113,491 | 163,859 | 287,669 | 185,198 | 17,622 | 1,051,052 |
| **Total Loans** | **$2,104,839** | **$2,812,263** | **$3,010,679** | **$2,751,795** | **$2,033,645** | **$4,473,571** | **$3,701,138** | **$155,912** | **$21,043,842** |
| **Total gross charge-offs as of September 30, 2024:** | **$4,379** | **$1,301** | **$7,363** | **$12,629** | **$360** | **$5,662** | **$2,610** | **$8,568** | **$42,872** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of December 31, 2023:

| | Term Loans Amortized Cost by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Revolving Loans Converted to Term Loans Amortized Cost Basis | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **2020** | **2019** | **Prior** | | | **Total** |
| **Real Estate Mortgage:** | | | | | | | | | |
| Acceptable | $972,608 | $1,529,047 | $1,706,076 | $1,375,339 | $995,121 | $2,786,628 | $552,567 | $76,126 | $9,993,513 |
| OAEM | 14,454 | 46,158 | 41,079 | 77,301 | 29,305 | 112,319 | 29,716 | 6,786 | 357,118 |
| Substandard/Doubtful | 11,857 | 93,167 | 51,529 | 62,736 | 89,022 | 121,671 | 18,676 | 374 | 449,032 |
| **Total** | **998,920** | **1,668,372** | **1,798,684** | **1,515,376** | **1,113,448** | **3,020,618** | **600,959** | **83,286** | **10,799,663** |
| Gross charge-offs | - | - | - | 76 | (3) | - | - | - | 73 |
| **Production and intermediate-term:** | | | | | | | | | |
| Acceptable | 530,420 | 376,693 | 278,988 | 269,071 | 114,276 | 175,695 | 2,435,362 | 6,962 | 4,187,467 |
| OAEM | 12,160 | 20,794 | 11,135 | 11,683 | 27,699 | 295 | 136,588 | 143 | 220,498 |
| Substandard/Doubtful | 13,702 | 54,671 | 15,036 | 8,050 | 27,277 | 6,455 | 52,858 | 9,775 | 187,824 |
| **Total** | **556,282** | **452,158** | **305,159** | **288,804** | **169,252** | **182,446** | **2,624,808** | **16,880** | **4,595,789** |
| Gross charge-offs | 2,491 | 1,580 | 304 | 660 | 10,468 | 116 | 1,344 | 41 | 17,005 |
| **Agribusiness:** | | | | | | | | | |
| Acceptable | 1,003,167 | 945,667 | 621,039 | 325,354 | 169,533 | 385,602 | 527,522 | 24,372 | 4,002,256 |
| OAEM | 4,738 | 6,919 | 9,120 | 3,539 | - | 478 | 7,959 | - | 32,753 |
| Substandard/Doubtful | 41,719 | 844 | 17,191 | 63,132 | 6,780 | 11,672 | 14,680 | 6,570 | 162,588 |
| **Total** | **1,049,624** | **953,430** | **647,350** | **392,025** | **176,313** | **397,752** | **550,161** | **30,942** | **4,197,597** |
| Gross charge-offs | 3,590 | - | 1,568 | 1,143 | 7 | 179 | 3,796 | - | 10,284 |
| **Rural infrastructure:** | | | | | | | | | |
| Acceptable | 343,335 | 158,306 | 176,214 | 58,726 | 25,051 | 31,535 | 6,842 | - | 800,009 |
| OAEM | - | 6,562 | - | 15,842 | - | 5,530 | 86 | - | 28,020 |
| **Total** | **343,335** | **164,868** | **176,214** | **74,568** | **25,051** | **37,065** | **6,928** | **-** | **828,029** |
| **Rural residential real estate:** | | | | | | | | | |
| Acceptable | - | - | 227 | 253 | 41 | 1,434 | - | - | 1,955 |
| Substandard/Doubtful | - | - | - | - | - | 59 | - | - | 59 |
| **Total** | **-** | **-** | **227** | **253** | **41** | **1,493** | **-** | **-** | **2,014** |
| **Agricultural export finance:** | | | | | | | | | |
| Acceptable | 29,988 | - | 12,022 | - | - | 15,001 | - | 19,313 | 76,324 |
| **Total** | **29,988** | **-** | **12,022** | **-** | **-** | **15,001** | **-** | **19,313** | **76,324** |
| **Total loans:** | | | | | | | | | |
| Acceptable | 2,879,519 | 3,009,713 | 2,794,566 | 2,028,743 | 1,304,022 | 3,395,895 | 3,522,293 | 126,773 | 19,061,524 |
| OAEM | 31,352 | 80,433 | 61,334 | 108,365 | 57,004 | 118,623 | 174,349 | 6,929 | 638,389 |
| Substandard/Doubtful | 67,278 | 148,682 | 83,756 | 133,918 | 123,079 | 139,857 | 86,214 | 16,719 | 799,503 |
| **Total Loans** | **$2,978,149** | **$3,238,828** | **$2,939,656** | **$2,271,026** | **$1,484,105** | **$3,654,375** | **$3,782,856** | **$150,421** | **$20,499,416** |
| **Total gross charge-offs for the year ended December 31, 2023:** | **$6,082** | **$1,580** | **$1,873** | **$1,879** | **$10,472** | **$295** | **$5,140** | **$41** | **$27,362** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

Accrued interest receivable on loans of $305.3 million and $272.0 million at September 30, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition. The Association wrote off accrued interest receivable of $15.0 million and $3.1 million for the nine months ended September 30, 2024, and 2023.

### NONPERFORMING ASSETS

The following table reflects nonperforming assets on an amortized cost basis, which consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned and related credit quality statistics:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| **Nonaccrual loans:** | | |
| Real estate mortgage | $289,408 | $145,493 |
| Production and intermediate-term | 67,840 | 65,806 |
| Agribusiness | 85,972 | 45,053 |
| Rural residential real estate | 44 | 59 |
| **Total nonaccrual loans** | **443,264** | **256,411** |
| **Accruing loans 90 days or more past due:** | | |
| Real estate mortgage | 4,919 | - |
| Production and intermediate-term | - | 1,034 |
| **Total accruing loans 90 days or more past due** | **4,919** | **1,034** |
| **Total nonperforming loans** | **448,183** | **257,445** |
| Other property owned | 11,476 | - |
| **Total nonperforming assets** | **$459,659** | **$257,445** |
| | | |
| Nonaccrual loans as a percentage of total loans | 2.11% | 1.25% |
| Nonperforming assets as a percentage of total loans and other property owned | 2.18% | 1.26% |
| Nonperforming assets as a percentage of capital | 12.13% | 7.38% |

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

| | At September 30, 2024 | | | 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 | $17,817 | $271,591 | $289,408 | $1,256 | $3,093 |
| Production and intermediate-term | 14,540 | 53,300 | 67,840 | 828 | 3,386 |
| Agribusiness | 7,956 | 78,016 | 85,972 | (150) | 70 |
| Rural residential real estate | - | 44 | 44 | - | - |
| **Total nonaccrual loans** | **$40,313** | **$402,951** | **$443,264** | **$1,934** | **$6,549** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | At September 30, 2023 | | | 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 | $300 | $107,070 | $107,370 | $741 | $2,485 |
| Production and intermediate-term | 5,945 | 72,738 | 78,683 | 689 | 882 |
| Agribusiness | 11,763 | 31,265 | 43,028 | - | 53 |
| Rural residential real estate | - | 65 | 65 | - | - |
| **Total nonaccrual loans** | **$18,008** | **$211,138** | **$229,146** | **$1,430** | **$3,420** |

### DELINQUENCY

The following tables provide an age analysis of past due loans at amortized cost by portfolio segment as of:

| September 30, 2024 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less than 30 Days Past Due | Total Loans | Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| Real estate mortgage | $3,422 | $142,854 | $146,276 | $10,757,735 | $10,904,011 | $4,919 |
| Production and intermediate-term | 11,592 | 25,034 | 36,626 | 4,396,116 | 4,432,742 | - |
| Agribusiness | 1,388 | 27,108 | 28,496 | 4,721,128 | 4,749,624 | - |
| Rural infrastructure | - | - | - | 866,901 | 866,901 | - |
| Rural residential real estate | - | 5 | 5 | 1,963 | 1,968 | - |
| Agricultural export finance | - | - | - | 88,596 | 88,596 | - |
| **Total** | **$16,402** | **$195,001** | **$211,403** | **$20,832,439** | **$21,043,842** | **$4,919** |

| December 31, 2023 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans | Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| Real estate mortgage | $8,510 | $31,491 | $40,001 | $10,759,662 | $10,799,663 | $- |
| Production and intermediate-term | 44,816 | 14,725 | 59,541 | 4,536,248 | 4,595,789 | 1,034 |
| Agribusiness | 5,250 | 34,290 | 39,540 | 4,158,057 | 4,197,597 | - |
| Rural infrastructure | - | - | - | 828,029 | 828,029 | - |
| Rural residential real estate | 1 | 6 | 7 | 2,007 | 2,014 | - |
| Agricultural export finance | - | - | - | 76,324 | 76,324 | - |
| **Total** | **$58,577** | **$80,512** | **$139,089** | **$20,360,327** | **$20,499,416** | **$1,034** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

### LOAN MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTIES

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, forbearance, or term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Also included in the following disclosures are other-than-insignificant payment deferrals that may provide the borrower with a temporary payment deferral, which has been defined as cumulative or individual forbearance or payment delay greater than or equal to 6 months. These deferred payments may be capitalized into the principal balance of the loan and amortized with no extension of maturity or with the deferred payment due at the time of original maturity.

The following table shows the amortized cost basis at September 30, 2024, for loan modifications granted to borrowers experiencing financial difficulty during the three months ended September 30, 2024, and September 30, 2023, disaggregated by loan type and type of modification granted.

| | For the Three Months Ended September 30, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term or Payment Extension | Payment Deferral | Combination - Interest Rate Reduction and Term or Payment Extension | Combination - Interest Rate Reduction and Payment Deferral | Combination - Term or Payment Extension and Payment Deferral | Total | Percentage of Total by Loan Type |
| Real estate mortgage | $10,319 | $- | $61,245 | $- | $- | $- | $71,564 | 0.66% |
| Production and intermediate-term | 10,067 | 29,875 | 24,209 | 399 | - | 2,383 | 66,933 | 1.51% |
| Agribusiness | - | 8,885 | 625 | - | 126 | - | 9,636 | 0.20% |
| Rural infrastructure | 39 | - | - | - | - | - | 39 | 0.00% |
| **Total** | **$20,425** | **$38,760** | **$86,079** | **$399** | **$126** | **$2,383** | **$148,172** | 0.70% |

| | For the Three Months Ended September 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term or Payment Extension | Payment Deferral | Combination - Interest Rate Reduction and Term or Payment Extension | Combination - Interest Rate Reduction and Payment Deferral | Combination - Term or Payment Extension and Payment Deferral | Total | Percentage of Total by Loan Type |
| Real estate mortgage | $20,291 | $74 | $19,625 | $- | $- | $- | $39,990 | 0.41% |
| Production and intermediate-term | 838 | 7,400 | 218 | 2 | 81 | 1,764 | 10,303 | 0.28% |
| Agribusiness | 1,583 | - | 30,040 | - | - | - | 31,623 | 0.91% |
| **Total** | **$22,712** | **$7,474** | **$49,883** | **$2** | **$81** | **$1,764** | **$81,916** | 0.47% |

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended September 30, 2024, and September 30, 2023, was $4.5 million and $2.7 million.

**Notes to the Consolidated Financial Statements** *(dollars in thousands, except as noted.)*

| | For the Nine Months Ended September 30, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term or Payment Extension | Payment Deferral | Combination - Interest Rate Reduction and Term or Payment Extension | Combination - Interest Rate Reduction and Payment Deferral | Combination - Term or Payment Extension and Payment Deferral | Total | Percentage of Total by Loan Type |
| Real estate mortgage | $22,964 | $395 | $165,084 | $- | $7,617 | $- | $196,060 | 1.80% |
| Production and intermediate-term | 18,880 | 43,581 | 26,187 | 1,335 | 398 | 7,358 | 97,739 | 2.20% |
| Agribusiness | 13,055 | 750 | $562 | - | - | 8,135 | 22,502 | 0.47% |
| Rural infrastructure | 39 | - | - | - | - | - | 39 | 0.00% |
| **Total** | **$54,938** | **$44,726** | **$191,833** | **$1,335** | **$8,015** | **$15,493** | **$316,340** | 1.50% |

| | For the Nine Months Ended September 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term or Payment Extension | Payment Deferral | Combination - Interest Rate Reduction and Term or Payment Extension | Combination - Interest Rate Reduction and Payment Deferral | Combination - Term or Payment Extension and Payment Deferral | Total | Percentage of Total by Loan Type |
| Real estate mortgage | $39,803 | $74 | $20,525 | $- | $16,983 | $2,378 | $79,763 | 0.81% |
| Production and intermediate-term | 11,015 | 20,152 | 21,136 | 98 | 261 | 2,071 | 54,733 | 1.48% |
| Agribusiness | 1,583 | - | 30,040 | - | - | - | 31,623 | 0.91% |
| **Total** | **$52,401** | **$20,226** | **$71,701** | **$98** | **$17,244** | **$4,449** | **$166,119** | 0.94% |

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine months ended September 30, 2024, and September 30, 2023, was $11.9 million and $3.75 million.

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

| | Interest Rate Reduction |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 11.98% to 7.59% |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 10.26% to 8.60% |
| Rural residential real estate | Reduced weighted average contractual interest rate on loans from 13.78% to 8.78% |

| | Term or Payment Extension |
|---|---|
| | **Financial Effect** |
| Production and intermediate-term | Increased weighted-average maturities on loans by 306 days |
| Agribusiness | Increased weighted-average maturities on loans by 341 days |

| | Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Provided a weighted average 1.9 years payment deferral |
| Production and intermediate-term | Provided a weighted average 333 days payment deferral |
| Agribusiness | Provided a weighted average 349 days payment deferral |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | Combination - Interest Rate Reduction and Term Extension |
|---|---|
| | Financial Effect |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 9.47% to 5.69% |
| Production and intermediate-term | Increased weighted-average maturities on loans by 5.9 years |

| | Combination - Interest Rate Reduction and Payment Deferral |
|---|---|
| | Financial Effect |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 10.65% to 5.65% |
| Real estate mortgage | Provided a weighted average 1.0 year payment deferral |

| | Combination - Term or Payment Extension and Payment Deferral |
|---|---|
| | Financial Effect |
| Production and intermediate-term | Increased weighted-average maturities on loans by 1.0 year |
| Production and intermediate-term | Provided a weighted average 2.0 years payment deferral |

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

| | Interest Rate Reduction |
|---|---|
| | Financial Effect |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 11.56% to 9.18% |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 13.41% to 8.41% |
| Agribusiness | Reduced weighted average contractual interest rate on loans from 12.08% to 10.08% |

| | Term or Payment Extension |
|---|---|
| | Financial Effect |
| Real estate mortgage | Increased weighted-average maturities on loans by 5.9 years |
| Production and intermediate-term | Increased weighted-average maturities on loans by 1.3 years |

| | Payment Deferral |
|---|---|
| | Financial Effect |
| Real estate mortgage | Provided a weighted average 331 days payment deferral |
| Production and intermediate-term | Provided a weighted average 1.0 year payment deferral |
| Agribusiness | Provided a weighted average 1.6 years payment deferral |

| | Combination - Interest Rate Reduction and Term or Payment Extension |
|---|---|
| | Financial Effect |
| Production and intermediate-term | Increased weighted-average maturities on loans by 2.3 years |

| | Combination - Interest Rate Reduction and Payment Deferral |
|---|---|
| | Financial Effect |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 16.75% to 11.75% |
| Production and intermediate-term | Provided a weighted average 2.4 years payment deferral |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | Combination - Term or Payment Extension and Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Increased weighted-average maturities on loans by 1.2 years |
| Production and intermediate-term | Provided a weighted average 282 days payment deferral |

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

| | Interest Rate Reduction |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 10.29% to 8.18% |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 9.85% to 8.63% |
| Agribusiness | Reduced weighted average contractual interest rate on loans from 9.95% to 9.28% |
| Rural residential real estate | Reduced weighted average contractual interest rate on loans from 13.78% to 8.78% |

| | Term or Payment Extension |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Increased weighted-average maturities on loans by 8.7 years |
| Production and intermediate-term | Increased weighted-average maturities on loans by 1.2 years |
| Agribusiness | Increased weighted-average maturities on loans by 273 days |

| | Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Provided a weighted average 1.2 year payment deferral |
| Production and intermediate-term | Provided a weighted average 334 days payment deferral |
| Agribusiness | Provided a weighted average 1.7 years payment deferral |

| | Principal Forgiveness (*in thousands)* |
|---|---|
| | **Financial Effect** |
| Production and intermediate-term | $436 |

| | Combination - Interest Rate Reduction and Term or Payment Extension |
|---|---|
| | **Financial Effect** |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 14.15% to 9.55% |
| Production and intermediate-term | Increased weighted-average maturities on loans by 2.6 years |

| | Combination - Interest Rate Reduction and Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 12.68% to 8.66% |
| Real estate mortgage | Provided a weighted average 1.1 years payment deferral |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 14.78% to 9.43% |
| Production and intermediate-term | Increased weighted-average maturities on loans by 8.1 years |
| Production and intermediate-term | Provided a weighted average 335 days payment deferral |

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | Combination - Term or Payment Extension and Payment Deferral |
|---|---|
| | **Financial Effect** |
| Production and intermediate-term | Increased weighted-average maturities on loans by 1.1 years |
| Production and intermediate-term | Provided a weighted average 2.0 years payment deferral |
| Agribusiness | Increased weighted-average maturities on loans by 349 days |
| Agribusiness | Provided a weighted average 4.6 years payment deferral |

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

| | Interest Rate Reduction |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 11.20% to 7.49% |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 10.10% to 8.08% |
| Agribusiness | Reduced weighted average contractual interest rate on loans from 12.08% to 10.08% |

| | Term or Payment Extension |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Increased weighted-average maturities on loans by 5.9 years |
| Production and intermediate-term | Increased weighted-average maturities on loans by 1.6 years |

| | Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Provided a weighted average 337 days payment deferral |
| Production and intermediate-term | Provided a weighted average 2.0 years payment deferral |
| Agribusiness | Provided a weighted average 252 days payment deferral |

| | Combination - Interest Rate Reduction and Term or Payment Extension |
|---|---|
| | **Financial Effect** |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 10.03% to 8.00% |
| Production and intermediate-term | Increased weighted-average maturities on loans by 242 days |

| | Combination - Interest Rate Reduction and Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Reduced weighted average contractual interest rate on loans from 12.93% to 7.93% |
| Real estate mortgage | Provided a weighted average 343 days payment deferral |
| Production and intermediate-term | Reduced weighted average contractual interest rate on loans from 15.48% to 10.48% |
| Production and intermediate-term | Provided a weighted average 1.1 years payment deferral |

| | Combination - Term or Payment Extension and Payment Deferral |
|---|---|
| | **Financial Effect** |
| Real estate mortgage | Increased weighted-average maturities on loans by 214 days |
| Real estate mortgage | Provided a weighted average 1.6 years payment deferral |
| Production and intermediate-term | Increased weighted-average maturities on loans by 2.0 years |
| Production and intermediate-term | Provided a weighted average 230 days payment deferral |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended September 30, 2024, and received a modification in the twelve months before default:

| | Modified Loans that Subsequently Defaulted | |
|---|---|---|
| | **Payment Deferral** | **Combination - Interest Rate Reduction and Payment Deferral** |
| Real estate mortgage | $5,677 | $126 |
| Production and intermediate-term | 931 | - |
| Agribusiness | 371 | - |
| **Total** | **$6,979** | **$126** |

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the nine months ended September 30, 2024, and received a modification in the twelve months before default:

| | Modified Loans that Subsequently Defaulted | | | | | |
|---|---|---|---|---|---|---|
| | **Interest Rate Reduction** | **Term or Payment Extension** | **Payment Deferral** | **Combination - Interest Rate Reduction and Term or Payment Extension** | **Combination - Interest Rate Reduction and Payment Deferral** | **Combination - Term or Payment Extension and Payment Deferral** |
| Real estate mortgage | $3,571 | $- | $56,887 | $- | $3,588 | $- |
| Production and intermediate-term | 229 | 1,983 | 895 | 872 | 207 | 4,551 |
| Agribusiness | - | - | 371 | - | - | - |
| Rural residential real estate | 39 | - | - | - | - | - |
| **Total** | **$3,839** | **$1,983** | **$58,153** | **$872** | **$3,795** | **$4,551** |

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended September 30, 2023, and received a modification in the twelve months before default:

| | Modified Loans that Subsequently Defaulted | | |
|---|---|---|---|
| | **Interest Rate Reduction** | **Term or Payment Extension** | **Payment Deferral** |
| Real estate mortgage | $67 | $- | $9,529 |
| Production and intermediate-term | 293 | 941 | 54 |
| **Total** | **$360** | **$941** | **$9,583** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of CECL, through September 30, 2023, and that defaulted in the period presented:

| | Modified Loans that Subsequently Defaulted | | | |
|---|---|---|---|---|
| | **Interest Rate Reduction** | **Term or Payment Extension** | **Payment Deferral** | **Combination - Interest Rate Reduction and Payment Deferral** |
| Real estate mortgage | $2,078 | $- | $6,991 | $9,596 |
| Production and intermediate-term | 293 | 8,432 | 10,078 | - |
| **Total** | **$2,371** | **$8,432** | **$17,069** | **$9,596** |

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:

| | 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 | $137,418 | $779 | $57,863 |
| Production and intermediate-term | 85,840 | 385 | 11,514 |
| Agribusiness | 22,193 | - | 309 |
| Rural residential real estate | 39 | - | - |
| **Total** | **$245,490** | **$1,164** | **$69,686** |

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:

| | Payment Status of Loans Modified in the Past 9 Months | | |
|---|---|---|---|
| | **Current** | **30-89 Days Past Due** | **90 Days or More Past Due** |
| Real estate mortgage | $68,700 | $1,626 | $9,438 |
| Production and intermediate-term | 36,829 | 43 | 17,862 |
| Agribusiness | 31,623 | - | - |
| **Total** | **$137,152** | **$1,669** | **$27,300** |

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2024, were $63.9 million and during the year ended December 31, 2023, were $34.6 million.

### ALLOWANCE FOR CREDIT LOSSES

The credit risk rating methodology is a key component of the allowance for credit losses evaluation and is incorporated into loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base but the board of directors has established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities, and to the Banks' (other than CoBank) loan participations.

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

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

| | Real Estate Mortgage | Production and Intermediate-term | Agri-business | Rural Infra-structure | Agricultural Export Finance | Total |
|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | |
| Balance at June 30, 2024 | $7,454 | $6,147 | $4,631 | $8 | $- | $18,240 |
| Charge-offs | (5,146) | (2,482) | (2,518) | - | - | (10,146) |
| Recoveries | 4 | 312 | 607 | - | - | 923 |
| Provision for loan losses | 15,591 | 2,862 | 2,628 | 31 | 8 | 21,120 |
| **Balance at September 30, 2024** | **$17,903** | **$6,839** | **$5,348** | **$39** | **$8** | **$30,137** |
| **Allowance for unfunded commitments:** | | | | | | |
| Balance at June 30, 2024 | $120 | $389 | $654 | $- | $- | $1,163 |
| Provision for unfunded commitments | 88 | (67) | (185) | 8 | 2 | (154) |
| **Balance at September 30, 2024** | **$208** | **$322** | **$469** | **$8** | **$2** | **$1,009** |
| **Total allowance for credit losses** | **$18,111** | **$7,161** | **$5,817** | **$47** | **$10** | **$31,146** |

| | Real Estate Mortgage | Production and Intermediate-term | Agri-business | Rural Infra-structure | Agricultural Export Finance | Total |
|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | |
| Balance at December 31, 2023 | $5,599 | $7,839 | $7,788 | $1 | $- | $21,227 |
| Charge-offs | (11,296) | (8,643) | (22,933) | - | - | (42,872) |
| Recoveries | 10 | 1,966 | 3,493 | - | - | 5,469 |
| Provision for loan losses | 23,590 | 5,677 | 17,000 | 38 | 8 | 46,313 |
| **Balance at September 30, 2024** | **$17,903** | **$6,839** | **$5,348** | **$39** | **$8** | **$30,137** |
| **Allowance for unfunded commitments:** | | | | | | |
| Balance at December 31, 2023 | $136 | $396 | $504 | $- | $- | $1,036 |
| Provision for unfunded commitments | 72 | (74) | (35) | 8 | 2 | (27) |
| **Balance at September 30, 2024** | **$208** | **$322** | **$469** | **$8** | **$2** | **$1,009** |
| **Total allowance for credit losses** | **$18,111** | **$7,161** | **$5,817** | **$47** | **$10** | **$31,146** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| | Real Estate Mortgage | Production and Intermediate-term | Agri-business | Rural Infra-structure | Agricultural Export Finance | Total |
|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | |
| Balance at June 30, 2023 | $4,368 | $6,475 | $8,746 | $- | $- | $19,589 |
| Charge-offs | 74 | (1,160) | (1,676) | - | - | (2,762) |
| Recoveries | 7 | 225 | 19 | - | - | 251 |
| Provision for/(Reversal of) loan losses | (202) | 1,656 | (806) | - | - | 648 |
| **Balance at September 30, 2023** | **$4,247** | **$7,196** | **$6,283** | **$-** | **$-** | **$17,726** |
| **Allowance for unfunded commitments:** | | | | | | |
| Balance at June 30, 2023 | $124 | $424 | $596 | $- | $- | $1,144 |
| Provision for unfunded commitments | (15) | (78) | (23) | - | - | (116) |
| **Balance at September 30, 2023** | **$109** | **$346** | **$573** | **$-** | **$-** | **$1,028** |
| **Total allowance for credit losses** | **$4,356** | **$7,542** | **$6,856** | **$-** | **$-** | **$18,754** |

| | Real Estate Mortgage | Production and Intermediate-term | Agri-business | Rural Infra-structure | Agricultural Export Finance | Total |
|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | |
| Balance at December 31, 2022 | $11,115 | $15,672 | $22,122 | $457 | $82 | $49,448 |
| Cumulative effect of change in accounting principle | (8,004) | (9,422) | (10,459) | (457) | (82) | (28,424) |
| **Balance at January 1, 2023** | **3,111** | **6,250** | **11,663** | **-** | **-** | **21,024** |
| Charge-offs | 74 | (14,075) | (7,897) | - | - | (21,898) |
| Recoveries | 19 | 4,552 | 91 | - | - | 4,662 |
| Provision for loan losses | 1,043 | 10,469 | 2,426 | - | - | 13,938 |
| **Balance at September 30, 2023** | **$4,247** | **$7,196** | **$6,283** | **$-** | **$-** | **$17,726** |
| **Allowance for unfunded commitments:** | | | | | | |
| Balance at December 31, 2022 | $200 | $2,267 | $1,375 | $52 | $6 | $3,900 |
| Cumulative effect of change in accounting principle | (108) | (2,018) | (1,039) | (52) | (6) | (3,223) |
| **Balance at January 1, 2023** | **92** | **249** | **336** | **-** | **-** | **677** |
| Provision for unfunded commitments | 17 | 97 | 237 | - | - | 351 |
| **Balance at September 30, 2023** | **$109** | **$346** | **$573** | **$-** | **$-** | **$1,028** |
| **Total allowance for credit losses** | **$4,356** | **$7,542** | **$6,856** | **$-** | **$-** | **$18,754** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

### DISCUSSION OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES

The Allowance for Credit Losses ("Allowance") using the Current Expected Credit Losses ("CECL") Methodology is $31.2 million at September 30, 2024, an increase of $8.9 million, as compared to $22.3 million at December 31, 2023. In the third quarter of 2024, the Association adopted a recalibrated methodology and recognized a new qualitative overlay related to elevated risk with land values in the Central Valley of California related to tree nuts such as almonds and walnuts. This accounted for approximately 72% of the increase related to the Allowance. Non-performing loans continue to uptick, with the Association experiencing an increase in specific reserves and charge-offs of approximately $13 million in the quarter.

The Association's CECL framework is significantly shaped by the internally assigned risk rating of each loan. By integrating the risk profile for each individual credit within the Association's portfolio, along with the key MEV's listed below, the Association's CECL framework provides an estimate of expected losses. This estimate is grounded in both the characteristics of each individual loan and broader economic factors. The below table provides the forecast variables for the first three years of the 10-year forecast period for the two most influential MEV's for the Association's five largest industry segments, which represent 64.45% of the portfolio at September 30, 2024.

| Portfolio Segment | Significant Macroeconomic Variable | Forecast Period | | |
|---|---|---|---|---|
| | | Year 1 | Year 2 | Year 3 |
| Beef | Boneless beef, price % quarter-over-quarter | -3.03% | -0.80% | 0.49% |
| | World food price % quarter-over-quarter | 1.57% | 0.60% | 0.51% |
| Dairies | Exchange rate, effective real % year-over-year | 1.96% | 0.02% | -1.07% |
| | Total livestock crop cash receipts % quarter-over-quarter | -0.23% | 0.44% | 0.94% |
| Field crops | Corn price parity | 0.21 | 0.17 | 0.18 |
| | Net farm income % year-over-year | -14.95% | 0.08% | 0.62% |
| Tree fruits and nuts | Exchange rate, effective real % year-over-year | 1.96% | 0.02% | -1.07% |
| | Fruit and tree nut price received index % quarter-over-quarter | 4.73% | 1.86% | 1.09% |
| Vineyards and wineries | Interest rate, long-term government bond yields | 3.84% | 3.71% | 3.70% |
| | U.S. export value of wine | 5.65 | 5.81 | 5.94 |

## NOTE 3 – LEASES

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use 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.

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

| | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| 2024 (excluding the nine months ended 9/30/24) | $229 | $719 | $948 |
| 2025 | 870 | 2,353 | 3,223 |
| 2026 | 500 | 750 | 1,250 |
| 2027 | 275 | 200 | 475 |
| 2028 | 230 | 8 | 238 |
| Thereafter | 1,201 | - | 1,201 |
| **Total lease payments** | **3,305** | **4,030** | **7,335** |
| Less: interest | - | (682) | (682) |
| **Total** | **$3,305** | **$3,348** | **$6,653** |

Right-of-use assets, net of accumulated amortization, amounted to $5.7 million for the period ended September 30, 2024.

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

### NOTE 4 – SHAREHOLDERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of September 30, 2024. The Association exceeded all regulatory minimum capital requirements as of September 30, 2024, and December 31, 2023.

| | Regulatory Minimums | Capital Conservation Buffer | Total | Sep. 30, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| Risk-adjusted: | | | | | |
| Common Equity Tier 1 capital | 4.5% | 2.5% | 7.0% | **11.43%** | **11.14%** |
| Tier 1 capital | 6.0% | 2.5% | 8.5% | **12.65%** | **12.41%** |
| Total capital | 8.0% | 2.5% | 10.5% | **13.55%** | **13.37%** |
| Permanent capital | 7.0% | 0.0% | 7.0% | **13.63%** | **13.44%** |
| Non-risk-adjusted: | | | | | |
| Tier 1 leverage | 4.0% | 1.0% | 5.0% | **14.46%** | **14.15%** |
| URE and UREE leverage | 1.5% | 0.0% | 1.5% | **13.01%** | **12.64%** |

On June 14, 2021, the Association issued $300 million of Series A non-cumulative perpetual preferred stock at $1,000 par value per share. The issuance carries an annual dividend rate of 5.25% payable quarterly until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026, and quarterly thereafter.

The Series A preferred stock is junior upon liquidation or dissolution to any subordinated debt, existing and future debt obligations, and to any series of preferred stock issued in the future with priority rights. Series A preferred stock has a preference as to dividends and is senior upon liquidation or dissolution to outstanding Class C common stock, Class F participation certificates, and patronage equities.

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

| **Balance at December 31, 2023** | **Pension and Other Benefit Plans** | **Accumulated Other Comprehensive Loss** |
|---|---|---|
| Other comprehensive loss before reclassifications | $(16,565) | $(16,565) |
| Amounts reclassified from accumulated other comprehensive loss | 4,128 | 4,128 |
| Net current period other comprehensive income | 4,128 | 4,128 |
| **Balance at September 30, 2024** | **$(12,437)** | **$(12,437)** |

| **Balance at December 31, 2022** | **Pension and Other Benefit Plans** | **Accumulated Other Comprehensive Loss** |
|---|---|---|
| Other comprehensive loss before reclassifications | $(16,796) | $(16,796) |
| Amounts reclassified from accumulated other comprehensive loss | 4,133 | 4,133 |
| Net current period other comprehensive income | 4,133 | 4,133 |
| **Balance at September 30, 2023** | **$(12,663)** | **$(12,663)** |

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

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

| | For the Nine Months Ended | | Location of Gain/(Loss) Recognized in Statement of Income |
|---|---|---|---|
| | Sep. 30, 2024 | Sep. 30, 2023 | |
| Pension and other benefit plans: | | | |
| Net actuarial gain | $4,128 | $4,133 | Salaries & Benefits |
| **Total amounts reclassified** | **$4,128** | **$4,133** | |

## NOTE 5 – SUBORDINATED NOTES

In June 2021, the Association issued $200 million of Subordinated Notes (Notes), due in 2036, which may be redeemed all or in part on any interest payment date on or after June 2031. The Notes bear a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The Notes are subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The Notes are not considered System debt and are not an obligation of, nor guaranteed by any System entity. Further, payments on the Notes are not insured by the FCSIC. The notes are presented net of unamortized issuance costs of approximately $2.0 million on the Consolidated Statements of Condition at September 30, 2024.

## NOTE 6 – FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2023 Annual Report.

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

| | September 30, 2024 Fair Value Measurement Using | | December 31, 2023 Fair Value Measurement Using | |
|---|---|---|---|---|
| | Level 1 | Level 3 | Level 1 | Level 3 |
| **Measured at fair value on a recurring basis:** | | | | |
| Assets held in nonqualified benefits trusts | $41,084 | | $34,795 | |
| **Measured at fair value on a non-recurring basis:** | | | | |
| Loans | | $33,199 | | $43,799 |
| Other Property Owned | | $11,476 | | $- |

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying amounts, estimated fair values, and the level within the fair value hierarchy of the Association's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values, and other financial assets or liabilities with no defined or contractual maturities are excluded. There were no significant changes in the valuation techniques during the period ending June 30, 2024.

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

| September 30, 2024 | Carrying Amount | Fair Value | Fair Value Hierarchy |
|---|---|---|---|
| **Financial assets (recorded at amortized cost):** | | | |
| Loans | $21,043,842 | $20,579,859 | Level 3 |
| Cash | $61,991 | $61,991 | Level 1 |
| **Financial liabilities (recorded at amortized cost):** | | | |
| Notes payable to CoBank | $17,883,803 | $17,666,840 | Level 3 |
| Subordinated debt | $198,048 | $170,378 | Level 3 |

| December 31, 2023 | Carrying Amount | Fair Value | Fair Value Hierarchy |
|---|---|---|---|
| **Financial assets (recorded at amortized cost):** | | | |
| Loans | $20,478,189 | $19,913,870 | Level 3 |
| Cash | $106,756 | $106,756 | Level 1 |
| **Financial liabilities (recorded at amortized cost):** | | | |
| Notes payable to CoBank | $17,436,357 | $17,083,175 | Level 3 |
| Subordinated debt | $197,923 | $166,730 | Level 3 |

### VALUATION TECHNIQUES

Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

**Loans:** Fair value is estimated by discounting the expected future principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve, based on interest rates at which similar loans would be made to borrowers with similar credit risk regarding recent loan origination rates and management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

Fair value of loans in nonaccrual status is estimated as described above, but cash flows are principal only, meaning no interest cash flows occur, and the maturity date is adjusted to assume resolution occurs within two to three years.

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 other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

**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.

**Cash:** Fair value of cash approximates amortized cost.

## Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

**Notes Payable to CoBank:** Fair value is estimated by discounting the future expected principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve based on current market rates of similar securities with similar maturities and characteristics. The current market rates used were obtained from the Federal Farm Credit Banks Funding Corporation.

**Subordinated Debt:** Fair value is estimated by discounting the future expected principal and interest cash flows to present value. This discount rate is a spread over an applicable yield curve based on expected market rates of similar securities. The expected market rates are derived from current market interest rates and the change in applicable corporate BBB finance spread obtained from an independent third party since the trade date. Management has no basis to determine whether the estimated fair value presented would be indicative of the assumptions and adjustments that a purchaser of the subordinated debt would seek in an actual sale.

### NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 8, 2024, which is the date the financial statements were available to be issued.