

**PLAINS LAND BANK, FLCA**

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**2024  
Quarterly Report  
Third Quarter**



**For the Quarter Ended September 30, 2024**

## REPORT OF MANAGEMENT

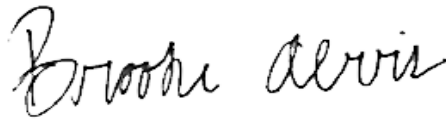
The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.



Kay Lynn McLaughlin, Chief Executive Officer  
*November 8, 2024*



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



Brooke Alvis, Chief Financial Officer  
*November 8, 2024*

# *Third Quarter 2024 Financial Report*

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## **PLAINS LAND BANK, FLCA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of the Plains Land Bank, FLCA, referred to as the Association, for the quarter ended September 30, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023, Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The financial statements comprise the operations of the FLCA. The financial statements were prepared under the oversight of the Association's audit committee.

### **Significant Events:**

In January 2024, a patronage of \$9,500,000 was declared with a subsequent adjustment of \$1,648. Patronage of \$9,498,352 was paid in March of 2024.

### **Conditions in the Texas District:**

The Texas District continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of continued headwinds within the current market environment. While inflation has declined from its peak and is moving closer to the Federal Reserve's long-term target, and interest rates on the short end of the yield curve have declined as a result of action from the Federal Reserve, the macroeconomic environment continues to exhibit volatility. Despite the challenging operating environment, credit quality in the Texas District has remained strong. Volatility in risk ratings remains a concern in the near future due to factors such as high production cost, elevated cost of debt, declining farm income (4.4 percent decline in 2024 and 19.5 percent in 2023) and an uncertain economic outlook.

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI) increased by 2.4 percent for the 12-month period ending September 2024, remaining above the Federal Reserve's long-term target of approximately 2.0 percent. However, the rate of increase in the CPI decreased month-over-month (MOM) from 2.5 percent and year-over-year (YOY) from 3.7 percent. Since July 2023, the Federal Open Market Committee (FOMC) maintained the target federal funds rate within the 5.25 – 5.50 percent range. In light of inflation moving sustainably toward its 2.0 percent target and the balance of risks between achieving its employment and inflation goals, the FOMC reduced the target federal funds rate to 4.75 – 5.00 percent at its September meeting. The FOMC stays attentive to the risks to both sides of its dual mandate as the economic outlook remains uncertain.

On September 26, 2024, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the second quarter of 2024. U.S. real GDP increased at an annual rate of 3.0 percent during the second quarter, up from 1.6 percent during the previous quarter and up from 2.4 percent during the same period a year ago. The increase in real GDP during the second quarter of 2024 primarily reflected increases in consumer spending, private inventory investment and non-residential fixed investment. Within the Texas District, second quarter 2024 annualized real GDP growth rates ranged from a low of 1.7 percent in New Mexico to a high of 3.4 percent in Alabama. Texas real GDP grew at an annual rate of 2.8 percent during the second quarter, below the national average of 3.0 percent.

Data from the BLS indicates that the U.S. unemployment rate decreased again MOM by 0.1 percent to 4.1 percent in September 2024, down from 4.2 percent in August 2024 but up from 3.8 percent during the same period a year ago. The September state unemployment rates in the Texas District ranged from a low of 2.8 percent in Mississippi to a high of 4.2 percent in New Mexico. Texas unemployment rate was 4.1 percent in September 2024, in line with the national average. The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased from an average of nearly \$81 per barrel in the second quarter of 2024 to an average of approximately \$75 per barrel during the third quarter of 2024. Additionally, the average front-month WTI price decreased by approximately 8.4 percent (approximately \$7 per barrel) during the third quarter of 2024 compared to the same period a year ago. In the October 2024 edition of the Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration (EIA) estimated that the monthly average WTI spot price would be nearly \$77 per barrel in 2024 and \$73 per barrel in 2025. The front-month WTI futures price closed at approximately \$68 per barrel in September 2024, but has recently increased primarily due to geopolitical risks.

On September 5, 2024, the U.S. Department of Agriculture (USDA) released its latest 2024 Farm Income Forecast. Net farm income (nominal), a broad measure of profits, is forecasted at \$140.0 billion in 2024, after decreasing \$6.5 billion, or 4.4 percent, relative to 2023. This follows a record high of \$182.0 billion in calendar year 2022 and a decline of about \$35.5 billion, or 19.5 percent, in 2023 to \$146.5 billion. Total crop receipts are forecasted to decrease YOY by \$27.7 billion, or 10 percent, to \$249.0 billion in 2024, due to lower receipts for corn and soybeans. However, total animal and animal product receipts are projected to increase YOY by \$17.8 billion, or 7.1 percent, to \$267.4 billion in 2024. Total production expenses are forecasted to decrease YOY by \$4.4 billion, or 1.0 percent, to \$457.5 billion in 2024. Farm sector assets and equity are forecasted to increase by 5.2 and 5.3 percent, respectively. Farm sector debt is expected to increase by 4.2 percent in 2024, leading to a YOY improvement in the debt-to-asset ratio from 12.93 to 12.81 percent in 2024.

According to USDA’s October 2024 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, soybeans, wheat and cotton are estimated to continue decreasing during the 2024/25 season from a range of 9.9 percent (corn) to 18.1 percent (wheat). Steer, barrow/gilt and broiler prices are projected to increase YOY by 6.1 percent, 2.1 percent and 3.8 percent, respectively, in 2024. Turkey prices are projected to decline YOY by an average of 33.0 percent in 2024. Subsequently, steer and turkey prices are projected to increase YOY in 2025 by about 0.4 percent and 6.6 percent, respectively. However, barrow/gilt prices are projected to decrease YOY by about 3.0 percent in 2025 while broiler prices are projected to remain mostly unchanged from last year’s average price of 129 cents per pound. USDA estimates that after decreasing by nearly 20.0 percent in 2023, all-milk prices are projected to increase by 12.1 percent in 2024 from an average of \$20.3 per hundredweight (/cwt.) in 2023 to \$22.8/cwt. in 2024. All-milk prices are projected to continue increasing by approximately 3.0 percent in 2025. Front-month random length lumber futures prices increased quarter-over-quarter by approximately 8.3 percent in the third quarter of 2024, leading to a YOY increase of approximately 3.9 percent in September 2024.

According to the U.S. Monthly Drought Outlook issued on September 30, 2024 by the Climate Prediction Center from the National Weather Service, the most likely areas to have drought development by the end of October include eastern and northern Texas. These development areas generally have 30-day precipitation deficits and declining soil moisture. Later in the autumn and into the 2024/2025 winter, the development of La Niña could lead to a broader area of drought development across the Southwest.

Drought improvement is more likely across the severe drought area of northeastern Alabama that received 2 to 3 inches of rainfall in September. The seasonal temperature outlook indicates that above-normal temperatures are expected for the Texas District from October through December 2024. Similarly, the seasonal precipitation outlook indicates that below normal precipitation is forecasted for New Mexico, Texas and most of Louisiana with probabilities that range from 33 to 60 percent. The rest of the Texas District has equal chances of below and above normal precipitation.

In terms of recent hurricane activity with potential impacts on the Texas District, Hurricane Francine made landfall on September 11 in southern Louisiana as a Category 2 hurricane. Flooding was reported to last for several days across the south. Additionally, Hurricane Helene impacted Alabama with an incident period starting on September 22. As Hurricane Helene tracked inland, widespread heavy to flooding rainfall affected a large portion of Alabama. Hurricane Helene, a Category 4 storm, led to the shutdown of 29 percent of oil production in the Gulf of Mexico (GOM) in September, per EIA. This disruption followed Hurricane Francine, which shut down up to 42 percent of crude oil production in GOM. USDA WASDE reported that sugar cane processors in Louisiana estimated that their production would be lower in September due to the impacts of Hurricane Francine. USDA also reduced the estimate of U.S. all-cotton production by slightly over 300,000 bales in its October Crop Production report, primarily reflecting the damage from Hurricane Helene. Hurricane Milton, the season’s second storm to reach Category 5, made landfall on the west coast of Florida (near Siesta Key) on October 9 as a Category 3 hurricane. While the damage caused by these storms is still being assessed, early indications suggest impacts to the Texas District will not be material or long lasting.

Agricultural producers and processors are expected to face several risk factors for the remainder of 2024, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges and adverse weather conditions. The Texas District’s loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Texas District’s borrowers primarily rely on non-farm sources of income to repay their loans.

**Loan Portfolio:**

Total loans outstanding at September 30, 2024, including nonaccrual loans and sales contracts, were \$1,080,390,782 compared to \$1,030,435,964 at December 31, 2023, reflecting an increase of 4.9 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.3 percent at September 30, 2024, and December 31, 2023.

The Association recorded no recoveries and \$26,850 in charge-offs for the nine months ended September 30, 2024, and \$3,711 in recoveries and \$62,430 in charge-offs for the same period in 2023. The Association’s allowance for credit losses on loans was 0.3 percent and 0.2 percent of total loans outstanding as of September 30, 2024, and December 31, 2023, respectively.

**Risk Exposure**

High-risk assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned. The following table illustrates the Association’s components and trends of high-risk assets.

	<b>High-Risk Assets</b>			
	<b>September 30, 2024</b>		<b>December 31, 2023</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 3,204,193	64.4%	\$ 2,781,157	100.0%
90 days past due and still accruing interest	1,772,501	35.6%	-	0.0%
<b>Total</b>	<u>\$ 4,976,694</u>	<u>100.0%</u>	<u>\$ 2,781,157</u>	<u>100.0%</u>

## Results of Operations:

The Association had net income of \$5,885,693 and \$17,224,287 for the three and nine months ended September 30, 2024, as compared to net income of \$4,217,033 and \$16,388,428 for the same periods in 2023, reflecting an increase of 39.6 and 5.1 percent primarily due to net interest income and a \$295,185 refund from the Farm Credit System Insurance Corporation. Net interest income was \$7,628,474 and \$22,430,327 for the three and nine months ended September 30, 2024, compared to \$7,007,069 and \$20,952,651 for the same period in 2023.

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,055,840,448	\$ 50,006,249	\$ 1,001,853,379	\$ 44,204,785
Interest-bearing liabilities	919,892,904	27,575,922	871,912,428	23,252,134
Impact of capital	<u>\$ 135,947,544</u>		<u>\$ 129,940,951</u>	
Net interest income		<u>\$ 22,430,327</u>		<u>\$ 20,952,651</u>
	<b>2024</b>		<b>2023</b>	
	<u>Average Yield</u>		<u>Average Yield</u>	
Yield on loans	6.33%		5.90%	
Cost of interest-bearing liabilities	4.00%		3.57%	
Interest rate spread	2.33%		2.33%	
Net interest income as a percentage of average earning assets	2.84%		2.80%	

	Nine Months Ended		
	September 30, 2024 vs. September 30, 2023		
	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 2,384,576	\$ 3,416,888	\$ 5,801,464
Interest expense	1,282,337	3,041,451	4,323,788
<b>Net interest income</b>	<u>\$ 1,102,239</u>	<u>\$ 375,437</u>	<u>\$ 1,477,676</u>

Interest income for the three and nine months ended September 30, 2024, increased by \$1,823,573 and \$5,801,464, or 11.9 percent and 13.1 percent, from the same period of 2023, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2024, increased by \$1,202,168 and \$4,323,788, or 14.4 percent and 18.6 percent, from the same period of 2023 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the third quarter of 2024 was \$1,070,500,989 compared to \$1,022,109,363 in the third quarter of 2023. The average net interest rate spread on the loan portfolio for the third quarter of 2024 and 2023 was 2.32 percent and 2.26 percent, respectively.

The Association's return on average assets for the nine months ended September 30, 2024, was 2.09 percent compared to 2.11 percent for the same period in 2023. The Association's return on average equity for the nine months ended September 30, 2024, was 13.35 percent, compared to 13.59 percent for the same period in 2023.

## Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Note payable to the Bank	\$ 947,031,710	\$ 900,789,413
Accrued interest on note payable	3,162,553	2,922,767
Total	<u>\$ 950,194,263</u>	<u>\$ 903,712,180</u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2025. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$947,031,710 as of September 30, 2024, is recorded as a liability on the Association's Balance Sheet. The note carried a weighted average interest rate of 4.0 percent at September 30, 2024. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to the Association's increase in accrual loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$132,866,279 at September 30, 2024. The maximum amount the Association may borrow from the Bank as of September 30, 2024, was \$1,101,546,704 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

## Capital Resources:

The Association's capital position increased by \$7,791,294 at September 30, 2024, compared to December 31, 2023. The Association's debt as a percentage of members' equity was 5.29:1 as of September 30, 2024, compared to 5.27:1 as of December 31, 2023.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 30, 2024, the Association exceeded all regulatory capital requirements.

## Significant Recent Accounting Pronouncements:

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

## Relationship With the Farm Credit Bank of Texas:

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

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at [www.farmcreditbank.com](http://www.farmcreditbank.com).

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Plains Land Bank, FLCA, 1616 S. Kentucky St., Suite C250, Amarillo, Texas 79102-5210 or calling (806) 331-0926. The annual and quarterly stockholder reports for the Association are also available on its website at [www.plainslandbank.com](http://www.plainslandbank.com). Copies of the Association's quarterly stockholder reports can also be requested by e-mailing [balvis@plainslandbank.com](mailto:balvis@plainslandbank.com).

PLAINS LAND BANK, FLCA

BALANCE SHEETS

	September 30, 2024 (unaudited)	December 31, 2023
<b><u>ASSETS</u></b>		
Cash	\$ 1,836	\$ 9,445
Loans	1,080,390,782	1,030,435,964
Less: allowance for credit losses on loans	2,768,340	2,463,374
Net loans	1,077,622,442	1,027,972,590
Accrued interest receivable	29,238,504	24,537,081
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	20,082,511	20,071,326
Other	3,556,650	5,246,859
Premises and equipment, net	2,846,581	2,322,303
Other assets	376,306	360,001
Total assets	<u>\$ 1,133,724,830</u>	<u>\$ 1,080,519,605</u>
<b><u>LIABILITIES</u></b>		
Note payable to the Farm Credit Bank of Texas	\$ 947,031,710	\$ 900,789,413
Accrued interest payable	3,162,553	2,922,767
Drafts outstanding	120,000	38,000
Other liabilities	3,215,551	4,365,703
Total liabilities	<u>953,529,814</u>	<u>908,115,883</u>
<b><u>MEMBERS' EQUITY</u></b>		
Capital stock and participation certificates	2,442,575	2,351,245
Unallocated retained earnings	177,530,814	169,804,879
Accumulated other comprehensive income	221,627	247,598
Total members' equity	<u>180,195,016</u>	<u>172,403,722</u>
Total liabilities and members' equity	<u>\$ 1,133,724,830</u>	<u>\$ 1,080,519,605</u>

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



PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b><u>INTEREST INCOME</u></b>				
Loans	\$ 17,194,656	\$ 15,371,083	\$ 50,006,249	\$ 44,204,785
<b><u>INTEREST EXPENSE</u></b>				
Note payable to the Farm Credit Bank of Texas	9,566,182	8,364,014	27,575,922	23,252,134
Net interest income	7,628,474	7,007,069	22,430,327	20,952,651
<b><u>PROVISION FOR (REVERSAL OF) CREDIT LOSSES</u></b>				
Net interest income after provision for credit losses	7,578,241	7,058,609	22,129,344	20,869,229
<b><u>NONINTEREST INCOME</u></b>				
Income from the Farm Credit Bank of Texas:				
Patronage income	778,071	(506,610)	2,316,698	2,690,196
Loan fees	46,074	46,547	196,717	153,015
Financially related services income	1,113	1,159	6,095	6,534
Gain on sale of premises and equipment, net	-	-	35,286	24,900
Other noninterest income	2,711	-	477,828	60,361
Total noninterest income	827,969	(458,904)	3,032,624	2,935,006
<b><u>NONINTEREST EXPENSES</u></b>				
Salaries and employee benefits	1,501,379	1,218,198	4,583,015	3,717,294
Directors' expense	66,999	64,544	333,545	342,645
Purchased services	173,063	176,276	511,251	437,229
Travel	52,373	45,500	182,266	140,309
Occupancy and equipment	156,033	136,711	427,213	445,008
Communications	31,683	27,670	93,490	77,785
Advertising	79,492	103,853	276,697	308,288
Public and member relations	50,722	51,934	263,860	233,469
Supervisory and exam expense	103,229	97,280	297,789	264,730
Insurance Fund premiums	223,765	381,934	727,580	1,117,681
Other noninterest expense	81,779	78,772	240,975	331,369
Total noninterest expenses	2,520,517	2,382,672	7,937,681	7,415,807
<b>NET INCOME</b>	<b>5,885,693</b>	<b>4,217,033</b>	<b>17,224,287</b>	<b>16,388,428</b>
Other comprehensive income:				
Change in postretirement benefit plans	(8,657)	(11,256)	(25,971)	(33,768)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 5,877,036</b>	<b>\$ 4,205,777</b>	<b>\$ 17,198,316</b>	<b>\$ 16,354,660</b>

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock Participation Certificates</u>	<u>Retained Earnings Unallocated</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance at December 31, 2022	\$ 2,267,000	\$ 159,833,480	\$ 301,167	\$ 162,401,647
Cumulative effect of change in accounting principle (Note 1)	-	(254,714)	-	(254,714)
Balance at January 1, 2023	\$ 2,267,000	\$ 159,578,766	\$ 301,167	\$ 162,146,933
Comprehensive income	-	16,388,428	(33,768)	\$ 16,354,660
Capital stock/participation certificates and allocated retained earnings issued	228,280	-	-	228,280
Capital stock/participation certificates and allocated retained earnings retired	(160,055)	-	-	(160,055)
Patronage refunds:				
Cash	-	(10,500,000)	-	(10,500,000)
Balance at September 30, 2023	<u>\$ 2,335,225</u>	<u>\$ 165,467,194</u>	<u>\$ 267,399</u>	<u>\$ 168,069,818</u>
Balance at December 31, 2023	\$ 2,351,245	\$ 169,804,879	\$ 247,598	\$ 172,403,722
Comprehensive income	-	17,224,287	(25,971)	17,198,316
Capital stock/participation certificates and allocated retained earnings issued	219,235	-	-	219,235
Capital stock/participation certificates and allocated retained earnings retired	(127,905)	-	-	(127,905)
Patronage refunds:				
Cash	-	(9,498,352)	-	(9,498,352)
Balance at September 30, 2024	<u>\$ 2,442,575</u>	<u>\$ 177,530,814</u>	<u>\$ 221,627</u>	<u>\$ 180,195,016</u>

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

**PLAINS LAND BANK, FLCA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

The Plains Land Bank, FLCA (Federal Land Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, the southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochilree, Oldham, Potter, Randall, and Roberts in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

In the opinion of management, the accompanying 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 and conform with GAAP, except for the inclusion of a statement of cash flows. GAAP requires a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2023, as contained in the 2023 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry

**Recently Adopted Accounting Pronouncements**

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, as the Association is not subject to income tax.

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

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

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

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

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

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

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

### Loans and Allowance for Credit Losses

Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities. Loan origination fees and direct loan origination costs are netted and capitalized and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

### Nonaccrual Loans

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

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of, or subsequent to, the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

### Accrued Interest Receivable

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

### Loan Modifications to Borrowers Experiencing Financial Difficulty

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

## **Collateral Dependent Loans**

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

## **Allowance for Credit Losses**

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

- the allowance for credit losses on loans (ACL); and
- the allowance for credit losses on unfunded commitments, which is presented on the Balance Sheets in other liabilities.

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

## **Methodology for Allowance for Credit Losses on Loans**

The ACL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments.

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

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

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

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

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

- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Association uses multiple scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond the two years on a straight-line basis over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including U.S. unemployment rate, U.S. BBB Spread, and Dow Jones Total U.S. Stock Market Index. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

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

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

#### **Allowance for Credit Losses on Unfunded Commitments**

The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in "Other liabilities" on the Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

#### **NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:**

A summary of loans follows:

<u>Loan Type</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Production agriculture:		
Real estate mortgage	\$ 948,743,642	\$ 899,151,772
Production and intermediate-term	11,916,154	13,077,971
Agribusiness:		
Processing and marketing	43,294,051	41,216,144
Farm-related business	16,956,903	17,487,237
Loans to Cooperatives	6,702,857	6,027,270
Rural residential real estate	18,679,072	18,733,310
Energy	14,572,542	15,244,705
Communication	12,746,364	11,448,582
International	5,048,553	4,413,502
Water and waste-water	1,730,644	3,635,471
<b>Total</b>	<b>\$ 1,080,390,782</b>	<b>\$ 1,030,435,964</b>

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Agribusiness	\$ 47,176,164	\$ -	\$ -	\$ -	\$ 47,176,164	\$ -
Real estate mortgage	12,120,365	39,062,648	5,976,358	-	18,096,723	39,062,648
Energy	14,572,542	-	-	-	14,572,542	-
Communication	12,746,364	-	-	-	12,746,364	-
Production and intermediate-term	11,916,154	-	-	-	11,916,154	-
International	5,048,553	-	-	-	5,048,553	-
Waste and waste-water	1,730,644	-	-	-	1,730,644	-
<b>Total</b>	<b>\$ 105,310,786</b>	<b>\$ 39,062,648</b>	<b>\$ 5,976,358</b>	<b>\$ -</b>	<b>\$ 111,287,144</b>	<b>\$ 39,062,648</b>

## Credit Quality

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

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

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

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

The following table presents credit quality indicators by loan type and the related amortized cost loan balance as of September 30, 2024:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior			
<b>September 30, 2024</b>									
<b>Real estate mortgage</b>									
Acceptable	\$ 114,416,362	\$ 134,784,754	\$ 145,741,138	\$ 157,345,077	\$ 129,041,149	\$ 198,961,815	\$ 42,589,129	\$ 3,981,075	\$ 926,860,499
OAEM	-	614,296	-	632,868	5,400,900	628,435	98,903	-	7,375,402
Substandard/Doubtful	3,165,852	1,553,603	2,027,305	3,656,546	977,585	2,084,164	658,793	383,893	14,507,741
	<u>\$ 117,582,214</u>	<u>\$ 136,952,653</u>	<u>\$ 147,768,443</u>	<u>\$ 161,634,491</u>	<u>\$ 135,419,634</u>	<u>\$ 201,674,414</u>	<u>\$ 43,346,825</u>	<u>\$ 4,364,968</u>	<u>\$ 948,743,642</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	13,104	13,746	-	-	26,850
<b>Production and intermediate-term</b>									
Acceptable	\$ -	\$ -	\$ 1,254,319	\$ -	\$ -	\$ 806,922	\$ 9,854,913	\$ -	\$ 11,916,154
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,254,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806,922</u>	<u>\$ 9,854,913</u>	<u>\$ -</u>	<u>\$ 11,916,154</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Agribusiness</b>									
Acceptable	\$ 1,838,402	\$ 10,438,361	\$ 18,445,768	\$ 7,040,932	\$ 3,945,108	\$ 6,164,123	\$ 15,254,666	\$ -	\$ 63,127,360
OAEM	-	-	2,401,376	-	566,218	-	858,857	-	3,826,451
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 1,838,402</u>	<u>\$ 10,438,361</u>	<u>\$ 20,847,144</u>	<u>\$ 7,040,932</u>	<u>\$ 4,511,326</u>	<u>\$ 6,164,123</u>	<u>\$ 16,113,523</u>	<u>\$ -</u>	<u>\$ 66,953,811</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Rural residential real estate</b>									
Acceptable	\$ 1,605,661	\$ 1,810,059	\$ 4,228,894	\$ 3,239,588	\$ 3,077,043	\$ 4,095,602	\$ -	\$ -	\$ 18,056,847
OAEM	-	-	-	143,407	175,768	86,565	-	-	405,740
Substandard/Doubtful	-	-	-	-	-	216,485	-	-	216,485
	<u>\$ 1,605,661</u>	<u>\$ 1,810,059</u>	<u>\$ 4,228,894</u>	<u>\$ 3,382,995</u>	<u>\$ 3,252,811</u>	<u>\$ 4,398,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,679,072</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Energy</b>									
Acceptable	\$ -	\$ 1,998,011	\$ -	\$ -	\$ -	\$ 11,825,480	\$ 372,874	\$ -	\$ 14,196,365
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	376,177	-	-	376,177
	<u>\$ -</u>	<u>\$ 1,998,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,201,657</u>	<u>\$ 372,874</u>	<u>\$ -</u>	<u>\$ 14,572,542</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Communication</b>									
Acceptable	\$ 4,668,238	\$ 3,465,504	\$ 1,417,774	\$ -	\$ 3,194,848	\$ -	\$ -	\$ -	\$ 12,746,364
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 4,668,238</u>	<u>\$ 3,465,504</u>	<u>\$ 1,417,774</u>	<u>\$ -</u>	<u>\$ 3,194,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,746,364</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>International</b>									
Acceptable	\$ -	\$ 4,413,874	\$ -	\$ -	\$ -	\$ -	\$ 634,679	\$ -	\$ 5,048,553
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,413,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,679</u>	<u>\$ -</u>	<u>\$ 5,048,553</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Water and waste-water</b>									
Acceptable	\$ -	\$ -	\$ -	\$ 1,685,773	\$ -	\$ -	\$ 44,871	\$ -	\$ 1,730,644
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,871</u>	<u>\$ -</u>	<u>\$ 1,730,644</u>
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>									
Acceptable	\$ 122,528,663	\$ 156,910,563	\$ 171,087,893	\$ 169,311,370	\$ 139,258,148	\$ 221,853,942	\$ 68,751,132	\$ 3,981,075	\$ 1,053,682,786
OAEM	-	614,296	2,401,376	776,275	6,142,886	715,000	957,760	-	11,607,593
Substandard/Doubtful	3,165,852	1,553,603	2,027,305	3,656,546	977,585	2,676,826	658,793	383,893	15,100,403
	<u>\$ 125,694,515</u>	<u>\$ 159,078,462</u>	<u>\$ 175,516,574</u>	<u>\$ 173,744,191</u>	<u>\$ 146,378,619</u>	<u>\$ 225,245,768</u>	<u>\$ 70,367,685</u>	<u>\$ 4,364,968</u>	<u>\$ 1,080,390,782</u>
Gross charge-offs for the nine months ended September 30, 2024	\$ -	\$ -	\$ -	\$ -	\$ 13,104	\$ 13,746	\$ -	\$ -	\$ 26,850



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

December 31, 2023	Term Loans Amortized Cost by Origination Year						Revolving Loans		Total
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Converted to Term Loans Amortized Cost Basis	
Real estate mortgage									
Acceptable	\$ 145,353,100	\$ 158,142,912	\$ 167,621,451	\$ 152,850,977	\$ 56,161,778	\$ 170,467,201	\$ 36,967,811	\$ 3,981,449	\$ 891,546,679
OAEM	-	159,002	322,434	-	-	-	10,099	-	491,535
Substandard/Doubtful	-	1,496,304	3,275,926	647,505	719,465	574,834	-	399,524	7,113,558
	<u>\$ 145,353,100</u>	<u>\$ 159,798,218</u>	<u>\$ 171,219,811</u>	<u>\$ 153,498,482</u>	<u>\$ 56,881,243</u>	<u>\$ 171,042,035</u>	<u>\$ 36,977,910</u>	<u>\$ 4,380,973</u>	<u>\$ 899,151,772</u>
Gross charge-offs for the year ended December 31, 2023	18,212	22,107	18,022	-	27,499	-	-	-	85,840
Production and intermediate-term									
Acceptable	\$ -	\$ 1,254,037	\$ -	\$ 58,502	\$ -	\$ 898,091	\$ -	\$ 10,867,341	\$ 13,077,971
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,254,037</u>	<u>\$ -</u>	<u>\$ 58,502</u>	<u>\$ -</u>	<u>\$ 898,091</u>	<u>\$ -</u>	<u>\$ 10,867,341</u>	<u>\$ 13,077,971</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	\$ 9,012,021	\$ 19,510,431	\$ 8,960,508	\$ 4,621,754	\$ 2,050,000	\$ 5,648,676	\$ 12,333,031	\$ -	\$ 62,136,421
OAEM	-	1,493,012	-	606,903	-	-	494,315	-	2,594,230
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 9,012,021</u>	<u>\$ 21,003,443</u>	<u>\$ 8,960,508</u>	<u>\$ 5,228,657</u>	<u>\$ 2,050,000</u>	<u>\$ 5,648,676</u>	<u>\$ 12,827,346</u>	<u>\$ -</u>	<u>\$ 64,730,651</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	\$ 1,753,641	\$ 4,588,849	\$ 3,948,231	\$ 3,133,599	\$ 1,139,562	\$ 3,841,968	\$ -	\$ -	\$ 18,405,850
OAEM	-	-	145,062	180,508	-	1,890	-	-	327,460
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 1,753,641</u>	<u>\$ 4,588,849</u>	<u>\$ 4,093,293</u>	<u>\$ 3,314,107</u>	<u>\$ 1,139,562</u>	<u>\$ 3,843,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,733,310</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	\$ 1,997,561	\$ -	\$ -	\$ -	\$ -	\$ 12,414,403	\$ 389,114	\$ -	\$ 14,801,078
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	443,627	-	-	443,627
	<u>\$ 1,997,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,858,030</u>	<u>\$ 389,114</u>	<u>\$ -</u>	<u>\$ 15,244,705</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Communication									
Acceptable	\$ 3,491,331	\$ 1,477,236	\$ -	\$ 6,480,015	\$ -	\$ -	\$ -	\$ -	\$ 11,448,582
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 3,491,331</u>	<u>\$ 1,477,236</u>	<u>\$ -</u>	<u>\$ 6,480,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,448,582</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
International									
Acceptable	\$ 4,413,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,413,502
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 4,413,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,413,502</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Water and waste-water									
Acceptable	\$ -	\$ -	\$ 1,698,002	\$ -	\$ -	\$ -	\$ 1,937,469	\$ -	\$ 3,635,471
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,937,469</u>	<u>\$ -</u>	<u>\$ 3,635,471</u>
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	\$ 166,021,156	\$ 184,973,465	\$ 182,228,192	\$ 167,144,847	\$ 59,351,340	\$ 193,270,339	\$ 51,627,425	\$ 14,848,790	\$ 1,019,465,554
OAEM	-	1,652,014	467,496	787,411	-	1,890	504,414	-	3,413,225
Substandard/Doubtful	-	1,496,304	3,275,926	647,505	719,465	1,018,461	-	399,524	7,557,185
	<u>\$166,021,156</u>	<u>\$188,121,783</u>	<u>\$185,971,614</u>	<u>\$168,579,763</u>	<u>\$ 60,070,805</u>	<u>\$194,290,690</u>	<u>\$ 52,131,839</u>	<u>\$ 15,248,314</u>	<u>\$1,030,435,964</u>
Total Gross charge-offs for the year ended December 31, 2023	\$ 18,212	\$ 22,107	\$ 18,022	\$ -	\$ 27,499	\$ -	\$ -	\$ -	\$ 85,840

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of September 30, 2024, and December 31, 2023:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Real estate mortgage		
Acceptable	97.7 %	99.1 %
OAEM	0.8	0.1
Substandard/doubtful	1.5	0.8
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	94.3	96.0
OAEM	5.7	4.0
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	96.7	98.3
OAEM	2.2	1.7
Substandard/doubtful	1.1	-
	<u>100.0</u>	<u>100.0</u>
Energy		
Acceptable	97.4	97.1
OAEM	-	-
Substandard/doubtful	2.6	2.9
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
International		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Water and waste-water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	97.5	98.9
OAEM	1.1	0.4
Substandard/doubtful	1.4	0.7
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$29,238,504 and \$24,537,081 at September 30, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the Balance Sheets.

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 2,828,016	\$ 2,337,530
Energy	376,177	443,627
Total nonaccrual loans	<u>\$ 3,204,193</u>	<u>\$ 2,781,157</u>
<b>Accruing loans 90 days or more past due:</b>		
Real estate mortgage	\$ 1,772,501	\$ -
<b>Total nonperforming assets</b>	<u>\$ 4,976,694</u>	<u>\$ 2,781,157</u>
Nonaccrual loans as a percentage of total loans	0.3%	0.3%
Nonperforming assets as a percentage of total loans and other property owned	0.5%	0.3%
Nonperforming assets as a percentage of capital	2.8%	1.6%

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

	<u>September 30, 2024</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2024</u>
<b>Nonaccrual loans:</b>					
Real estate mortgage	\$ -	\$ 2,828,016	\$ 2,828,016	\$ -	\$ -
Energy	376,177	-	376,177	-	-
<b>Total nonaccrual loans</b>	<u>\$ 376,177</u>	<u>\$ 2,828,016</u>	<u>\$ 3,204,193</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>December 31, 2023</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2023</u>
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 2,337,530	\$ 2,337,530	\$ -	\$ -
Energy	443,627	-	443,627	-	-
Total nonaccrual loans	<u>\$ 443,627</u>	<u>\$ 2,337,530</u>	<u>\$ 2,781,157</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>September 30, 2024</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment &gt;90 Days and Accruing</u>
Real estate mortgage	\$ 830,169	\$ 2,143,416	\$ 2,973,585	\$ 945,770,057	\$ 948,743,642	\$ 1,772,501
Production and intermediate term	-	-	-	11,916,154	11,916,154	-
Processing and marketing	2,401,376	-	2,401,376	40,892,675	43,294,051	-
Farm-related business	-	-	-	16,956,903	16,956,903	-
Loans to Cooperatives	-	-	-	6,702,857	6,702,857	-
Rural residential real estate	-	-	-	18,679,072	18,679,072	-
Energy	-	-	-	14,572,542	14,572,542	-
Communication	-	-	-	12,746,364	12,746,364	-
International	-	-	-	5,048,553	5,048,553	-
Water and waste-water	-	-	-	1,730,644	1,730,644	-
<b>Total</b>	<u>\$ 3,231,545</u>	<u>\$ 2,143,416</u>	<u>\$ 5,374,961</u>	<u>\$ 1,075,015,821</u>	<u>\$ 1,080,390,782</u>	<u>\$ 1,772,501</u>
<u>December 31, 2023</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment &gt;90 Days and Accruing</u>
Real estate mortgage	\$ 2,742,538	\$ -	\$ 2,742,538	\$ 896,409,234	\$ 899,151,772	\$ -
Production and intermediate term	-	-	-	13,077,971	13,077,971	-
Processing and marketing	-	-	-	41,216,144	41,216,144	-
Farm-related business	-	-	-	17,487,237	17,487,237	-
Loans to Cooperatives	-	-	-	6,027,270	6,027,270	-
Rural residential real estate	-	-	-	18,733,310	18,733,310	-
Energy	-	-	-	15,244,705	15,244,705	-
Communication	-	-	-	11,448,582	11,448,582	-
International	-	-	-	4,413,502	4,413,502	-
Water and waste-water	-	-	-	3,635,471	3,635,471	-
<b>Total</b>	<u>\$ 2,742,538</u>	<u>\$ -</u>	<u>\$ 2,742,538</u>	<u>\$ 1,027,693,426</u>	<u>\$ 1,030,435,964</u>	<u>\$ -</u>

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

### Loan Modifications to Borrowers Experiencing Financial Difficulties

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

		<b>For the Three Months Ended September 30, 2024</b>			
		<b>Combination</b>			
		<b>Payment Deferral</b>	<b>Interest Rate &amp; Term Extension</b>	<b>Total</b>	<b>Percentage of Total by Loan Type</b>
Real estate mortgage		\$ 556,356	\$ -	\$ 556,356	0.06%
<b>Total</b>		<b>\$ 556,356</b>	<b>\$ -</b>	<b>\$ 556,356</b>	<b>0.06%</b>

		<b>For the Nine Months Ended September 30, 2024</b>			
		<b>Combination</b>			
		<b>Payment Deferral</b>	<b>Interest Rate &amp; Term Extension</b>	<b>Total</b>	<b>Percentage of Total by Loan Type</b>
Real estate mortgage		\$ 3,722,209	\$ -	\$ 3,722,209	0.39%
<b>Total</b>		<b>\$ 3,722,209</b>	<b>\$ -</b>	<b>\$ 3,722,209</b>	<b>0.39%</b>

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three and nine months ended September 30, 2024, was \$0 and \$162,134, respectively.

		<b>For the Three Months Ended September 30, 2023</b>			
		<b>Combination</b>			
		<b>Payment Deferral</b>	<b>Interest Rate &amp; Term Extension</b>	<b>Total</b>	<b>Percentage of Total by Loan Type</b>
Real estate mortgage		\$ -	\$ -	\$ -	0.00%
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

		<b>For the Nine Months Ended September 30, 2023</b>			
		<b>Combination</b>			
		<b>Payment Deferral</b>	<b>Interest Rate &amp; Term Extension</b>	<b>Total</b>	<b>Percentage of Total by Loan Type</b>
Real estate mortgage			\$ 399,515	\$ 399,515	0.04%
<b>Total</b>		<b>\$ -</b>	<b>\$ 399,515</b>	<b>\$ 399,515</b>	<b>0.04%</b>

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three and nine months ended September 30, 2023, was \$0 and \$14,386, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended September 30, 2024, and 2023:

		Financial Effect	
		Payment Deferral Financial Effect (Change in Weighted Average Payment After Modification) (in days)	
		For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage		180	129
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield Before Modification)	
		For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage		-	-
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield After Modification)	
		For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage		-	-
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Change in Weighted Average Maturity After Modification) (in days)	
		For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage		-	-
		Financial Effect	
		Payment Deferral Financial Effect (Change in Weighted Average Payment After Modification) (in days)	
		For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Real estate mortgage		-	-
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield Before Modification)	
		For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Real estate mortgage		0.00%	8.81%
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Weighted Average Yield After Modification)	
		For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Real estate mortgage		0.00%	8.58%
		Combination - Interest Rate Reduction and Term Extension Financial Effect (Change in Weighted Average Maturity After Modification) (in days)	
		For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Real estate mortgage		-	1,826

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

		<b>Modified Loans that Subsequently Defaulted During the Three Months Ended September 30, 2024</b>	
		<b>Payment Deferral</b>	
Real estate mortgage		\$	370,915
<b>Total</b>		<b>\$</b>	<b>370,915</b>
		<b>Modified Loans that Subsequently Defaulted During the Nine Months Ended September 30, 2024</b>	
		<b>Payment Deferral</b>	
Real estate mortgage		\$	370,915
<b>Total</b>		<b>\$</b>	<b>370,915</b>

There were no loans to borrowers experiencing financial difficulties that defaulted during the three months and nine months ended September 30, 2023.

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

		<b>Payment Status of Loans Modified in the Past 12 Months</b>		
		<b>Current</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>
Real estate mortgage		\$ 6,519,282	\$ -	\$ 370,915
<b>Total</b>		<b>\$ 6,519,282</b>	<b>\$ -</b>	<b>\$ 370,915</b>

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 12 Months		
	Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	\$ 399,515	\$ -	\$ -
Total	\$ 399,515	\$ -	\$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified since the adoption of CECL.

### Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and waste-water	Rural Residential Real Estate	International	Total
<b>Allowance for credit losses on loans:</b>									
Balance at June 30, 2024	\$ 2,391,332	\$ 5,720	\$ 125,761	\$ 6,932	\$ 128,561	\$ 1,454	\$ 58,217	\$ 1,561	\$ 2,719,538
Charge-offs	(13,104)	-	-	-	-	-	-	-	(13,104)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses/(Credit loss reversal)	62,496	1,156	(6,421)	6,274	(287)	(475)	(746)	(91)	61,906
Balance at September 30, 2024	\$ 2,440,724	\$ 6,876	\$ 119,340	\$ 13,206	\$ 128,274	\$ 979	\$ 57,471	\$ 1,470	\$ 2,768,340
<b>Allowance for credit losses on unfunded commitments:</b>									
Balance at June 30, 2024	\$ 19,779	\$ 3,175	\$ 49,558	\$ 55	\$ 420	\$ 1,245	\$ -	\$ 1,663	\$ 75,895
Provision for unfunded commitments	76	1,250	(13,531)	728	22	(13)	-	(205)	(11,673)
Balance at September 30, 2024	\$ 19,855	\$ 4,425	\$ 36,027	\$ 783	\$ 442	\$ 1,232	\$ -	\$ 1,458	\$ 64,222
Total allowance for credit losses:	\$ 2,460,579	\$ 11,301	\$ 155,367	\$ 13,989	\$ 128,716	\$ 2,211	\$ 57,471	\$ 2,928	\$ 2,832,562
<b>Allowance for credit losses on loans:</b>									
Balance at December 31, 2023	\$ 2,153,596	\$ 6,995	\$ 106,660	\$ 11,657	\$ 128,539	\$ 2,371	\$ 51,833	\$ 1,723	\$ 2,463,374
Charge-offs	(26,850)	-	-	-	-	-	-	-	(26,850)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses/(Credit loss reversal)	313,978	(119)	12,680	1,549	(265)	(1,392)	5,638	(253)	331,816
Balance at September 30, 2024	\$ 2,440,724	\$ 6,876	\$ 119,340	\$ 13,206	\$ 128,274	\$ 979	\$ 57,471	\$ 1,470	\$ 2,768,340
<b>Allowance for credit losses on unfunded commitments:</b>									
Balance at December 31, 2023	\$ 29,335	\$ 3,924	\$ 58,220	\$ -	\$ 479	\$ 1,149	\$ -	\$ 1,948	\$ 95,055
Provision for unfunded commitments	(9,480)	501	(22,193)	783	(37)	83	-	(490)	(30,833)
Balance at September 30, 2024	\$ 19,855	\$ 4,425	\$ 36,027	\$ 783	\$ 442	\$ 1,232	\$ -	\$ 1,458	\$ 64,222
Total allowance for credit losses:	\$ 2,460,579	\$ 11,301	\$ 155,367	\$ 13,989	\$ 128,716	\$ 2,211	\$ 57,471	\$ 2,928	\$ 2,832,562

	Production and Intermediate					Water and waste-water		Rural Residential		Total
	Real Estate Mortgage	Term	Agribusiness	Communications	Energy			Real Estate	International	
<b>Allowance for credit losses on loans:</b>										
Balance at June 30, 2023	\$ 2,211,543	\$ 6,256	\$ 74,887	\$ 7,836	\$ 169,945	\$ 1,359	\$ 44,474	\$ 1,591	\$ 2,517,891	
Charge-offs	(62,430)	-	-	-	-	-	-	-	(62,430)	
Recoveries	-	-	-	-	34	-	-	-	34	
Provision for credit losses (Credit loss reversal)	(49,875)	738	1,928	6,139	(11,296)	703	6,396	(27)	(45,294)	
Balance at September 30, 2023	<u>\$ 2,099,238</u>	<u>\$ 6,994</u>	<u>\$ 76,815</u>	<u>\$ 13,975</u>	<u>\$ 158,683</u>	<u>\$ 2,062</u>	<u>\$ 50,870</u>	<u>\$ 1,564</u>	<u>\$ 2,410,201</u>	
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at June 30, 2023	\$ 33,560	\$ 4,640	\$ 34,030	\$ -	\$ 640	\$ 407	\$ -	\$ 1,587	\$ 74,864	
Provision for unfunded commitments	(3,548)	(448)	(3,384)	-	(90)	942	-	282	(6,246)	
Balance at September 30, 2023	<u>\$ 30,012</u>	<u>\$ 4,192</u>	<u>\$ 30,646</u>	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 1,349</u>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ 68,618</u>	
Total allowance for credit losses:	<u>\$ 2,129,250</u>	<u>\$ 11,186</u>	<u>\$ 107,461</u>	<u>\$ 13,975</u>	<u>\$ 159,233</u>	<u>\$ 3,411</u>	<u>\$ 50,870</u>	<u>\$ 3,433</u>	<u>\$ 2,478,819</u>	

	Production and Intermediate					Water and waste-water		Rural Residential		Total
	Real Estate Mortgage	Term	Agribusiness	Communications	Energy			Real Estate	International	
<b>Allowance for credit losses on loans:</b>										
Balance at December 31, 2022	\$ 1,529,278	\$ 19,406	\$ 237,504	\$ 21,524	\$ 253,991	\$ 6,557	\$ 31,616	\$ 3,238	\$ 2,103,114	
Cumulative effect of a change in accounting principle	401,588	(15,736)	(134,133)	(15,296)	(6,039)	(4,656)	16,251	(1,505)	240,474	
Balance at January 1, 2023	<u>\$ 1,930,866</u>	<u>\$ 3,670</u>	<u>\$ 103,371</u>	<u>\$ 6,228</u>	<u>\$ 247,952</u>	<u>\$ 1,901</u>	<u>\$ 47,867</u>	<u>\$ 1,733</u>	<u>\$ 2,343,588</u>	
Charge-offs	(62,430)	-	-	-	-	-	-	-	(62,430)	
Recoveries	-	-	-	-	3,711	-	-	-	3,711	
Provision for credit losses (Credit loss reversal)	230,802	3,324	(26,556)	7,747	(92,980)	161	3,003	(169)	125,332	
Balance at September 30, 2023	<u>\$ 2,099,238</u>	<u>\$ 6,994</u>	<u>\$ 76,815</u>	<u>\$ 13,975</u>	<u>\$ 158,683</u>	<u>\$ 2,062</u>	<u>\$ 50,870</u>	<u>\$ 1,564</u>	<u>\$ 2,410,201</u>	
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at December 31, 2022	\$ 10,868	\$ 7,035	\$ 70,498	\$ -	\$ 896	\$ 3,175	\$ -	\$ 3,816	\$ 96,288	
Cumulative effect of a change in accounting principle	20,135	(4,587)	2,920	-	(158)	(2,660)	-	(1,410)	14,240	
Balance at January 1, 2023	<u>\$ 31,003</u>	<u>\$ 2,448</u>	<u>\$ 73,418</u>	<u>\$ -</u>	<u>\$ 738</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ 2,406</u>	<u>\$ 110,528</u>	
Provision for unfunded commitments	(991)	1,744	(42,772)	-	(188)	834	-	(537)	(41,910)	
Balance at September 30, 2023	<u>\$ 30,012</u>	<u>\$ 4,192</u>	<u>\$ 30,646</u>	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 1,349</u>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ 68,618</u>	
Total allowance for credit losses:	<u>\$ 2,129,250</u>	<u>\$ 11,186</u>	<u>\$ 107,461</u>	<u>\$ 13,975</u>	<u>\$ 159,233</u>	<u>\$ 3,411</u>	<u>\$ 50,870</u>	<u>\$ 3,433</u>	<u>\$ 2,478,819</u>	

## Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses (ACL) increased by \$274,133 to \$2,832,562 at September 30, 2024, as compared to \$2,558,429 at December 31, 2023. This is largely due to new loan volume.

## NOTE 3 – LEASES:

The components of lease expense were as follows:

Classification	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating lease cost	<u>\$ 31,917</u>	<u>\$ 26,302</u>	<u>\$ 95,752</u>	<u>\$ 74,852</u>
Net lease cost	<u>\$ 31,917</u>	<u>\$ 26,302</u>	<u>\$ 95,752</u>	<u>\$ 74,852</u>

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 33,595	\$ 27,530	\$ 100,185	\$ 78,027
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	-	-	78,073	152,318

Lease term and discount rate are as follows:

	September 30, 2024	December 31, 2023
Weighted average remaining lease term in years		
Operating leases	0.65	1.39
Weighted average discount rate		
Operating leases	3.40%	3.33%

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

	Operating Leases
2024	\$ 33,595
2025	49,154
2026	-
2027	-
2028	-
Thereafter	-
Total lease payments	<u>\$ 82,749</u>
Less: interest	<u>778</u>
<b>Total</b>	<u><u>\$ 81,971</u></u>

On August 2, 2024, the Association entered into a 10-year lease agreement at 600 South Tyler Street in Amarillo, Texas. The lease is expected to commence in March 2025.

#### NOTE 4 — CAPITAL:

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

	September 30, 2024	December 31, 2023
Capital stock and participation certificates	\$ 2,442,575	\$ 2,351,245
Accumulated other comprehensive income	221,627	247,598
Retained earnings <sup>1</sup>	<u>177,530,814</u>	<u>169,804,879</u>
<b>Total Capital</b>	<u><b>\$ 180,195,016</b></u>	<u><b>\$ 172,403,722</b></u>

<sup>1</sup> Unallocated retained earnings for the year ended December 31, 2023, reflects a decrease from the cumulative effect of a change in accounting principle for CECL on January 1, 2023.

#### Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2024	As of December 31, 2023
Common equity tier 1 ratio	7.00%	14.04%	14.04%
Tier 1 capital ratio	8.50%	14.04%	14.04%
Total capital ratio	10.50%	14.30%	14.27%
Permanent capital ratio	7.00%	14.08%	14.07%
<b>Non-risk-adjusted:</b>			
Tier 1 leverage ratio	5.00%	14.18%	14.22%
UREE leverage ratio	1.50%	13.95%	14.00%



The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2024, and December 31, 2023, respectively:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
<b>September 30, 2024</b>				
Numerator:				
Unallocated retained earnings	\$ 173,024,112	\$ 173,024,112	\$ 173,024,112	\$ 173,024,112
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,432,946	2,432,946	2,432,946	2,432,946
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,795,845	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(20,118,668)	(20,118,668)	(20,118,668)	(20,118,668)
	<u>\$ 155,338,390</u>	<u>\$ 155,338,390</u>	<u>\$ 158,134,235</u>	<u>\$ 155,338,390</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,126,131,167	\$ 1,126,131,167	\$ 1,126,131,167	\$ 1,126,131,167
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(20,118,668)	(20,118,668)	(20,118,668)	(20,118,668)
Allowance for credit losses	-	-	-	(2,720,080)
	<u>\$ 1,106,012,499</u>	<u>\$ 1,106,012,499</u>	<u>\$ 1,106,012,499</u>	<u>\$ 1,103,292,419</u>
<b>December 31, 2023</b>				
Numerator:				
Unallocated retained earnings	\$ 165,970,388	\$ 165,970,388	\$ 165,970,388	\$ 165,970,388
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,350,185	2,350,185	2,350,185	2,350,185
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,482,371	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,892,227)	(17,892,227)	(17,892,227)	(17,892,227)
	<u>\$ 150,428,346</u>	<u>\$ 150,428,346</u>	<u>\$ 152,910,717</u>	<u>\$ 150,428,346</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,089,222,882	\$ 1,089,222,882	\$ 1,089,222,882	\$ 1,089,222,882
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(17,892,227)	(17,892,227)	(17,892,227)	(17,892,227)
Allowance for credit losses	-	-	-	(2,412,579)
	<u>\$ 1,071,330,655</u>	<u>\$ 1,071,330,655</u>	<u>\$ 1,071,330,655</u>	<u>\$ 1,068,918,076</u>

	September 30, 2024		December 31, 2023	
	Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	\$ 173,024,112	\$ 173,024,112	\$ 165,970,388	\$ 165,970,388
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,432,946	-	2,350,185	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(20,118,668)	(20,118,668)	(17,892,227)	(17,892,227)
	<u>\$ 155,338,390</u>	<u>\$ 152,905,444</u>	<u>\$ 150,428,346</u>	<u>\$ 148,078,161</u>
Denominator:				
Total Assets	\$ 1,117,515,046	\$ 1,117,515,046	\$ 1,078,061,693	\$ 1,078,061,693
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital	(21,665,941)	(21,665,941)	(20,047,145)	(20,047,145)
	<u>\$ 1,095,849,105</u>	<u>\$ 1,095,849,105</u>	<u>\$ 1,058,014,548</u>	<u>\$ 1,058,014,548</u>

The Association's accumulated other comprehensive income relates entirely to its non-pension other postretirement benefits. Amortization of actuarial gain are reflected in "Salaries and employee benefits" in the Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income for the nine months ended September 30:

	2024	2023
Accumulated other comprehensive income at January 1	\$ 247,598	\$ 301,167
Amortization of actuarial gain included		
in salaries and employee benefits	(25,971)	(33,768)
Other comprehensive income	(25,971)	(33,768)
<b>Accumulated other comprehensive income at September 30</b>	<u>\$ 221,627</u>	<u>\$ 267,399</u>

#### NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2023 Annual Report to Stockholders for a more complete description.

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

September 30, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 250,248	\$ 250,248
December 31, 2023				
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 317,698	\$ 317,698

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

### Valuation Techniques

As more fully discussed in Note 13 to the 2023 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2023 Annual Report to Stockholders.

#### Loans

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

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

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

#### Loans Evaluated for Impairment

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

#### Other Property Owned

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

#### Note Payable to the Bank

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

**NOTE 6 — EMPLOYEE BENEFIT PLANS:**

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

	<b>Pension Benefits</b>	
	<b>2024</b>	<b>2023</b>
<b>Three months ended September 30:</b>		
Service cost	\$ 1,117	\$ 1,036
Interest cost	13,086	12,140
Amortization of prior service credits	-	(992)
Amortization of net actuarial gain	<b>(8,657)</b>	<b>(10,264)</b>
<b>Net periodic benefit cost</b>	<b>\$ 5,546</b>	<b>\$ 1,920</b>
	<b>Pension Benefits</b>	
	<b>2024</b>	<b>2023</b>
<b>Nine months ended September 30:</b>		
Service cost	\$ 3,350	\$ 3,108
Interest cost	39,259	36,420
Amortization of prior service credits	-	(2,976)
Amortization of net actuarial gain	<b>(25,971)</b>	<b>(30,792)</b>
<b>Net periodic benefit cost</b>	<b>\$ 16,638</b>	<b>\$ 5,760</b>

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2024, was \$984,498 and is included in other liabilities on the Balance Sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the Statements of Comprehensive Income.

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2023, that it expected to contribute \$50,353 to the District's defined pension plan in 2024. As of September 30, 2024, \$150,894 contributions have been made. The Association presently anticipates contributing an additional \$50,298 to fund the defined benefit pension plan in 2024 for a total of \$201,192.

**NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:**

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

**NOTE 8 — SUBSEQUENT EVENTS:**

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