Quarterly Report
September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgCountry Farm Credit Services, ACA and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

The Boards of Directors of Farm Credit Services of America, ACA, AgCountry Farm Credit Services, ACA, and Frontier Farm Credit, ACA entered into an agreement with an effective date of December 29, 2023. Beginning April 15, 2024, the three associations are jointly managed and share income and losses. The associations will deploy a common business approach to the development and delivery of products and services and use common technology platforms which accommodate differences in local marketplace conditions. While the associations are jointly managed and will operate under jointly developed strategic business plans and support plans, they remain separate organizations with strong local representation through independent boards of directors and distinct patronage programs. The collaboration is designed to benefit the farmers and ranchers who own and support the three financial services cooperatives by ensuring that all three associations have the strength and capacity to serve agricultural customers' needs for years to come.

Under the collaboration agreement, the three associations have agreed to share net income and losses based on a formula derived from the average net income/losses of each association from the previous five years including 2019 thru 2023. Therefore, the income/losses will be allocated as follows: Farm Credit Services of America (73.8 percent), AgCountry Farm Credit Services (21.3 percent), and Frontier Farm Credit (4.9 percent). Given such allocation methodology, income and losses that are generally specific to each of the associations will effectively be shared in proportion to the allocation formula. The allocation methodology in effect will continue to be applied until the boards mutually agree to any changes in the methodology to be used for the next allocation period starting on January 1, 2028.

FORWARD-LOOKING INFORMATION

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

COMMODITY REVIEW AND OUTLOOK UPDATE

In the third quarter of 2024, the United States (U.S.) economy showed signs of resilience and growth. Real gross domestic product was strong, maintaining an annual rate of 3% in the second quarter of 2024. Consumer spending remained robust, driven by heightened wages and the ability to take on more debt in an economic environment still shaped by inflation.

The August 2024 Consumer Price Index for all-items was 2.5% higher than in August 2023, and 3.2% higher after excluding volatile energy and food components. Services inflation remains sticky, indicating persistent underlying pressures in certain sectors in the U.S. economy. This includes food services, such as restaurants, where prices have been impacted by persistently elevated labor costs. The pullback in shelter inflation, such as rents, also has been slower than expected.

In September 2024, the Federal Reserve enacted its first rate cut since 2020, lowering its borrowing rate by 50 basis points to a target range between 4.75% on the lower end and 5% on the upper end. The prime rate fell to 8% after holding steady at 8.5% since July 2023. The Federal Reserve's

Quarterly Summary of Economic Projections released in September 2024 signaled borrowing costs could be reduced by an additional 50 basis points before the end of 2024. This would put the target range between 4.25% and 4.50%.

The U.S. labor market is strong. The unemployment rate remains low at 4.2%. For context, the U.S. unemployment rate has averaged 6.2% during the past 50 years; unemployment rates during non-recessionary periods since 1974 have averaged 6%. However, there are signs that the U.S. labor market is slowing down. The unemployment rate has trended up since the first quarter of 2024, and job openings, hiring, and quits have slowed significantly.

AgCountry pays close attention to global, national, and local events, and assesses the impact of those events on our customers and our cooperative in order to help us fulfill our mission of serving agriculture and rural America. AgCountry consistently helps customers succeed by providing constructive credit and financial services products.

AgCountry serves a broad range of commodities and agricultural industries across its three-state territory and participates with other Farm Credit associations in credit delivery across the Nation. The summaries below provide a high-level overview of conditions and outlook for the primary commodities in our local service area. See www.agcountry.com/resources for a more comprehensive discussion of current economic conditions and impact on commodities.

Specific Production Conditions

Corn: The U.S. corn market experienced notable changes in the third quarter of 2024. As of September 1, 2024, corn stocks stored in all positions totaled 1.76 billion bushels, up 29% from September 1, 2023. New crop corn futures traded a bit up and down during the third quarter of 2024. December 2024 corn futures began the third quarter at $4.24 per bushel, bottomed in August at $3.91 per bushel, and rebounded to $4.24 per bushel by the end of the third quarter. The United States Department of Agriculture (USDA) projects corn yields for 2024 at 183.6 bushels per acre, which if realized, would be the second largest corn crop produced by the U.S. farmers. With the 2024 U.S. corn crop in good condition and demand soft relative to supply, the overall size of the U.S. corn crop will be a major factor in the fundamental market landscape.

Soybeans: Soybean prices trended lower in the third quarter of 2024. November 2024 soybean futures began the third quarter of 2024 around $11.10 per bushel, bottomed in mid-August at $9.57 per bushel, and finished the quarter at around $10.57 per bushel. The U.S. soybean prices rallied in the latter portion of the third quarter of 2024 due to dry weather forecasts in Brazil and hopes for increased demand from China. Soybean stocks stored in all positions, as of September 1, 2024, totaled 111 million bushels, up 54% from a year ago. In September 2024, due to favorable growing conditions, the USDA forecasted a record high U.S. soybean crop in 2024 at approximately 4.6 billion bushels, a 10% increase from 2023. While domestic soybean crush remains historically strong, U.S. soybean exports remain below their 10-year average.

Wheat: As of the week ending September 22, 2024, the U.S. spring wheat harvest was 96% complete overall, with Minnesota 100% and North Dakota 93% complete. Favorable growing conditions have led to an abundant U.S. spring wheat crop for 2024. The U.S. spring wheat production was estimated at 542 million bushels, up 8% from the 2023 total of 502 million bushels. The U.S. spring wheat yields were a record high, estimated at 52.2 bushels per acre, up 6.5 bushels from 46 bushels per acre in 2023. In fact, the USDA reported Minnesota and North Dakota yields at record highs. Spring wheat futures began the third quarter of 2024 around the mid-$6.50 per bushel level, bottomed in late-August around $5.60 per bushel and rallied to finish the quarter to approximately $6.25 per bushel.

Sugar: As of the week ending September 29, 2024, the U.S. sugar beet harvest was 16% complete, down two percentage points from the 2019 to 2023 average pace. Harvest in Minnesota was 16% complete, on pace with the state's 2019 to 2023 average, while North Dakota was 15% complete, three percentage points behind its 2019 to 2023 average. The USDA lowered 2024/25 fiscal year sugar beet production by 52,000 short tons, raw value to 5.311 million. Even so, production remains at a new high, overtaking fiscal year 2017/18. The decrease in production was mainly driven by the USDA's reduced forecast of area harvested by 11,000 acres with Minnesota lowered by 7,000 acres and North Dakota down 2,000 acres. The USDA forecasts the national sugar beet yield at 32.9 tons per acre as the reductions in Minnesota, North Dakota, and Oregon are compensated by the increase in other sugar beet growing states, particularly in the Great Plains region.

Dairy: The U.S. milk production in August 2024 totaled more than 18.8 billion pounds, down 0.1% from last year. Milk cows on farms averaged more than 9.3 million head in August, down 40,000 from last year and unchanged from last month. The average milk production per cow was 2,018 pounds for August 2024, up 8 pounds from last year. The Dairy Margin Coverage (DMC) program reported a farm-milk price above feed costs of $13.72 per hundredweight in August 2024, the highest year to date. This was the sixth consecutive month with a DMC margin exceeding the $9.50 per hundredweight Tier 1 coverage level. Compared to August 2023, the margin was $7.26 per hundredweight higher, mainly driven by lower feed prices and higher all-milk prices. Weekly average spot prices for non-fat dry milk, butter, and cheese during the third quarter averaged $1.27 per pound, $3.10 per pound, and $2.10 per pound, respectively. The U.S. dairy exports increased in July 2024 as total exports on a milk-equivalent skim-solids basis reached 4,306 million pounds, approximately 330 million pounds above July 2023. Similarly, milk-equivalent milk-fat exports totaled 1,055 million pounds, an increase of 80 million pounds from July 2023. This growth was primarily driven by increased shipments of cheese, skim milk products, and dry whey products, which outpaced declines in lactose exports. Overall, the dairy market in the third quarter of 2024 was characterized by higher margins, slightly lower milk production, and increased exports from a year ago.

Biofuels: The U.S. ethanol production, at 1.015 million barrels per day, increased 2.1% from the third week of September 2024. Prior to the increase, ethanol production declined two consecutive weeks down to its lowest level since May 2024 due to seasonal maintenance limiting ethanol production. On a seasonal basis, weekly ethanol production at the end of September 2024, is 9% and 7% higher than its 5-and-10-year averages, respectively. At the end of the quarter (week of September 27, 2024), ethanol stocks of 23.46 million barrels were 65,000 less than the previous week, but over 1.4 million more than a year ago. Although returns over operating costs for ethanol plants have declined since the summer months, they remain in positive territory according to Iowa State University.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $14.4 billion at September 30, 2024, an increase of $1.2 billion from December 31, 2023.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2023, and remains within AgCountry's risk tolerance. Adversely classified loans increased to 2.8% of the portfolio at September 30, 2024, from 1.9% of the portfolio at December 31, 2023. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At September 30, 2024, $338.0 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**September 30, 2024**	December 31, 2023
Loans:		
Nonaccrual	**$ 100,643**	$ 45,840
Accruing loans 90 days or more past due	**5,797**	2,103
Total nonperforming loans	**106,440**	47,943
Other property owned	**3,545**	77
Total nonperforming assets	**$ 109,985**	$ 48,020
Total nonperforming loans as a percentage of total loans	**0.7%**	0.4%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**51.9%**	24.5%
Total delinquencies as a percentage of total loans[1]	**0.5%**	0.3%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Nonperforming assets have increased from December 31, 2023, and remained at acceptable levels. Despite the increase in nonperforming assets, nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to a few large loans that transferred to nonaccrual during the third quarter of 2024. Nonaccrual loans remained at an acceptable level at September 30, 2024, and December 31, 2023.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates an estimate of expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

Allowance for Credit Losses on Loans Coverage Ratios

As of:	**September 30, 2024**	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Loans	**0.4%**	0.3%
Nonaccrual loans	**56.5%**	76.3%
Total nonperforming loans	**53.4%**	73.0%

Total allowance for credit losses on loans was $56.8 million at September 30, 2024, and $35.0 million at December 31, 2023. The increase from December 31, 2023, was primarily related to specific reserves established on capital markets loans during the third quarter of 2024. There are no systemic causes or industry concentrations.

INVESTMENT SECURITIES

In addition to loans, we held investment securities beginning the third quarter of 2024. Investment securities totaled $228.2 million at September 30, 2024. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at September 30, 2024.

Additional investment securities information is included in Note 3 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30,	**2024**	2023
Net income	**$ 198,741**	$ 178,128
Return on average assets	**1.8%**	1.9%
Return on average members' equity	**9.7%**	9.3%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30,	**2024**	2023	**Increase (decrease) in net income**
Net interest income	**$ 288,689**	$ 252,593	**$ 36,096**
Provision for credit losses	**38,563**	23,631	**(14,932)**
Non-interest income	**85,527**	86,256	**(729)**
Non-interest expense	**139,288**	139,611	**323**
Benefit from income taxes	**(2,376)**	(2,521)	**(145)**
Net income	**$ 198,741**	$ 178,128	**$ 20,613**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the nine months ended September 30,	**2024 vs 2023**
Changes in volume	**$ 29,657**
Changes in interest rates	**7,102**
Changes in nonaccrual interest income and other	**(663)**
Net change	**$ 36,096**

Provision for Credit Losses

The “Provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. An increase has been recorded in both provision for credit losses on loans and provision for credit losses on unfunded commitments. The increase in the provision for credit losses on loans was primarily due to specific reserves established on a few large loans during the third quarter of 2024. The increase in provision for credit losses on unfunded commitments was primarily due to a change in models used to estimate allowance for credit losses on loans. The new model has been validated and is appropriate for AgCountry. Refer to Note 1 for more information on the change in models.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on June 30, 2026. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at September 30, 2024, or December 31, 2023.

Total members' equity increased $125.5 million from December 31, 2023, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2023 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2024**	December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**14.0%**	15.1%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.0%**	15.1%	6.0%	2.5%	8.5%
Total capital ratio	**14.2%**	15.3%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.0%**	15.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**16.2%**	17.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.2%**	17.7%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 10 in our 2023 Annual Report.

RELATIONSHIP WITH AGRIBANK

All District associations had an initial opportunity to participate in the sale of asset pools to AgriBank at a base level of 10% in 2023 and 2024. AgCountry elected to utilize an alternative, as described in the Memo of Understanding related to participation in pool programs. Effective May 1, 2024, in lieu of selling participations to AgriBank, AgCountry purchased additional stock in AgriBank and began to pay additional spread on a portion of its note payable to AgriBank.

CERTIFICATION

The undersigned have reviewed the September 30, 2024, Quarterly Report of AgCountry Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Lynn Pietig
Board Chair
AgCountry Farm Credit Services, ACA

Mark Jensen
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

November 6, 2024

CONSOLIDATED STATEMENTS OF CONDITION

AgCountry Farm Credit Services, ACA
(in thousands)

As of:		**September 30, 2024**		December 31, 2023
		(Unaudited)		
ASSETS				
Loans	**$**	**14,350,579**	$	13,179,771
Allowance for credit losses on loans		**56,840**		34,987
Net loans		**14,293,739**		13,144,784
Investment in AgriBank, FCB		**462,556**		414,736
Investment securities		**228,164**		--
Accrued interest receivable		**234,572**		170,941
Premises and equipment, net		**49,718**		46,898
Deferred tax assets, net		**2,354**		--
Other assets		**137,212**		141,874
Total assets	**$**	**15,408,315**	$	13,919,233
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**12,345,378**	$	10,974,200
Accrued interest payable		**144,960**		115,426
Deferred tax liabilities, net		**--**		476
Patronage distribution payable		**73,800**		125,000
Other liabilities		**76,361**		61,852
Total liabilities		**12,640,499**		11,276,954
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**13,307**		13,158
Capital stock and participation certificates receivable		**(13,307)**		(13,158)
Additional paid-in capital		**662,638**		662,638
Unallocated surplus		**2,112,058**		1,987,117
Accumulated other comprehensive loss		**(6,880)**		(7,476)
Total members' equity		**2,767,816**		2,642,279
Total liabilities and members' equity	**$**	**15,408,315**	$	13,919,233

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30,	**2024**	2023	**2024**	2023
Interest income	**$ 238,145**	$ 195,117	**$ 679,037**	$ 542,815
Interest expense	**142,254**	107,116	**390,348**	290,222
Net interest income	**95,891**	88,001	**288,689**	252,593
Provision for credit losses	**40,586**	3,722	**38,563**	23,631
Net interest income after provision for credit losses	**55,305**	84,279	**250,126**	228,962
Non-interest income				
Patronage income	**13,305**	17,556	**37,038**	49,100
Financially related services income	**15,835**	17,530	**24,876**	25,526
Fee income	**6,702**	3,756	**19,065**	11,415
Other non-interest income	**471**	16	**4,548**	215
Total non-interest income	**36,313**	38,858	**85,527**	86,256
Non-interest expense				
Salaries and employee benefits	**36,556**	26,918	**97,934**	81,871
Other operating expense	**1,448**	19,698	**37,266**	56,654
Other non-interest expense	**1,139**	--	**4,088**	1,086
Total non-interest expense	**39,143**	46,616	**139,288**	139,611
Income before income taxes	**52,475**	76,521	**196,365**	175,607
Benefit from income taxes	**(2,651)**	(473)	**(2,376)**	(2,521)
Net income	**$ 55,126**	$ 76,994	**$ 198,741**	$ 178,128
Other comprehensive income				
Employee benefit plans activity	**$ 199**	$ 231	**$ 596**	$ 693
Total other comprehensive income	**199**	231	**596**	693
Comprehensive income	**$ 55,325**	$ 77,225	**$ 199,337**	$ 178,821

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgCountry Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2022	$ --	$ 662,638	$ 1,843,363	$ (8,563)	$ 2,497,438
Cumulative effect of change in accounting principle	--	--	14,416	--	14,416
Net income	--	--	178,128	--	178,128
Other comprehensive income	--	--	--	693	693
Unallocated surplus designated for patronage distributions	--	--	(68,250)	--	(68,250)
Capital stock and participation certificates issued	615	--	--	--	615
Capital stock and participation certificates retired	(590)	--	--	--	(590)
(Additions) reductions to capital stock and participation certificates receivable, net	(25)	--	--	--	(25)
Balance at September 30, 2023	$ --	$ 662,638	$ 1,967,657	$ (7,870)	$ 2,622,425
Balance at December 31, 2023	$ --	$ 662,638	$ 1,987,117	$ (7,476)	$ 2,642,279
Net income	**--**	**--**	**198,741**	**--**	**198,741**
Other comprehensive income	**--**	**--**	**--**	**596**	**596**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(73,800)**	**--**	**(73,800)**
Capital stock and participation certificates issued	**704**	**--**	**--**	**--**	**704**
Capital stock and participation certificates retired	**(555)**	**--**	**--**	**--**	**(555)**
(Additions) reductions to capital stock and participation certificates receivable, net	**(149)**	**--**	**--**	**--**	**(149)**
Balance at September 30, 2024	**$ --**	**$ 662,638**	**$ 2,112,058**	**$ (6,880)**	**$ 2,767,816**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2024, are not necessarily indicative of the results to be expected for the year ending December 31, 2024. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of AgCountry Farm Credit Services, ACA and its subsidiaries AgCountry Farm Credit Services, FLCA and AgCountry Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Allowance for Credit Losses: Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the CECL model. The allowance for credit losses (ACL) comprises the allowance for credit losses on loans and unfunded commitments.

Allowance for Credit Losses on Loans
Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL 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 ACLL is increased through provisions for credit losses on loans and loan recoveries and is decreased through reversals of provision for credit losses on loans and loan charge-offs. The provision activity is included as part of the “Provision for credit losses” in the Consolidated Statements of Comprehensive Income.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts on purchased loans and unamortized adjustments to fair value on loans acquired through merger.

We employ a disciplined process and methodology to establish the ACLL 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. When a loan does not share risk characteristics with other loans, expected credit loss is 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. 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 ACLL. For more information see the Collateral Dependent Loans policy in the significant accounting policies section of the 2023 Annual Report.

In estimating the pooled component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type. We utilize a model to calculate an expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the loss given default, based on historical experience. Loan borrower characteristics are also utilized and include internal risk ratings, and the remaining term of the loan.

Effective January 1, 2024, AgCountry transitioned to a different model to estimate allowance for credit losses on loans. The model utilized during the year ended December 31, 2023, utilized a weighted average of three economic scenarios and the macroeconomic variables used included unemployment rates, U.S. corporate credit ratings, and stock market volatility and performance. The model utilized beginning January 1, 2024, uses a single economic scenario and the macroeconomic variables include net farm income, unemployment rates, real gross domestic product levels, housing price index, and agricultural land values. The quarterly economic forecast and reasonable and supportable forecast period of three years continue to be used.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast. Consideration of these factors, as well as the imprecision inherent in the process and methodology 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.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on quarterly evaluation of factors such as loan loss history, estimated probability of default, estimated loss given default, portfolio quality, and current economic and environmental conditions.

Allowance for Credit Losses on Unfunded Commitments
Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in "Other liabilities" in the Consolidated Statements of Condition. The related provision is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standard to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Throughout Note 2 accrued interest receivable on loans of $233.3 million at September 30, 2024, and $170.9 million at December 31, 2023, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Loans by Type

(dollars in thousands)

As of:	**September 30, 2024**		December 31, 2023	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 5,382,200**	**37.5%**	$ 4,895,569	37.1%
Production and intermediate-term	**3,200,602**	**22.3%**	3,119,147	23.7%
Agribusiness	**3,790,759**	**26.4%**	3,347,974	25.4%
Other	**1,977,018**	**13.8%**	1,817,081	13.8%
Total	**$ 14,350,579**	**100.0%**	$ 13,179,771	100.0%

The other category is primarily composed of rural infrastructure related loans.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **As of September 30, 2024**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 4,817**	**$ 7,203**	**$ 12,020**	**$ 5,370,180**	**$ 5,382,200**	**$ 5,797**
Production and intermediate-term	**4,070**	**1,205**	**5,275**	**3,195,327**	**3,200,602**	**--**
Agribusiness	**23,672**	**32,192**	**55,864**	**3,734,895**	**3,790,759**	**--**
Other	**40**	**--**	**40**	**1,976,978**	**1,977,018**	**--**
Total	**$ 32,599**	**$ 40,600**	**$ 73,199**	**$ 14,277,380**	**$ 14,350,579**	**$ 5,797**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 5,345	$ 418	$ 5,763	$ 4,889,806	$ 4,895,569	$ 148
Production and intermediate-term	33,006	2,549	35,555	3,083,592	3,119,147	1,955
Agribusiness	--	1,327	1,327	3,346,647	3,347,974	--
Other	44	--	44	1,817,037	1,817,081	--
Total	$ 38,395	$ 4,294	$ 42,689	$ 13,137,082	$ 13,179,771	$ 2,103

Nonaccrual Loans

Nonaccrual Loans Information

(in thousands)	As of September 30, 2024 Amortized Cost	As of September 30, 2024 Amortized Cost Without Allowance	For the Nine Months Ended September 30, 2024 Interest Income Recognized (Reversed)
Nonaccrual loans:			
Real estate mortgage	**$ 3,256**	**$ 3,256**	**$ (501)**
Production and intermediate-term	**1,647**	**652**	**(14)**
Agribusiness	**84,034**	**15,267**	**18**
Other	**11,706**	**--**	**2**
Total	**$ 100,643**	**$ 19,175**	**$ (495)**

	As of December 31, 2023 Amortized Cost	As of December 31, 2023 Amortized Cost Without Allowance	For the Nine Months Ended September 30, 2023 Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ 2,449	$ 2,449	$ 56
Production and intermediate-term	21,644	693	110
Agribusiness	12,696	764	--
Other	9,051	--	2
Total	$ 45,840	$ 3,906	$ 168

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

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months.

Loan Modifications at Amortized Cost[1]

(dollars in thousands) **For the nine months ended September 30, 2024**	Interest Rate Reduction	Term Extension	Payment Deferral	Combination - Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans
Real estate mortgage	**$ --**	**$ 840**	**$ 5,852**	**$ 1,280**	**$ 7,972**	**0.1%**
Production and intermediate-term	**--**	**17,694**	**--**	**--**	**17,694**	**0.1%**
Agribusiness	**613**	**20,175**	**--**	**--**	**20,788**	**0.1%**
Total	**$ 613**	**$ 38,709**	**$ 5,852**	**$ 1,280**	**$ 46,454**	**0.3%**
Loan modifications granted as a percentage of total loans	**0.0%**	**0.3%**	**0.0%**	**0.0%**	**0.3%**	

For the nine months ended September 30, 2023	Interest Rate Reduction	Term Extension	Payment Deferral	Combination - Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans
Real estate mortgage	$ 1,441	$ 27	$ --	$ --	$ 1,468	0.0%
Production and intermediate-term	--	5,277	--	6,289	11,566	0.1%
Agribusiness	--	23,471	--	--	23,471	0.2%
Total	$ 1,441	$ 28,775	$ --	$ 6,289	$ 36,505	0.3%
Loan modifications granted as a percentage of total loans	0.0%	0.2%	--	0.1%	0.3%	

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Financial Effect of Loan Modifications

For the nine months ended September 30, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Term extension		**264**		
Payment deferral			**11**	
Principal forgiveness				**1**
Combination - interest rate reduction and term extension	**0.4%**	**349**		
Production and intermediate-term				
Term extension		**11**		
Principal forgiveness				**37**
Agribusiness				
Interest rate reduction	**0.5%**			
Term extension		**22**		
Principal forgiveness				**12,111**
Combination - term extension and principal forgiveness		**12**		**--**

For the nine months ended September 30, 2023	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Interest rate reduction	1.3%			
Term extension		60		
Production and intermediate-term				
Term extension		12		
Principal forgiveness				214
Combination - interest rate reduction and term extension	0.9%	12		
Agribusiness				
Term extension		26		

There were no significant loans to borrowers experiencing financial difficulty that defaulted during the nine months ended September 30, 2024, or September 30, 2023, in which the modifications were within twelve months preceding the default.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications[1]

(in thousands) **As of September 30, 2024**	Not Past Due or Less Than 30 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	**$ 8,067**	**$ --**	**$ 8,067**
Production and intermediate-term	**17,694**	**9**	**17,703**
Agribusiness	**20,788**	**--**	**20,788**
Total	**$ 46,549**	**$ 9**	**$ 46,558**

As of September 30, 2023	Not Past Due or Less Than 30 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ 1,468	$ --	$ 1,468
Production and intermediate-term	11,566	--	11,566
Agribusiness	23,471	--	23,471
Total	$ 36,505	$ --	$ 36,505

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at September 30, 2024, or 2023.

Additional commitments were $33.7 million at September 30, 2024, and $16.7 million at December 31, 2023, to lend to borrowers experiencing financial difficulty whose loans were modified during the nine months ended September 30, 2024, and during the year ended December 31, 2023, respectively.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) Nine months ended September 30,	**2024**	2023
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 34,987**	$ 30,068
Cumulative effect of change in accounting principle	**--**	(14,996)
Provision for credit losses on loans	**34,819**	23,853
Loan recoveries	**12**	1,023
Loan charge-offs	**(12,978)**	(6,626)
Balance at end of period	**$ 56,840**	$ 33,322
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 1,063**	$ 2,192
Cumulative effect of change in accounting principle	**--**	(1,054)
Provision for credit losses on unfunded commitments	**3,744**	(222)
Balance at end of period	**$ 4,807**	$ 916
Total allowance for credit losses	**$ 61,647**	$ 34,238

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by downgrades of a few large loans during the third quarter of 2024 with related specific reserves assigned.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $228.2 million at September 30, 2024. We held no investment securities as of December 31, 2023. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at September 30, 2024. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investment securities at September 30, 2024.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information at Amortized Cost

(in thousands) As of:	**September 30, 2024**
MBS	**$ 148,871**
ABS	**79,293**
Total	**$ 228,164**

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $1.0 million for the nine months ended September 30, 2024.

Contractual Maturities of Investment Securities

(in thousands) As of September 30, 2024		Amortized Cost
Five to ten years	$	**21,732**
More than ten years		**206,432**
Total	$	**228,164**

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 10 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2023 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2024, or December 31, 2023.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands) **As of September 30, 2024**	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ **--**	$ **--**	$ **40,833**	$ **40,833**
Other property owned	**--**	**--**	**3,687**	**3,687**

As of December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 28,179	$ 28,179
Other property owned	--	--	80	80

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 6, 2024, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.