

Farm Credit of Western Oklahoma, ACA



**Quarterly Report
September 30, 2024**

The shareholders' investment in Farm Credit of Western Oklahoma, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2023 CoBank Annual Report to Shareholders and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, **www.cobank.com**, or may be obtained at no charge by contacting us at Farm Credit of Western Oklahoma, ACA, 3302 Williams Avenue, Woodward, Oklahoma 73801, or by calling 580-256-3465 or toll free 1-800-299-3465.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit Western Oklahoma, ACA (the Association) for the nine months ended September 30, 2024, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2023 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Despite the softening of growth in the US economy and concerns surrounding high interest rates in the first half of 2024, the US economy remains strong. Inflation continues to gradually decelerate, and interest rates have started to drop as a result. The Federal Reserve announced at its September 2024 meeting that rates would be lowered to a range of 4.75% - 5.00%. Further rate cuts are anticipated by the end of 2024 and in 2025. Real Gross Domestic Product (GDP) and consumer spending have started to trend upwards, and are forecasted to continue to climb at a steady pace through the rest of the year. After recording strong growth for the past two years, net cash farm income is forecasted to decrease by 7.2% in 2024 according to the USDA. This decrease is primarily driven by high farming expenses, lower direct government payments, and weakening commodity prices. Global conflicts continue to put additional pressures on commodity prices, and in combination with the nearing US elections, have contributed to volatility and uncertainty in the markets.

Loan demand has been strong during 2024. Cattle prices have continued to show strength this year, while grain prices have noted a downward trend. Overall, the agricultural industry remains strong with opportunities for our customers to experience solid financial results. Many operators are diversified to protect from individual commodity losses. Borrowers also take advantage of price protection and insurance available for their operations to further protect against unforeseen loss. With historically low unemployment and strong demand for labor, off-farm operations continue to provide healthy diversification to our customers' income sources.

Much of our lending territory has received some moisture over the last few months, but most operators in our lending territory continue to experience some level of drought. Both topsoil and subsoil moisture conditions were rated short to very short at the end of September 2024, with the need for moisture being ever present on the minds of agricultural producers in western Oklahoma.

The uncertainty of continued strength in the value of agricultural real estate is an economic concern; however, real estate values in Oklahoma have increased an average of 7.32% over the last 3 years, and 4.99% over the last 5 years, proving that real estate values have continued to strengthen in the territory. Potential weaknesses in commodity markets, volatility in oil/gas price and production, and U.S. recession fears could all lead to a softening or decline in the real estate market.

Our Association continues to analyze the material effects of transition risks related to climate change that may affect our business, financial condition, and results of operations. These risks include policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, litigation risks, and technological changes. Agricultural producers continue to adjust to changing climate conditions and have implemented additional practices of no-till planting, minimal till practices, cover crops, and other water conservation techniques to manage reduced amounts of rainfall and to keep their farmland in a state of sustainable production. Currently, we are not aware of any specific material impacts on our business, results of operations, or financial conditions from the effects of climate change transition risks.

LOAN PORTFOLIO

Loans outstanding at September 30, 2024, totaled \$1.86 billion, an increase of \$79.9 million, or 4.49%, from loans of \$1.78 billion at December 31, 2023. The increase was primarily due to growth in real estate mortgage, production and intermediate-term, and energy loan volume.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2024, was \$22.0 million, an increase of \$3.0 million, or 15.81%, from the same period ended one year ago. The increase was primarily due to an increase in net interest income, noninterest income, and decrease in noninterest expenses, partially offset by an increase in provision for credit losses for the periods compared.

Net interest income for the nine months ended September 30, 2024, was \$40.3 million, an increase of \$3.3 million, or 8.93%, compared with the nine months ended September 30, 2023. Net interest income increased primarily as a result of loan volume growth and additional earnings from equity positioning.

The provision for credit losses for the nine months ended September 30, 2024, was \$2.8 million, an increase of \$2.2 million, from the provision for credit losses for the same period ended one year ago. The provision for credit losses increased as a result of increased loan volume and changes to the risk portfolio, along with additional specific reserves on individual loans in 2024.

Noninterest income increased \$1.0 million during the first nine months of 2024, compared with the first nine months of 2023, primarily due to an increase of \$606 thousand in patronage distributions from Farm Credit institutions. This increase in patronage distributions from Farm Credit institutions is primarily attributed to increased patronage from CoBank related to our direct note payable with CoBank. We also received a refund of \$500 thousand from Farm Credit System Insurance Corporation (FCSIC) during the first nine months of 2024. There was no refund received in 2023. The refund is our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2023 Annual Report to Shareholders for additional information.

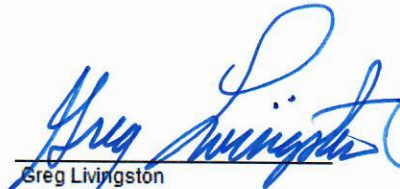
Mineral income of \$601 thousand was recognized during the first nine months of 2024. Of this amount, \$591 thousand was received from CoBank. The decrease for the nine months ended September 30, 2024, compared with the first nine months of 2023 is due to lower oil and gas commodity prices paid on production.

During the first nine months of 2024, noninterest expense decreased \$861 thousand to \$22.7 million, primarily due to a decrease in public and member relations expense of \$666 thousand. Additionally, Farm Credit System Insurance Corporation (FCSIC) premiums decreased \$610 thousand for the nine months ended September 30, 2024, compared with the same period in 2023 due to a decrease in the insurance premium accrual assessment rate on Systemwide adjusted insured debt from 18 basis points to 10 basis points. These decreases are partially offset by increases in purchased services from AgVantis of \$658 thousand.


CAPITAL RESOURCES

Our shareholders' equity at September 30, 2024, was \$350.8 million, an increase from \$328.5 million at December 31, 2023. This increase is due to net income, the amortization of pension costs included in the net periodic benefit cost, and net stock issuances.


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



Greg Livingston
President/CEO
November 4, 2024



Jamey B. Mitchell
CFO
November 4, 2024



Roger Fischer
Chairman of the Board
November 4, 2024

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2024	December 31 2023
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 1,860,490	\$ 1,780,560
Less allowance for loan losses	5,079	2,477
Net loans	1,855,411	1,778,083
Cash	5,003	12,199
Accrued interest receivable	43,694	33,819
Investment in CoBank, ACB	42,653	42,653
Premises and equipment, net	9,690	9,860
Prepaid benefit expense	9,894	10,287
Other assets	10,403	13,638
Total assets	\$ 1,976,748	\$ 1,900,539
LIABILITIES		
Note payable to CoBank, ACB	\$ 1,593,332	\$ 1,524,402
Advance conditional payments	15,865	13,538
Accrued interest payable	5,326	4,894
Patronage distributions payable	-	13,000
Accrued benefits liability	2,848	3,127
Reserve for unfunded commitments	1,160	931
Other liabilities	7,378	12,148
Total liabilities	\$ 1,625,909	\$ 1,572,040
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	2,905	2,884
Additional paid-in capital	146,592	146,592
Unallocated retained earnings	202,896	180,939
Accumulated other comprehensive income/(loss)	(1,554)	(1,916)
Total shareholders' equity	350,839	328,499
Total liabilities and shareholders' equity	\$ 1,976,748	\$ 1,900,539

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
INTEREST INCOME				
Loans	\$ 29,736	\$ 25,605	\$ 86,698	\$ 72,132
Other	5	-	8	-
Total interest income	29,741	25,605	86,706	72,132
INTEREST EXPENSE				
Note payable to CoBank, ACB	16,163	12,449	46,169	34,865
Other	91	119	281	311
Total interest expense	16,254	12,568	46,450	35,176
Net interest income	13,487	13,037	40,256	36,956
Provision for credit losses	2,637	788	2,783	611
Net interest income after provision for credit losses	10,850	12,249	37,473	36,345
NONINTEREST INCOME				
Financially related services income	4	1	18	17
Loan fees	175	196	512	424
Patronage distribution from Farm Credit institutions	1,817	1,617	5,364	4,758
Farm Credit Insurance Fund distribution	-	-	500	-
Mineral income	191	196	601	787
Other noninterest income	28	59	144	145
Total noninterest income	2,215	2,069	7,139	6,131
NONINTEREST EXPENSE				
Salaries and employee benefits	3,629	4,244	12,220	12,313
Occupancy and equipment	375	279	1,055	859
Purchased services from AgVantis, Inc.	1,243	1,024	3,728	3,070
Farm Credit Insurance Fund premium	366	579	1,072	1,682
Merger related costs	-	-	-	120
Supervisory and examination costs	131	134	394	403
Other noninterest expense	1,337	1,444	4,186	5,069
Total noninterest expense	7,081	7,704	22,655	23,516
Net income	5,984	6,614	21,957	18,960
COMPREHENSIVE INCOME				
Amortization of retirement costs	120	66	362	199
Total comprehensive income	\$ 6,104	\$ 6,680	\$ 22,319	\$ 19,159

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2022	\$ 2,897	\$ 146,592	\$ 169,046	\$ (860)	\$ 317,675
Comprehensive income			18,960	199	19,159
Stock issued	154				154
Stock retired	(175)				(175)
Cumulative effect of CECL adoption			(78)		(78)
Balance at September 30, 2023	\$ 2,876	\$ 146,592	\$ 187,928	\$ (661)	\$ 336,735
Balance at December 31, 2023	\$ 2,884	\$ 146,592	\$ 180,939	\$ (1,916)	\$ 328,499
Comprehensive income			21,957	362	22,319
Stock issued	156				156
Stock retired	(135)				(135)
Balance at September 30, 2024	\$ 2,905	\$ 146,592	\$ 202,896	\$ (1,554)	\$ 350,839

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Western Oklahoma, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders. These unaudited third quarter 2024 financial statements should be read in conjunction with the 2023 Annual Report to Shareholders.

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 Shareholders.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair statement of results for the interim periods, have been made. 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 Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments 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, 2024. The adoption of this guidance is not expected to have a material impact on the Association’s financial condition, results of operations, or cash flows.

NOTE 2 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans follows.

<i>(dollars in thousands)</i>	September 30, 2024	December 31, 2023
Real estate mortgage	\$ 1,170,940	\$ 1,131,210
Production and intermediate-term	483,372	448,728
Agribusiness	127,845	125,192
Rural infrastructure	68,879	65,916
Agricultural export finance	7,466	7,455
Rural residential real estate	1,988	2,059
Total loans	\$ 1,860,490	\$ 1,780,560

The Association purchases and 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:

<i>(dollars in thousands)</i>	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 40,545	\$ 6,726	\$ 168,912	\$ -	\$ 209,457	\$ 6,726
Production and intermediate-term	68,545	10,324	-	-	68,545	10,324
Agribusiness	89,199	562	-	-	89,199	562
Rural infrastructure	68,879	-	-	-	68,879	-
Agricultural export finance	7,466	-	-	-	7,466	-
Total	\$ 274,634	\$ 17,612	\$ 168,912	\$ -	\$ 443,546	\$ 17,612

Credit Quality

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

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The institution 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, and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

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	December 31, 2023
Real estate mortgage		
Acceptable	97.83%	97.51%
OAEM	1.23%	1.64%
Substandard	0.94%	0.85%
Total	100.00%	100.00%
Production and intermediate-term		
Acceptable	97.16%	97.88%
OAEM	2.11%	1.74%
Substandard	0.73%	0.38%
Total	100.00%	100.00%
Agribusiness		
Acceptable	89.32%	92.89%
OAEM	7.79%	6.52%
Substandard	2.89%	0.59%
Total	100.00%	100.00%
Rural infrastructure		
Acceptable	97.04%	85.21%
OAEM	2.96%	14.79%
Total	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Rural residential real estate		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Total Loans		
Acceptable	97.05%	96.83%
OAEM	1.97%	2.49%
Substandard	0.98%	0.68%
Total	100.00%	100.00%

Accrued interest receivable on loans of \$43.7 million at September 30, 2024 and \$33.8 million at December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. The Association wrote off accrued interest receivable of \$118 thousand during the first nine months of 2024 and \$100 thousand during the first nine months of 2023.

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. The following table shows these nonperforming assets and related credit quality statistics as follows:

<i>(dollars in thousands)</i>	September 30, 2024	December 31, 2023
Nonaccrual loans		
Real estate mortgage	\$ 4,973	\$ 3,926
Production and intermediate-term	2,351	1,348
Total nonaccrual loans	\$ 7,324	\$ 5,274
Accruing loans 90 days past due		
Real estate mortgage	\$ 385	\$ 171
Total accruing loans 90 days past due	\$ 385	\$ 171
Total nonperforming assets	\$ 7,709	\$ 5,445
Nonaccrual loans to total loans	0.39%	0.30%
Nonperforming assets to total loans	0.41%	0.31%
Nonperforming assets to total shareholders' equity	2.20%	1.66%

The Association had no other property owned for the periods presented.

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

September 30, 2024			
<i>(dollars in thousands)</i>	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Real estate mortgage	\$ -	\$ 4,973	\$ 4,973
Production and intermediate-term	1,416	935	2,351
Total	\$ 1,416	\$ 5,908	\$ 7,324

December 31, 2023			
<i>(dollars in thousands)</i>	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Real estate mortgage	\$ -	\$ 3,926	\$ 3,926
Production and intermediate-term	1,323	25	1,348
Total	\$ 1,323	\$ 3,951	\$ 5,274

Interest Income Recognized				
For the Three Months Ended September 30		For the Nine Months Ended September 30		
<i>(dollars in thousands)</i>	2024	2023	2024	2023
Nonaccrual loans				
Real estate mortgage	\$ -	\$ 193	\$ 509	\$ 702
Production and intermediate-term	-	10	247	73
Total	\$ -	\$ 203	\$ 756	\$ 775

The following tables provide an age analysis of past due loans at amortized cost.

September 30, 2024

<i>(dollars in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	\$ 3,492	\$ 3,151	\$ 6,643	\$1,164,297	\$1,170,940	\$ 385
Production and intermediate-term	1,078	840	1,918	481,454	483,372	-
Agribusiness	-	-	-	127,845	127,845	-
Rural infrastructure	-	-	-	68,879	68,879	-
Agricultural export finance	-	-	-	7,466	7,466	-
Rural residential real estate	-	-	-	1,988	1,988	-
Total	\$ 4,570	\$ 3,991	\$ 8,561	\$1,851,929	\$1,860,490	\$ 385

December 31, 2023

<i>(dollars in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	\$ 2,500	\$ 335	\$ 2,835	\$1,128,375	\$1,131,210	\$ 171
Production and intermediate-term	147	1,239	1,386	447,342	448,728	-
Agribusiness	-	-	-	125,192	125,192	-
Rural infrastructure	-	-	-	65,916	65,916	-
Agricultural export finance	-	-	-	7,455	7,455	-
Rural residential real estate	-	-	-	2,059	2,059	-
Total	\$ 2,647	\$ 1,574	\$ 4,221	\$1,776,339	\$1,780,560	\$ 171

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

<i>(dollars in thousands)</i>	Term Extension			
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	% of Portfolio Segment	September 30, 2024	% of Portfolio Segment
Production and intermediate-term	\$ 46	0.01%	\$ 1,337	0.28%
Agribusiness	779	0.61%	779	0.61%
Total	\$ 825		\$ 2,116	

<i>(dollars in thousands)</i>	Payment Deferral			
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	% of Portfolio Segment	September 30, 2024	% of Portfolio Segment
Production and intermediate-term	\$ 10	<0.01%	\$ 10	<0.01%
Total	\$ 10		\$ 10	

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was \$6 thousand as of the three and nine months ended September 30, 2024.

	Term Extension			
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	% of Portfolio Segment	September 30, 2023	% of Portfolio Segment
<i>(dollars in thousands)</i>				
Production and intermediate-term	\$ 50	0.01%	\$ 318	0.08%
Total	\$ 50		\$ 318	

	Combination - Interest Rate Reduction and Term Extension			
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	% of Portfolio Segment	September 30, 2023	% of Portfolio Segment
<i>(dollars in thousands)</i>				
Production and intermediate-term	\$ -	-	\$ 72	0.02%
Total	\$ -		\$ 72	

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was \$1 thousand as of the three months ended September 30, 2023 and \$16 thousand as of the nine months ended September 30, 2023.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the periods presented.

	Weighted-Average Term Extension (in months)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Production and intermediate-term	12.0	12.0	66.6	75.1
Agribusiness	13.5	-	13.5	-

	Weighted-Average Payment Deferral (in months)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Production and intermediate-term	8.0	-	8.0	-

	Combination – Interest Rate Reduction and Term Extension	
	For the Nine Months Ended September 30, 2023	
Production and intermediate-term	Reduced weighted average interest rates from 9.85% to 9.50% and added a weighted average of 58.5 months to the life of loans	

There were no loans to borrowers experiencing financial difficulty that defaulted during the nine months ended September 30, 2024 or September 30, 2023 which were modified during the twelve months prior to those periods.

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

	Payment Status of Modified Loans		
	During the Past Twelve Months Ended September 30, 2024		
	Current	30-89 Days Past Due	90 Days or More Past Due
<i>(dollars in thousands)</i>			
Production and intermediate-term Agribusiness	\$ 1,358	\$ -	\$ -
	779	-	-
Total	\$ 2,137	\$ -	\$ -

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 Modified Loans		
	During the Nine Months Ended September 30, 2023		
	Current	30-89 Days Past Due	90 Days or More Past Due
<i>(dollars in thousands)</i>			
Production and intermediate-term	\$ 391	\$ -	\$ -
Total	\$ 391	\$ -	\$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2024 were \$968 thousand and during the year ended December 31, 2023 were \$888 thousand.

The Association had no loans held for sale at September 30, 2024 and December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of the loans 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. The Association uses a single economic scenario over a reasonable and supportable forecast period of 12 months. Subsequent to the forecast period, the Association explicitly reverts to long run historical loss experience beyond the 12 months to inform the estimate of losses for the remaining contractual life of the loan portfolio. The economic forecasts are updated on a quarterly basis and incorporate macroeconomic variables such as agricultural commodity prices, unemployment rates, Gross Domestic Product (GDP) annual growth rates, government spending to GDP, real consumer spending, United States exports, inflation, and Fed Funds rates.

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% of the Association's lending and leasing limit base but the Association's board of directors has generally established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities.

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

<i>(dollars in thousands)</i>	Balance at June 30, 2024	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2024
Real estate mortgage	\$ 230	\$ -	\$ -	\$ 11	\$ 241
Production and intermediate-term	953	-	11	351	1,315
Agribusiness	656	-	-	2,243	2,899
Rural infrastructure	717	-	-	(96)	621
Agricultural export finance	1	-	-	-	1
Rural residential real estate	2	-	-	-	2
Total	\$ 2,559	\$ -	\$ 11	\$ 2,509	\$ 5,079

<i>(dollars in thousands)</i>	Balance at December 31, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2024
Real estate mortgage	\$ 231	\$ -	\$ -	\$ 10	\$ 241
Production and intermediate-term	1,042	-	48	225	1,315
Agribusiness	651	-	-	2,248	2,899
Rural infrastructure	551	-	-	70	621
Agricultural export finance	1	-	-	-	1
Rural residential real estate	1	-	-	1	2
Total	\$ 2,477	\$ -	\$ 48	\$ 2,554	\$ 5,079

<i>(dollars in thousands)</i>	Balance at June 30, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2023
Real estate mortgage	\$ 234	\$ -	\$ -	\$ (12)	\$ 222
Production and intermediate-term	810	4	4	488	1,298
Agribusiness	99	-	-	73	172
Rural infrastructure	660	-	-	220	880
Agricultural export finance	1	-	-	-	1
Rural residential real estate	1	-	-	1	2
Total	\$ 1,805	\$ 4	\$ 4	\$ 770	\$ 2,575

<i>(dollars in thousands)</i>	Balance at December 31, 2022	Cumulative Effect of CECL Adoption	Balance at January 1, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2023
Real estate mortgage	\$ 502	\$ (248)	\$ 254	\$ -	\$ -	\$ (32)	\$ 222
Production and intermediate-term	1,139	64	1,203	4	6	93	1,298
Agribusiness	117	(46)	71	-	-	101	172
Rural infrastructure	77	309	386	-	-	494	880
Agricultural export finance	1	(1)	-	-	-	1	1
Rural residential real estate	2	(1)	1	-	-	1	2
Total	\$ 1,838	\$ 77	\$ 1,915	\$ 4	\$ 6	\$ 658	\$ 2,575

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

<i>(dollars in thousands)</i>	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Balance at beginning of period	\$ 1,032	\$ 931
Provision for reserve for unfunded commitments	128	229
Total	\$ 1,160	\$ 1,160

<i>(dollars in thousands)</i>	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Balance at beginning of period	\$ 589	\$ 653
Cumulative Effect of CECL Adoption		1
Balance at January 1		\$ 654
Provision for/(Reversal of) reserve for unfunded commitments	18	(47)
Total	\$ 607	\$ 607

NOTE 3 – CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows.

	As of September 30, 2024	As of December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	16.14%	17.21%	4.5%	2.5%	7.0%
Tier 1 capital ratio	16.14%	17.21%	6.0%	2.5%	8.5%
Total capital ratio	16.33%	17.39%	8.0%	2.5%	10.5%
Permanent capital ratio	16.16%	17.23%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	15.61%	16.42%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	15.46%	16.26%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following table presents the activity in the accumulated other comprehensive income/loss, net of tax by component:

<i>(dollars in thousands)</i>	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Pension and other benefit plans:				
Beginning balance	\$ (1,674)	\$ (727)	\$ (1,916)	\$ (860)
Amounts reclassified from accumulated other comprehensive income/loss	120	66	362	199
Net current period other comprehensive income/(loss)	120	66	362	199
Ending balance	\$ (1,554)	\$ (661)	\$ (1,554)	\$ (661)

The following tables represent reclassifications out of accumulated other comprehensive income/loss.

<i>(dollars in thousands)</i>	Amount Reclassified from Accumulated Other Comprehensive Income/Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
	2024	2023	
Pension and other benefit plans:			
Net actuarial loss	\$ 120	\$ 66	Salaries and employee benefits
Total reclassifications	\$ 120	\$ 66	

<i>(dollars in thousands)</i>	Amount Reclassified from Accumulated Other Comprehensive Income/Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
	2024	2023	
Pension and other benefit plans:			
Net actuarial loss	\$ 362	\$ 199	Salaries and employee benefits
Total reclassifications	\$ 362	\$ 199	

NOTE 4 - 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 2 of the 2023 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

<i>(dollars in thousands)</i>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
September 30, 2024	\$ 2,549	\$ -	\$ -	\$ 2,549
December 31, 2023	\$ 2,443	\$ -	\$ -	\$ 2,443

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2024 or December 31, 2023.

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

<i>(dollars in thousands)</i>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans				
September 30, 2024	\$ -	\$ -	\$ 2,143	\$ 2,143
December 31, 2023	\$ -	\$ -	\$ 1,034	\$ 1,034

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

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2024 or December 31, 2023.

Valuation Techniques

As more fully discussed in Note 2 of the 2023 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

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

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans. 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 4, 2024, which is the date the financial statements were issued, and no material subsequent events were identified.