

AGTRUST, ACA

**2024
Quarterly Report**



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.

/s/ Joe H. Hayman
Joe H. Hayman, Chief Executive Officer

November 8, 2024

/s/ Nicholas Acosta
Nicholas Acosta, Chief Financial Officer

November 8, 2024

/s/ Brent Neuhaus
Brent Neuhaus, Chairman, Board of Directors

November 8, 2024

/s/ David Conrad
David Conrad, Chairman, Audit Committee

November 8, 2024

Third Quarter 2024 Financial Report

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AGTRUST, ACA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis reviews the consolidated financial performance of AgTrust, ACA, (ACA) including its wholly owned subsidiaries AgTrust, FLCA and AgTrust, PCA, (collectively referred to herein as the "Association") for the three and nine months ended September 30, 2024. The discussion should be read in conjunction with the Association's Annual Report to Stockholders, and notes thereto, for the year ended December 31, 2023. Operating results for the three and nine months ended September 30, 2024, are not necessarily indicative of the results for the year ending December 31, 2024, or any future period.

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.

Since 1917, the Association and its predecessors have provided its members with quality financial services. The Board and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

The consolidated financial statements comprise the operations of the ACA and its wholly owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's Audit Committee.

Merger Activity:

Effective December 1, 2023, Ag New Mexico, Farm Credit Services, ACA and its PCA and FLCA subsidiaries (Ag New Mexico) merged with and into Lone Star, ACA (the continuing association) and its PCA and FLCA subsidiaries (Lone Star), whereupon all shareholders of Ag New Mexico became shareholders of the continuing association. Additionally, upon the effective date of the merger, the continuing association and its PCA and FLCA subsidiaries changed their name to AgTrust, ACA, AgTrust, PCA and AgTrust, FLCA, respectively (AgTrust). The continuing association is headquartered in Fort Worth, Texas.

Patronage Distributions by Association:

In December 2023, the Board declared a cash patronage in the amount of \$26,756,494 paid in March 2024, based on 2023 patronage-sourced earnings. The patronage was paid to eligible borrowers based on their net interest margin of all Patronage Transactions outstanding for the year ending December 31, 2023.

Patronage Distributions Received from the Farm Credit Bank of Texas (FCBT or Bank):

On a monthly basis the Association accrues income for the direct loan earnings patronage it expects to receive in December of each year from FCBT. The distribution of the direct loan earnings patronage is at the discretion of FCBT. The Association's accrual rate is based on historical information and expectations set forth in FCBT's annual strategic business plan. During the quarter ended September 30, 2023, the Association was informed of FCBT's inability to meet expectations as it relates to earnings, capital, and other profitability metrics, which negatively impacts FCBT's ability to distribute the direct loan earnings patronage at historical or previously planned levels. Consequently, the Association reduced the accrual of direct loan earnings patronage income for the remainder of 2023 to align with FCBT's revised expectations. In December 2023, the Board of Directors of FCBT declared the reduced direct note patronage of approximately 28 basis points on the average daily balance of the Association's direct loan with FCBT. Additionally, this distribution was split on a 70/30 basis between cash and allocated equities in FCBT. The total amount received was \$5,938,045 of which \$4,156,632 was cash and \$1,781,414 was allocated equities in FCBT. This reduced the earnings available to the Association for its own patronage distributions.

	2023
Direct loan patronage	\$ 5,938,045
Stock investment in FCBT	1,327,293
Participation's patronage	1,171,798
Capitalized participation pool	61,190
Agricultural mortgage backed securities investment patronage	49,437
Total Patronage Received	<u>\$ 8,547,763</u>

Effective in 2024, FCBT has implemented a sustainable growth charge which reduces the projected direct note patronage by 25 basis points. The Association has adjusted its monthly accrual accordingly.

FCBT requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. Historically, FCBT has paid patronage on the Association's stock investment to offset effective opportunity cost with the investment requirement. Effective in 2024, FCBT will no longer pay patronage on this investment effectively reducing their patronage distributions to the Association.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners, and certain farm-related businesses. These loan products are available to eligible borrowers with competitive variable, fixed, and adjustable interest rates. Commercial loans primarily consist of operating loans and short-term loans for working capital, equipment, and livestock. Mortgage loans primarily consist of 5- to 30- year maturities. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower. The Association's loan portfolio consists of long-term farm mortgage loans, production and intermediate-term loans, farm-related business loans, rural residential and rural infrastructure loans through purchased participations.

Total loans outstanding at September 30, 2024, including nonaccrual loans, were \$3,017,344,286 compared to \$2,844,533,954 at December 31, 2023, reflecting an increase of 6.1 percent. Total nonaccrual loans outstanding at September 30, 2024, were \$2,861,053 compared to \$10,570,087 at December 31, 2023. Nonaccrual loans as a percentage of total loans outstanding were 0.1 percent at September 30, 2024, compared to 0.4 percent at December 31, 2023. The decrease in nonaccrual loans is the result of a capital markets relationship moving from nonaccrual status to other property owned.

The Association recorded \$600 in recoveries and no charge-offs for the quarter ended September 30, 2024, and \$1,137 in recoveries and no charge-offs for the same period in 2023. The Association's allowance for loan losses was 0.2 percent and 0.3 percent of total loans outstanding as of September 30, 2024, and December 31, 2023, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest and other property owned, net. The following table illustrates the Association's components and trends of nonperforming assets.

	September 30, 2024		December 31, 2023	
	Amount	%	Amount	%
Nonaccrual	\$ 2,861,053	36.4%	\$ 10,570,087	100.0%
90 days past due and still accruing interest	3,416,611	43.5%	-	0.0%
Other property owned, net	1,579,844	20.1%	2,775	0.0%
Total	<u>\$ 7,857,508</u>	<u>100.0%</u>	<u>\$ 10,572,862</u>	<u>100.0%</u>

The change in nonperforming assets is the result of an agricultural production relationship moving from nonaccrual status to other property owned. Additionally, during the quarter ended September 30, 2024, a large agribusiness relationship went past due 90 days and is still accruing interest. As of November 8, 2024, the date the financial statements were issued or available to be issued, this relationship is no longer past due.

Results of Operations:

The Association's results of operations for the three and nine months ended September 30, 2024, reflects the results of the continuing Association from the merger of Ag New Mexico with and into Lone Star effective December 1, 2023. The year-over-year comparison below is impacted by the merger.

The Association had net income of \$13,395,416 and \$45,403,167 for the three and nine months ended September 30, 2024, as compared to net income of \$6,858,354 and \$31,366,378 for the same period in 2023, reflecting an increase of 95.3 percent and 44.8 percent, respectively. Net interest income was \$21,646,882 and \$64,933,400 for the three and nine months ended September 30, 2024, as compared to \$16,981,431 and \$51,189,464 for the same period in 2023, reflecting an increase of 27.5 percent and 26.9 percent, respectively.

Nine Months Ended:				
September 30, 2024		September 30, 2023		
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 2,931,226,537	\$ 143,482,490	\$ 2,507,153,676	\$ 100,776,094
Total interest-earning assets	2,931,226,537	143,482,490	2,507,153,676	100,776,094
Interest-bearing liabilities	2,505,334,236	78,549,090	2,114,276,335	49,586,630
Impact of capital	\$ 425,892,301		\$ 392,877,340	
Net interest income		\$ 64,933,400		\$ 51,189,464

	2024 Average Yield	2023 Average Yield
Yield on loans	6.54%	5.37%
Total yield on interest-earning assets	6.54%	5.38%
Cost of interest-bearing liabilities	4.19%	3.14%
Interest rate spread	2.35%	2.23%

Nine Months Ended:			
September 30, 2024 vs. September 30, 2023			
	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 17,061,441	\$ 25,644,955	\$ 42,706,396
Interest expense	9,180,050	19,782,410	28,962,460
Net interest income	\$ 7,881,391	\$ 5,862,545	\$ 13,743,936

Interest income for the three and nine months ended September 30, 2024, increased by \$14,625,180 and \$42,706,396, or 42.4 percent and 42.4 percent, from the same period in 2023, primarily due to increase in yields on earning assets, an increase in average loan volume and the recognition of loan fair value discount accretion to interest income as a result of the merger. Interest expense for the three and nine months ended September 30, 2024, increased by \$9,959,729 and \$28,962,460, or 57.0 percent and 58.4 percent, from the same period in 2023 due to an increase in interest rates, an increase in average debt volume and the recognition of note payable fair value discount accretion to interest expense as a result of the merger. Average loan volume for the third quarter of 2024 was \$2,979,145,096, as compared to \$2,495,263,240 in the third quarter of 2023. The average net interest rate spread on the loan portfolio for the third quarter of 2024 was 2.27 percent, as compared to 2.18 percent in the third quarter of 2023.

The Association's return on average assets for the nine months ended September 30, 2024, was 2.01 percent, as compared to 1.63 percent for the same period in 2023. The Association's return on average equity for the nine months ended September 30, 2024, was 12.58 percent, as compared to 9.75 percent for the same period in 2023.

Noninterest income for the three and nine months ended September 30, 2024, increased by \$1,022,596 and decreased by \$784,949, or 71.9 percent and 8.7 percent, from the same period in 2023, primarily due to changes in the accrual of income for the direct loan earnings patronage from FCBT. Noninterest expenses for the three and nine months ended September 30, 2024, decreased by \$811,491 and increased by \$646,036, or 7.2 percent and 2.3 percent from the same period in 2023. An increase in noninterest expense was expected as a result of the merger in December 2023.

Provision for credit losses for the three and nine months ended September 30, 2024, decreased by \$48,383 and \$1,744,307, or 18.0 percent and 247.8 percent, from the same period in 2023. During the nine months ended September 30, 2024, an agricultural production relationship was transferred to other property owned. As part of this transfer, the specific allowance on this relationship, originally assessed during the nine months ended September 30, 2023, was reversed.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from FCBT, which obtains its funds through the issuance of System-wide obligations and use of its lendable equity. The following schedule summarizes the Association's borrowings.

	September 30, 2024	December 31, 2023
Note payable to FCBT	\$ 2,579,157,003	\$ 2,411,172,178
Accrued interest on note payable	8,431,204	7,523,088
Total	<u>\$ 2,587,588,207</u>	<u>\$ 2,418,695,266</u>

The outstanding balance of the note payable to FCBT of \$2,579,157,003 as of September 30, 2024, is recorded as a liability on the Association's Consolidated Balance Sheet. The note carried a weighted average interest rate of 3.95 percent at September 30, 2024. The indebtedness is collateralized by a pledge of substantially all the Association's assets to FCBT and is governed by the General Financing Agreement (GFA). The increase in note payable to FCBT since December 31, 2023, correlates directly with the overall increase in the Association's accrual loan volume for the period. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$440,606,086 at September 30, 2024. The maximum amount the Association may borrow from FCBT as of September 30, 2024, was \$3,095,234,103 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by FCBT upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by FCBT, upon giving FCBT 30 calendar days' prior written notice, or in all other circumstances, upon giving FCBT 120 days' prior written notice.

Capital Resources:

The Association's capital position increased by \$45,170,850 at September 30, 2024, as compared to December 31, 2023. The Association's debt as a ratio of members' equity was 5.19:1 as of September 30, 2024, as compared to 5.38:1 as of December 31, 2023.

Economic Conditions:

The Association 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 at the Association 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. New Mexico and Texas real GDP grew at an annual rate of 1.7 percent and 2.8 percent, respectively, 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 New Mexico and Texas were 4.2 percent and 4.1 percent, respectively, as compared to the national average of 4.1 percent. 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.

The seasonal temperature outlook indicates that above-normal temperatures are expected for the southern tier of the U.S. including Texas and New Mexico from October through December 2024. Similarly, the seasonal precipitation outlook indicates that below normal precipitation is forecasted for New Mexico and Texas with probabilities that range from 33 to 60 percent.

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 Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

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 consolidated financial position and results of operations.

Relationship With FCBT:

The Association's financial condition may be impacted by factors that affect FCBT. The financial condition and results of operations of FCBT 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 to stockholders more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of FCBT 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 are also available on its website at www.farmcreditbank.com.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The annual and quarterly stockholder reports are available approximately 75 days after year end and 40 days after quarter end, respectively, and can be obtained by writing to AgTrust, ACA, 5600 Clearfork Main Street, Suite 600, Fort Worth, Texas 76109 or calling (817) 332-6565. The annual and quarterly stockholder reports for the Association are also available on its website at www.AgTrustACA.com. Copies of the reports can also be requested by e-mailing ShareHolderRelations@AgTrustACA.com.

AGTRUST, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2024 (unaudited)	December 31, 2023
<u>ASSETS</u>		
Cash	\$ 59,076	\$ 22,095
Loans	3,017,344,286	2,844,533,954
Less: allowance for credit losses on loans	(5,883,511)	(8,163,183)
Net loans	3,011,460,775	2,836,370,771
Accrued interest receivable	29,527,286	23,636,251
Investment in and receivable from FCBT:		
Capital stock	51,033,541	53,269,671
Other	7,858,296	3,666,387
Deferred taxes, net	313,209	280,822
Other property owned, net	1,579,844	2,775
Premises and equipment	5,529,298	5,063,913
Other assets	13,194,281	4,764,030
Total assets	<u>\$ 3,120,555,606</u>	<u>\$ 2,927,076,715</u>
<u>LIABILITIES</u>		
Note payable to FCBT	\$ 2,579,157,003	\$ 2,411,172,178
Advance conditional payments	1,201,626	942,822
Accrued interest payable	8,431,204	7,523,088
Drafts outstanding	61,869	57,773
Dividends payable	-	27,581,494
Other liabilities	27,913,146	21,179,452
Total liabilities	<u>\$ 2,616,764,848</u>	<u>\$ 2,468,456,807</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	\$ 6,255,960	\$ 6,213,280
Additional paid-in capital	124,213,961	124,213,961
Unallocated retained earnings	373,305,602	328,157,542
Accumulated other comprehensive income	15,235	35,125
Total members' equity	503,790,758	458,619,908
Total liabilities and members' equity	<u>\$ 3,120,555,606</u>	<u>\$ 2,927,076,715</u>

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>INTEREST INCOME</u>				
Loans	\$ 49,085,051	\$ 34,459,871	\$ 143,482,490	\$ 100,776,094
Total interest income	49,085,051	34,459,871	143,482,490	100,776,094
<u>INTEREST EXPENSE</u>				
Note payable to FCBT	27,434,591	17,477,274	78,537,662	49,580,563
Advance conditional payments	3,578	1,166	11,428	6,067
Total interest expense	27,438,169	17,478,440	78,549,090	49,586,630
Net interest income	21,646,882	16,981,431	64,933,400	51,189,464
<u>PROVISION FOR (REVERSAL OF) CREDIT LOSSES</u>	219,958	268,341	(1,040,453)	703,854
Net interest income after provision for credit losses	21,426,924	16,713,090	65,973,853	50,485,610
<u>NONINTEREST INCOME</u>				
Income from FCBT:				
Patronage income	2,176,257	1,279,920	6,432,818	8,442,910
Loan fees	145,205	126,869	499,895	374,362
Refunds from FCSIC	-	-	809,576	-
Financially related services income	919	392	3,048	2,087
Gain on other property owned, net	3,653	-	4,586	-
Gain on sale of premises and equipment, net	41,924	9,320	220,819	159,722
Other noninterest income	77,650	6,511	321,197	97,807
Total noninterest income	2,445,608	1,423,012	8,291,939	9,076,888
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	6,453,869	4,488,169	16,887,117	13,783,416
Directors' expense	246,996	126,111	663,729	434,987
Purchased services	363,279	383,128	1,400,176	1,864,762
Travel	348,269	243,718	900,257	559,068
Occupancy and equipment	1,017,288	721,468	2,807,780	2,120,318
Communications	84,739	69,390	251,339	206,068
Advertising	175,645	216,374	547,539	597,660
Public and member relations	379,742	434,061	1,326,745	1,153,059
Supervisory and exam expense	237,629	171,946	712,890	515,842
Insurance fund premiums	610,106	894,803	1,787,915	2,694,548
Other components of net periodic postretirement benefit cost	75,014	50,166	225,043	150,498
Other noninterest expense	463,076	3,467,809	1,314,292	4,098,560
Total noninterest expenses	10,455,652	11,267,143	28,824,822	28,178,786
Income before income taxes	13,416,880	6,868,959	45,440,970	31,383,712
Provision for income taxes	21,464	10,605	37,803	17,334
NET INCOME	13,395,416	6,858,354	45,403,167	31,366,378
Other comprehensive income:				
Change in postretirement benefit plans	(6,630)	(6,630)	(19,890)	(19,890)
COMPREHENSIVE INCOME	\$ 13,388,786	\$ 6,851,724	\$ 45,383,277	\$ 31,346,488

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

AGTRUST, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2022	\$ 5,816,750	\$ 91,343,553	\$ -	\$ 315,281,755	\$ 181,784	\$ 412,623,842
Comprehensive income	-	-	-	31,366,378	(19,890)	31,346,488
Capital stock/participation certificates issued	386,750	-	-	-	-	386,750
Capital stock/participation certificates retired	(391,145)	-	-	-	-	(391,145)
Dividends declared	-	-	-	(385,101)	-	(385,101)
Cumulative impact of adoption of new accounting standard	-	-	-	(132,373)	-	(132,373)
Balance at September 30, 2023	<u>\$ 5,812,355</u>	<u>\$ 91,343,553</u>	<u>\$ -</u>	<u>\$ 346,130,659</u>	<u>\$ 161,894</u>	<u>\$ 443,448,461</u>
Balance at December 31, 2023	\$ 6,213,280	\$ 124,213,961	\$ -	\$ 328,157,542	\$ 35,125	\$ 458,619,908
Comprehensive income	-	-	-	45,403,167	(19,890)	45,383,277
Capital stock/participation certificates issued	468,230	-	-	-	-	468,230
Capital stock/participation certificates retired	(425,550)	-	-	-	-	(425,550)
Dividends declared	-	-	-	(255,107)	-	(255,107)
Balance at September 30, 2024	<u>\$ 6,255,960</u>	<u>\$ 124,213,961</u>	<u>\$ -</u>	<u>\$ 373,305,602</u>	<u>\$ 15,235</u>	<u>\$ 503,790,758</u>

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

AGTRUST, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

AgTrust, ACA, including its wholly owned subsidiaries, AgTrust, PCA and AgTrust, FLCA (collectively called 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 and rural purposes in the counties of Bell, Borden, Bosque, Bowie, Burnet, Camp, Cass, Cochran, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Fisher, Freestone, Grayson, Hamilton, Hill, Hood, Johnson, Kent, Lamar, Lampasas, Limestone, McLennan, Milam, Mitchell, Morris, Navarro, Nolan, Palo Pinto, Parker, Red River, Scurry, Shackelford, Somervell, Stephens, Tarrant, Taylor, Throckmorton, Titus, Williamson, Wise and Young in the state of Texas, and all counties in the state of New Mexico with the exception of San Juan County and a portion of Rio Arriba County lying west of the Continental Divide. The Association is a lending institution of the Farm Credit System, which was established by Acts of Congress to meet the needs of American agriculture.

In addition, the Association and American Ag Credit, ACA have entered a “Territorial Concurrence Agreement” (the TCA) that allows, on a statewide basis, the Association to make mortgage loans and American Ag Credit, ACA to make production loans in New Mexico without obtaining territorial concurrence. The TCA has been in place since 2001 and is a result of the unique bifurcated charter in the New Mexico territory that authorized the Association to make production loans or mortgage loans, but not both, in certain counties.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all 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. Certain amounts in the prior period’s financial statements have been reclassified to the current period’s financial statement presentation.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations 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 consolidated financial statements. 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, results of operations or cash flows.

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

A summary of loans follows:

Loan Type	September 30, 2024	December 31, 2023
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 2,386,776,562	\$ 2,237,942,282
Production and intermediate-term	245,378,201	222,416,841
Agribusiness:		
Loans to cooperatives	17,708,835	17,044,890
Processing and marketing	196,500,573	192,769,838
Farm-related business	50,865,543	55,955,011
Communication	41,785,303	45,161,278
Energy	39,213,128	35,789,645
Water and wastewater	9,393,822	12,754,486
Rural residential real estate	12,907,306	10,544,054
International	15,778,300	12,931,775
Lease receivables	1,036,713	1,223,854
Total	<u>\$ 3,017,344,286</u>	<u>\$ 2,844,533,954</u>

The Association purchases or sells participation interests with other parties 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
Real estate mortgage	\$ 40,289,477	\$ 197,221,300	\$ 4,099,642	\$ -	\$ 44,389,119	\$ 197,221,300
Production and intermediate-term	67,823,246	16,914,620	-	350	67,823,246	16,914,970
Agribusiness	199,243,666	10,960,216	-	1,256,467	199,243,666	12,216,683
Communication	41,785,303	-	-	-	41,785,303	-
Energy	39,213,128	-	-	-	39,213,128	-
Water and wastewater	9,393,822	-	-	-	9,393,822	-
International	15,778,300	-	-	-	15,778,300	-
Lease receivables	1,036,713	-	-	-	1,036,713	-
Total	<u>\$ 414,563,655</u>	<u>\$ 225,096,136</u>	<u>\$ 4,099,642</u>	<u>\$ 1,256,817</u>	<u>\$ 418,663,297</u>	<u>\$ 226,352,953</u>

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Balances of restricted ACPs netted against borrower’s related loan balance were \$17,982,041 and \$13,250,777 at September 30, 2024, and December 31, 2023, respectively. Unrestricted ACPs are included in liabilities. Balances of unrestricted ACPs were \$1,201,626 and \$942,822 at September 30, 2024, and December 31, 2023, respectively. ACPs are not insured, and interest is generally paid by the Association on such balances.

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.

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 transitions from acceptable to other assets especially mentioned and grows significantly as a loan transitions to a substandard level. 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,

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	September 30, 2024	December 31, 2023
Real estate mortgage		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Production and intermediate-term		
Acceptable	96%	95%
OAEM	3%	1%
Substandard/doubtful	1%	4%
	<u>100%</u>	<u>100%</u>
Loan to cooperatives		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Processing and marketing		
Acceptable	93%	95%
OAEM	7%	5%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Farm-related business		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Communication		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Energy		
Acceptable	100%	99%
OAEM	0%	0%
Substandard/doubtful	0%	1%
	<u>100%</u>	<u>100%</u>
Water and wastewater		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Rural residential real estate		
Acceptable	100%	99%
OAEM	0%	0%
Substandard/doubtful	0%	1%
	<u>100%</u>	<u>100%</u>
International		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Lease Receivables		
Acceptable	100%	100%
OAEM	0%	0%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>
Total loans		
Acceptable	99%	99%
OAEM	1%	1%
Substandard/doubtful	0%	0%
	<u>100%</u>	<u>100%</u>

Accrued interest receivable on loans of \$29,527,286 and \$23,636,251 at September 30, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association did not write off any accrued interest receivable for the three or nine months ended September 30, 2024, and 2023.

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

	September 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	\$ 1,211,678	\$ 2,071,781
Production and intermediate-term	1,420,594	8,202,822
Energy	188,088	221,814
Rural residential real estate	40,693	73,670
Total nonaccrual loans	<u>\$ 2,861,053</u>	<u>\$ 10,570,087</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	\$ 110,010	\$ -
Agribusiness	3,306,601	-
Total accruing loans 90 days or more past due	<u>\$ 3,416,611</u>	<u>\$ -</u>
Other property owned	<u>\$ 1,579,844</u>	<u>\$ 2,775</u>
Total nonperforming assets	<u><u>\$ 7,857,508</u></u>	<u><u>\$ 10,572,862</u></u>
Nonaccrual loans as a percentage of total loans	0.1%	0.4%
Nonperforming assets as a percentage of total loans and other property owned	0.3%	0.4%
Nonperforming assets as a percentage of capital	1.6%	2.3%

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 during the period:

	September 30, 2024			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Nonaccrual loans:					
Real estate mortgage	\$ 228,460	\$ 983,218	\$ 1,211,678	\$ 9,023	\$ 570,807
Production and intermediate-term	-	1,420,594	1,420,594	-	-
Energy	188,088	-	188,088	-	-
Rural residential real estate	-	40,693	40,693	1,412	4,448
Total nonaccrual loans	<u>\$ 416,548</u>	<u>\$ 2,444,505</u>	<u>\$ 2,861,053</u>	<u>\$ 10,435</u>	<u>\$ 575,255</u>
	December 31, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 2,071,781	\$ 2,071,781	\$ 24,027	\$ 53,577
Production and intermediate-term	8,178,719	24,103	8,202,822	-	42,684
Energy	221,814	-	221,814	-	-
Rural residential real estate	-	73,670	73,670	1,440	4,320
Total nonaccrual loans	<u>\$ 8,400,533</u>	<u>\$ 2,169,554</u>	<u>\$ 10,570,087</u>	<u>\$ 25,467</u>	<u>\$ 100,581</u>

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

	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
September 30, 2024						
Real estate mortgage	\$ 6,336,951	\$ 718,917	\$ 7,055,868	\$ 2,379,720,694	\$ 2,386,776,562	\$ 110,010
Production and intermediate-term	216,159	1,199,419	1,415,578	243,962,623	245,378,201	-
Loans to cooperatives	-	-	-	17,708,835	17,708,835	-
Processing and marketing	9,245,295	3,306,601	12,551,896	183,948,676	196,500,573	3,306,601
Farm-related business	-	-	-	50,865,543	50,865,543	-
Communication	-	-	-	41,785,303	41,785,303	-
Energy	-	-	-	39,213,128	39,213,128	-
Water and wastewater	-	-	-	9,393,822	9,393,822	-
Rural residential real estate	-	-	-	12,907,306	12,907,306	-
International	-	-	-	15,778,300	15,778,300	-
Lease receivables	-	-	-	1,036,713	1,036,713	-
Total	<u>\$ 15,798,405</u>	<u>\$ 5,224,937</u>	<u>\$ 21,023,342</u>	<u>\$ 2,996,320,943</u>	<u>\$ 3,017,344,286</u>	<u>\$ 3,416,611</u>

	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
December 31, 2023						
Real estate mortgage	\$ 3,875,450	\$ 640,906	\$ 4,516,356	\$ 2,233,425,926	\$ 2,237,942,282	\$ -
Production and intermediate-term	7,117,760	1,512,002	8,629,762	213,787,080	222,416,842	-
Loans to cooperatives	-	-	-	17,044,890	17,044,890	-
Processing and marketing	-	-	-	192,769,838	192,769,838	-
Farm-related business	-	-	-	55,955,011	55,955,011	-
Communication	-	-	-	45,161,278	45,161,278	-
Energy	-	-	-	35,789,645	35,789,645	-
Water and wastewater	-	-	-	12,754,486	12,754,486	-
Rural residential real estate	169,322	-	169,322	10,374,731	10,544,053	-
International	-	-	-	12,931,775	12,931,775	-
Lease receivables	-	-	-	1,223,854	1,223,854	-
Total	<u>\$ 11,162,532</u>	<u>\$ 2,152,908</u>	<u>\$ 13,315,440</u>	<u>\$ 2,831,218,514</u>	<u>\$ 2,844,533,954</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 tables show the amortized cost basis and financial effect for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted:

For the Three Months Ended September 30, 2024:

	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 228,460	0%	Provided four month payment deferral.
Total	<u>\$ 228,460</u>		
	Production and intermediate-term		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 1,199,419	0%	Provided seven month payment deferral.
Total	<u>\$ 1,199,419</u>		

	Agribusiness		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Term Extension	\$ 514,301	0%	Provided two month extension.
Total	<u>\$ 514,301</u>		

For the Three Months Ended September 30, 2023:

	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Term or Payment Extension	\$ 967,349	0%	Provided four month payment deferral with delayed amounts primarily added to loan maturity.
Total	<u>\$ 967,349</u>		

Accrued interest receivable related to loan modifications to borrowers experiencing financial difficulty as of the three months ended September 30, 2024, was \$12,475. There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended September 30, 2023.

For the Nine Months Ended September 30, 2024:

	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 228,460	0%	Provided four month payment deferral.
Total	<u>\$ 228,460</u>		

	Production and intermediate-term		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 1,199,419	0%	Provided seven month payment deferral.
Total	<u>\$ 1,199,419</u>		

	Agribusiness		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Term Extension	\$ 514,301	0%	Provided two month extension.
Total	<u>\$ 514,301</u>		

For the Nine Months Ended September 30, 2023:

For the Nine Months Ended September 30, 2023	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Term or Payment Extension	\$ 983,562	0%	Provided payment deferrals with delayed amounts primarily added to loan maturity.
Total	<u>\$ 983,562</u>		

Accrued interest receivable related to loan modifications to borrowers experiencing financial difficulty as of the nine months ended September 30, 2024, was \$12,475. There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine months ended September 30, 2023.

There were no loans to borrowers experiencing financial difficulties that subsequently defaulted during the three and nine months ended September 30, 2024, and received a modification in the twelve months before default.

There were no loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of the guidance “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure,” through September 30, 2023, and that defaulted in the three and nine months ended September 30, 2023.

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

Payment Status of Loans Modified in the Past 12 Months				
	Current	30-89 Days Past Due	90 Days or More Past Due	
Real estate mortgage	\$ -	\$ -	\$ 228,460	
Production and intermediate-term	-	-	1,199,419	
Agribusiness	514,301	-	-	
Total	<u>\$ 514,301</u>	<u>\$ -</u>	<u>\$ 1,427,879</u>	

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				
	Current	30-89 Days Past Due	90 Days or More Past Due	
Real estate mortgage	\$ 983,562	\$ -	\$ -	
Total	<u>\$ 983,562</u>	<u>\$ -</u>	<u>\$ -</u>	

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2024, were \$481,699. There was no additional commitment to lend to borrowers experiencing financial difficulty whose loans have been modified during the year ended December 31, 2023.

Allowance for Credit Losses (ACL)

The credit risk rating methodology is a key component of the Association’s allowance for credit losses evaluation and is 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 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 Boards 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 wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
Allowance for credit losses on loans:										
Balance at June 30, 2024	\$ 4,334,468	\$ 237,836	\$ 852,458	\$ 58,086	\$ 96,283	\$ 10,098	\$ 30,480	\$ 10,598	\$ 280	\$ 5,630,587
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	600	-	-	-	-	-	-	600
Provision for (reversal of) credit losses on loans	200,583	27,828	11,438	16,523	707	(397)	(3,684)	(577)	(97)	252,324
Balance at September 30, 2024	\$ 4,535,051	\$ 265,664	\$ 864,496	\$ 74,609	\$ 96,990	\$ 9,701	\$ 26,796	\$ 10,021	\$ 183	\$ 5,883,511
Allowance for credit losses on unfunded commitments:										
Balance at June 30, 2024	\$ 24,724	\$ 36,594	\$ 184,334	\$ 2,358	\$ 1,754	\$ 2,731	\$ -	\$ 7,818	\$ -	\$ 260,313
(Reversal of) provision for credit losses on unfunded commitments	8,323	16,387	(55,706)	38	(666)	38	-	(781)	-	(32,366)
Balance at September 30, 2024	\$ 33,047	\$ 52,981	\$ 128,628	\$ 2,396	\$ 1,088	\$ 2,769	\$ -	\$ 7,037	\$ -	\$ 227,946
Total allowance for credit losses:	\$ 4,568,098	\$ 318,645	\$ 993,124	\$ 77,005	\$ 98,078	\$ 12,470	\$ 26,796	\$ 17,058	\$ 183	\$ 6,111,457

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
Allowance for credit losses on loans:										
Balance at December 31, 2023	\$ 4,757,449	\$ 2,225,962	\$ 942,233	\$ 60,465	\$ 120,123	\$ 12,188	\$ 32,316	\$ 12,092	\$ 355	\$ 8,163,183
Charge-offs	-	(1,327,244)	-	-	-	-	-	-	-	(1,327,244)
Recoveries	-	3,300	1,046	-	-	-	-	-	-	4,346
(Reversal of) provision for credit losses on loans	(222,398)	(636,354)	(78,783)	14,144	(23,133)	(2,487)	(5,520)	(2,071)	(172)	(956,774)
Balance at September 30, 2024	\$ 4,535,051	\$ 265,664	\$ 864,496	\$ 74,609	\$ 96,990	\$ 9,701	\$ 26,796	\$ 10,021	\$ 183	\$ 5,883,511
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2023	\$ 23,994	\$ 31,048	\$ 241,357	\$ 2,953	\$ 475	\$ 2,767	\$ -	\$ 9,031	\$ -	\$ 311,625
(Reversal of) provision for credit losses on unfunded commitments	9,053	21,933	(112,729)	(557)	613	2	-	(1,994)	-	(83,679)
Balance at September 30, 2024	\$ 33,047	\$ 52,981	\$ 128,628	\$ 2,396	\$ 1,088	\$ 2,769	\$ -	\$ 7,037	\$ -	\$ 227,946
Total allowance for credit losses:	\$ 4,568,098	\$ 318,645	\$ 993,124	\$ 77,005	\$ 98,078	\$ 12,470	\$ 26,796	\$ 17,058	\$ 183	\$ 6,111,457

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
Allowance for credit losses on loans:										
Balance at June 30, 2023	\$ 4,277,621	\$ 1,316,539	\$ 477,246	\$ 53,018	\$ 114,135	\$ 2,813	\$ 18,912	\$ 6,697	\$ -	\$ 6,266,981
Recoveries	-	1,137	-	-	-	-	-	-	-	1,137
Provision for (reversal of) credit losses on loans	298,337	(11,304)	(10,941)	2,358	4,048	(170)	(32)	(109)	-	282,187
Balance at September 30, 2023	\$ 4,575,958	\$ 1,306,372	\$ 466,305	\$ 55,376	\$ 118,183	\$ 2,643	\$ 18,880	\$ 6,588	\$ -	\$ 6,550,305
Allowance for credit losses on unfunded commitments:										
Balance at June 30, 2023	\$ 132	\$ 18,324	\$ 129,612	\$ 2,455	\$ 998	\$ 6,896	\$ -	\$ 7,920	\$ -	\$ 166,337
(Reversal of) provision for credit losses on unfunded commitments	(78)	(106)	(13,598)	(38)	(85)	(240)	-	299	-	(13,846)
Balance at September 30, 2023	\$ 54	\$ 18,218	\$ 116,014	\$ 2,417	\$ 913	\$ 6,656	\$ -	\$ 8,219	\$ -	\$ 152,491
Total allowance for credit losses:	\$ 4,576,012	\$ 1,324,590	\$ 582,319	\$ 57,793	\$ 119,096	\$ 9,299	\$ 18,880	\$ 14,807	\$ -	\$ 6,702,796

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
Allowance for credit losses on loans:										
Balance at December 31, 2022	\$ 4,342,114	\$ 385,628	\$ 769,541	\$ 83,506	\$ 130,241	\$ 1,752	\$ 17,835	\$ 16,377	\$ -	\$ 5,746,994
Cumulative effect of a change in accounting principle	224,230	(244,862)	67,965	(45,873)	(21,401)	(1,429)	1,217	(9,925)	-	(30,078)
Balance at January 1, 2023	4,566,344	140,766	837,506	37,633	108,840	323	19,052	6,452	-	5,716,916
Recoveries	-	3,811	1,170	-	-	-	-	-	-	4,981
Provision for (reversal of) credit losses on loans	9,614	1,161,795	(372,371)	17,743	9,343	2,320	(172)	136	-	828,408
Balance at September 30, 2023	\$ 4,575,958	\$ 1,306,372	\$ 466,305	\$ 55,376	\$ 118,183	\$ 2,643	\$ 18,880	\$ 6,588	\$ -	\$ 6,550,305
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2022	\$ 45	\$ 26,375	\$ 83,273	\$ 935	\$ 707	\$ -	\$ -	\$ 3,259	\$ -	\$ 114,594
Cumulative effect of a change in accounting principle	2	(7,263)	163,127	1,090	692	-	-	4,803	-	162,451
Balance at January 1, 2023	47	19,112	246,400	2,025	1,399	-	-	8,062	-	277,045
(Reversal of) provision for credit losses on unfunded commitments	7	(894)	(130,386)	392	(486)	6,656	-	157	-	(124,554)
Balance at September 30, 2023	\$ 54	\$ 18,218	\$ 116,014	\$ 2,417	\$ 913	\$ 6,656	\$ -	\$ 8,219	\$ -	\$ 152,491
Total allowance for credit losses:	\$ 4,576,012	\$ 1,324,590	\$ 582,319	\$ 57,793	\$ 119,096	\$ 9,299	\$ 18,880	\$ 14,807	\$ -	\$ 6,702,796

Discussion of Changes in Allowance for Credit Losses

The ACL decreased \$2,363,351 to \$6,111,457 at September 30, 2024, as compared to \$8,474,808 at December 31, 2023. This is largely due to a capital markets relationship being transferred to other property owned during the quarter ended June 30, 2024. As part of this transfer the specific allowance on the relationship was reversed.

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	\$ 375,272	\$ 152,604	\$ 843,847	\$ 458,108
Net lease cost	\$ 375,272	\$ 152,604	\$ 843,847	\$ 458,108

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	\$ 127,789	\$ 154,775	\$ 529,588	\$ 462,646
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	9,098,224	-	9,098,224	-

Lease term and discount rate are as follows:

	September 30, 2024	December 31, 2023
Weighted average remaining lease term in years		
Operating leases	9.6	2.5
Weighted average discount rate		
Operating leases	3.9%	2.8%

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

	Operating Leases
2024	\$ 195,698
2025	1,075,168
2026	1,303,888
2027	1,221,156
2028	1,238,174
Thereafter	7,813,280
Total lease payments	\$ 12,847,364

NOTE 4 — CAPITAL:

The Association's Board has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected patronage, 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 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 losses to absorb potential losses within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution'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.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2024
Common equity tier 1 ratio	7.00%	14.44%
Tier 1 capital ratio	8.50%	14.44%
Total capital ratio	10.50%	14.63%
Permanent capital ratio	7.00%	14.47%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	14.65%
UREE leverage ratio	1.50%	14.44%

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for credit losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvment, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance, and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the capital conservation and leverage buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

The components of the Association's risk-adjusted capital, based on 90-day average balances, were as follows at September 30, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 297,206,788	\$ 297,206,788	\$ 297,206,788	\$ 297,206,788
Paid-in capital	124,213,961	124,213,961	124,213,961	124,213,961
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,232,253	6,232,253	6,232,253	6,232,253
Nonqualified allocated equities not subject to revolvement	65,733,966	65,733,966	65,733,966	65,733,966
Allowance for credit losses subject to certain limitations	-	-	5,893,347	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(51,034,718)	(51,034,718)	(51,034,718)	(51,034,718)
	<u>\$ 442,352,250</u>	<u>\$ 442,352,250</u>	<u>\$ 448,245,597</u>	<u>\$ 442,352,250</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$3,114,089,117	\$3,114,089,117	\$3,114,089,117	\$3,114,089,117
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(51,034,718)	(51,034,718)	(51,034,718)	(51,034,718)
Allowance for credit losses on loans	-	-	-	(5,633,393)
	<u>\$ 3,063,054,399</u>	<u>\$ 3,063,054,399</u>	<u>\$ 3,063,054,399</u>	<u>\$ 3,057,421,006</u>

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows on September 30, 2024:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 297,206,788	\$ 297,206,788
Paid-in capital	124,213,961	124,213,961
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,232,253	-
Nonqualified allocated equities not subject to revolvement	65,733,966	65,733,966
Amount of allocated investments in other System institutions	(51,034,718)	(51,034,718)
	<u>\$ 442,352,250</u>	<u>\$ 436,119,997</u>
Denominator:		
Total Assets	3,074,879,911	3,074,879,911
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(55,438,096)	(55,438,096)
	<u>\$ 3,019,441,815</u>	<u>\$ 3,019,441,815</u>

	September 30, 2024	December 31, 2023
Capital stock and participation certificates	\$ 6,255,960	\$ 6,213,280
Additional paid-in-capital	124,213,961	124,213,961
Retained earnings	373,305,602	328,157,542
Accumulated other comprehensive income	15,235	35,125
Total capital	<u>\$ 503,790,758</u>	<u>\$ 458,619,908</u>

The Association's accumulated other comprehensive income relates entirely to its nonpension other postretirement benefits. The following table summarizes the change in accumulated other comprehensive income for the three months ended September 30, 2024:

	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive income at January 1	\$ 35,125	\$ 181,784
Amortization of prior service credits included		
in salaries and employee benefits	<u>(19,890)</u>	<u>(19,890)</u>
Other comprehensive loss	<u>(19,890)</u>	<u>(19,890)</u>
Accumulated other comprehensive income at September 30	<u>\$ 15,235</u>	<u>\$ 161,894</u>

NOTE 5 — INCOME TAXES:

AgTrust, ACA conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. AgTrust, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, AgTrust, ACA can exclude from taxable income amounts distributed as qualified patronage in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

As of September 30, 2024, the deferred income tax valuation allowance was \$10,418,855.

NOTE 6 — 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 14 to the 2023 Annual Report to Stockholders for a more complete description.

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

<u>September 30, 2024</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Assets:				
Assets held in non-qualified benefits trusts	\$ 946,602	\$ -	\$ -	\$ 946,602
Total assets	<u>\$ 946,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 946,602</u>
December 31, 2023	<u>Fair Value Measurement Using</u>			<u>Total Fair</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Assets:				
Assets held in non-qualified benefits trusts	\$ 677,620	\$ -	\$ -	\$ 677,620
Total assets	<u>\$ 677,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,620</u>

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

<u>September 30, 2024</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$ 335,417	\$ 335,417
Other property owned	-	-	1,579,844	1,579,844
December 31, 2023				
	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$6,169,167	\$ 6,169,167
Other property owned	-	-	2,775	2,775

Valuation Techniques

As more fully discussed in Note 2 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 Notes to the 2023 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under 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. The fair value of these loans will fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended September 30, 2024:

	<u>Other Benefits</u>	
	<u>2024</u>	<u>2023</u>
Service cost	\$ 21,298	\$ 15,317
Interest cost	81,644	56,796
Amortization of prior service (credits) costs	(6,630)	(6,630)
Net periodic benefit cost	<u>\$ 96,312</u>	<u>\$ 65,483</u>

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30, 2024:

	Other Benefits	
	2024	2023
Service cost	\$ 63,896	\$ 45,953
Interest cost	244,933	170,388
Amortization of prior service (credits) costs	(19,890)	(19,890)
Net periodic benefit cost	<u>\$ 288,939</u>	<u>\$ 196,451</u>

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2024, was \$6,187,003 and is included in other liabilities on the Consolidated 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 Consolidated Statements of Comprehensive Income.

The structure of the district's defined benefit retirement plan (DB plan), which is noncontributory, and benefits are based on salary and years of service, 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 DB plan as an expense. The Association has contributed \$180,282 to fund the DB plan for 2024. As of September 30, 2024, the Association has expensed and recognized \$135,212.

NOTE 8 — 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 9 — SUBSEQUENT EVENTS:

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

There were no other subsequent events requiring disclosure as of November 8, 2024.