Colonial Farm Credit, ACA

THIRD QUARTER 2024

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2024 quarterly report of Colonial Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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/ Paul B. Franklin, Sr.
Chief Executive Officer

/s/ Diane S. Fowlkes
Chief Financial Officer

/s/ Jennifer U. Cuthbertson
Chair of the Board

November 8, 2024

Colonial Farm Credit, ACA

Management's Discussion and Analysis Of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Colonial Farm Credit, ACA (Association) for the period ended September 30, 2024, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2023 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including livestock operations such as beef cattle, horses, poultry, swine, and dairy farms and various field crops such as soybeans, peanuts, tobacco, cotton, and corn. Other predominant commodities in the portfolio are timber and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, has somewhat reduced the level of dependency on any single commodity.

The total loan volume of the Association as of September 30, 2024, was $829,085, an increase of $23,516 as compared to $805,569 at December 31, 2023. The increase in total loan volume during the reporting period was due to primarily to an increase in Agribusiness loans.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans decreased from $1,736 at December 31, 2023, to $1,399 at September 30, 2024. As a percent of total loans, nonaccrual loans were 0.17 percent and 0.22 percent at September 30, 2024 and December 31, 2023, respectively.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLL). The ACLL at September 30, 2024, was $1,624 or 0.19 percent of total loans compared to $1,254 or 0.16 percent of total loans at December 31, 2023, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

The Association's primary source of funding is provided by AgFirst Farm Credit Bank (the Bank) in the form of notes payable. See *Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct

Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassifies the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of $497 and $1,450 for the three and nine months ended September 30, 2023, respectively, as shown in the tables below.

	For the three months ended			For the nine months ended		
	September 30, 2024	September 30, 2023	September 30, 2023*	September 30, 2024	September 30, 2023	September 30, 2023*
Interest Income	$ 13,271	$ 11,956	$ 11,956	$ 38,513	$ 34,197	$ 34,197
Interest Expense	6,363	5,801	5,304	17,798	16,075	14,625
Net Interest Income	6,908	6,155	6,652	20,715	18,122	19,572
Provision for Credit Losses	35	(36)	(36)	423	(168)	(168)
Noninterest Income	1,467	1,316	1,316	4,527	3,834	3,834
Noninterest Expense	4,198	3,478	3,975	11,555	10,145	11,595
Provision for Income Taxes	(10)	19	19	(9)	20	20
Net income	$ 4,152	$ 4,010	$ 4,010	$ 13,273	$ 11,959	$ 11,959
Net Interest Margin	3.50%	3.15%	3.41%	3.50%	3.16%	3.41%
Operating Efficiency Ratio	50.11%	46.55%	49.89%	45.78%	46.20%	49.54%

**reflects the pro-forma results if the amended notes payable rate had been in effect during 2023*

For the three months ended September 30, 2024

Net income for the three months ended September 30, 2024, was $4,152, an increase of $142 as compared to net income of $4,010 for the same period ended in 2023. This increase was primarily attributable to an increase in net interest income that was partially offset by increases in the provision for credit losses and noninterest expenses.

For the three months ended September 30, 2024, net interest income was $6,908 and the net interest margin was 3.50 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $6,652, an increase of $256, and the net interest margin was 3.41 percent, an increase of 9 basis points for the three months ended September 30, 2024.

The provision for credit losses for the three months ended September 30, 2024, was $35, an increase of $71 from the reversal of credit losses of $36 for the same period ended during the prior year. The increase in 2024 was attributable to an increase in loan volume and changes in macroeconomic variables.

Noninterest income increased $151 to $1,467 during the three months ended September 30, 2024 compared with the three months ended September 30, 2023 primarily due increases in patronage from other Farm Credit Institutions and unrealized gains on non-qualified pension assets.

For the three months ended September 30, 2024 noninterest expense was $4,198. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $3,975, an increase of $223 for the three months ended September 30, 2024. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of $314 for the three months ended September 30, 2024.

For the nine months ended September 30, 2024

Net income for the nine months ended September 30, 2024, was $13,273, an increase of $1,314 as compared to net income of $11,959 for the same period ended in 2023. This increase was primarily attributed to an increase in net interest income.

For the nine months ended September 30, 2024, net interest income was $20,715 and the net interest margin was 3.50 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $19,572, an increase of $1,143, and the net interest margin was 3.41 percent, an increase of 9 basis points for the nine months ended September 30, 2024.

The provision for credit losses for the nine months ended September 30, 2024, was $423, an increase of $591 from the reversal of credit losses of $168 for the same period ended during the prior year. Increased volume and a change in the outlook for macroeconomic variables used in the calculation are attributed to the increase in the provision for credit losses between periods.

Noninterest income increased $693 to $4,527 during the first nine months of 2024 compared with the first nine months of 2023 primarily due to an insurance fund refund received in 2024 in addition to increased patronage refunds from other Farm Credit institutions and higher gains on the sales of assets.

For the nine months ended September 30, 2024 noninterest expense was $11,555. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $11,595, a decrease of $40 for the nine months ended September 30, 2024. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of $314 for the nine months ended September 30, 2024.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2024, was $632,941 as compared to $609,306 at December 31, 2023.

CAPITAL RESOURCES

Total members' equity at September 30, 2024, was $215,194, an increase of $13,186 from a total of $202,008 at December 31, 2023. The increase was primarily attributable to current year's net income. Total capital stock and participation certificates were $5,488 on September 30, 2024, compared to $5,611 on December 31, 2023. The decrease of $123 was attributable to stock and participation certificates retirements.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	**9/30/24**	**12/31/23**	**9/30/23**
Permanent Capital Ratio	7.00%	23.18%	23.60%	23.84%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	23.14%	23.57%	23.81%
Tier 1 Capital ratio	8.50%	23.14%	23.57%	23.81%
Total Regulatory Capital Ratio	10.50%	23.35%	23.71%	23.96%
Tier 1 Leverage Ratio**	5.00%	24.58%	24.95%	25.28%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	23.91%	24.25%	24.58%

**Include full capital conservation buffers.*
***The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.*

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

REGULATORY MATTERS

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between FCA's risk-weightings and the federal banking regulators. The final rule excludes certain acquisition, development, and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated less than $500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the Farm Credit Administration approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish board reporting requirements. The final rule will become effective on January 1, 2025.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-804-746-1252, or writing Diane Fowlkes, Chief Financial Officer, Colonial Farm Credit, ACA, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111, or accessing the website, *www.colonialfarmcredit.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Colonial Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2024	December 31, 2023
	(unaudited)	*(audited)*
Assets		
Cash	**$ 45**	$ 45
Loans	**829,085**	805,569
Allowance for credit losses on loans	**(1,624)**	(1,254)
Net loans	**827,461**	804,315
Loans held for sale	**484**	4
Accrued interest receivable	**8,694**	7,427
Equity investments in other Farm Credit institutions	**11,821**	12,186
Premises and equipment, net	**1,839**	1,881
Accounts receivable	**3,658**	4,910
Other assets	**1,116**	967
Total assets	**$ 855,118**	$ 831,735
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 632,941**	$ 609,306
Accrued interest payable	**2,157**	2,199
Patronage refunds payable	**327**	13,380
Accounts payable	**771**	1,541
Other liabilities	**3,728**	3,301
Total liabilities	**639,924**	629,727
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**5,488**	5,611
Unallocated retained earnings	**209,661**	196,395
Accumulated other comprehensive income	**45**	2
Total members' equity	**215,194**	202,008
Total liabilities and members' equity	**$ 855,118**	$ 831,735

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

Colonial Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Interest Income				
Loans	**$ 13,271**	$ 11,956	**$ 38,513**	$ 34,197
Interest Expense	**6,363**	5,801	**17,798**	16,075
Net interest income	**6,908**	6,155	**20,715**	18,122
Provision for (reversal of) allowance for credit losses	**35**	(36)	**423**	(168)
Net interest income after provision for (reversal of) allowance for credit losses	**6,873**	6,191	**20,292**	18,290
Noninterest Income				
Loan fees	**123**	88	**381**	254
Fees for financially related services	**15**	7	**41**	51
Patronage refunds from other Farm Credit institutions	**1,168**	1,099	**3,412**	3,202
Gains (losses) on sales of rural home loans, net	**36**	30	**86**	118
Gains (losses) on sales of premises and equipment, net	**—**	(18)	**105**	(19)
Gains (losses) on other transactions	**42**	24	**107**	17
Insurance Fund refunds	**—**	—	**203**	—
Other noninterest income	**83**	86	**192**	211
Total noninterest income	**1,467**	1,316	**4,527**	3,834
Noninterest Expense				
Salaries and employee benefits	**2,269**	2,357	**6,805**	6,957
Occupancy and equipment	**165**	134	**433**	402
Insurance Fund premiums	**152**	261	**444**	768
Purchased services	**978**	144	**2,245**	436
Data processing	**44**	41	**124**	122
Other operating expenses	**590**	541	**1,504**	1,460
Total noninterest expense	**4,198**	3,478	**11,555**	10,145
Income before income taxes	**4,142**	4,029	**13,264**	11,979
Provision (benefit) for income taxes	**(10)**	19	**(9)**	20
Net income	**$ 4,152**	$ 4,010	**$ 13,273**	$ 11,959
Other comprehensive income net of tax				
Employee benefit plans adjustments	**15**	6	**43**	19
Comprehensive income	**$ 4,167**	$ 4,016	**$ 13,316**	$ 11,978

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

Colonial Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2022	$ 5,631	$ 194,812	$ 20	$ 200,463
Cumulative effect of change in accounting principle		(476)		(476)
Comprehensive income		11,959	19	11,978
Capital stock/participation certificates issued/(retired), net	(99)			(99)
Patronage distribution adjustment		(1,000)		(1,000)
Balance at September 30, 2023	$ 5,532	$ 205,295	$ 39	$ 210,866
Balance at December 31, 2023	**$ 5,611**	**$ 196,395**	**$ 2**	**$ 202,008**
Comprehensive income		**13,273**	**43**	**13,316**
Capital stock/participation certificates issued/(retired), net	**(123)**			**(123)**
Patronage distribution adjustment		**(7)**		**(7)**
Balance at September 30, 2024	**$ 5,488**	**$ 209,661**	**$ 45**	**$ 215,194**

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

Colonial Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization
The accompanying financial statements include the accounts of Colonial Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or 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

A summary of loans outstanding at period end follows:

	September 30, 2024	December 31, 2023
Real estate mortgage	$ 531,763	$ 530,025
Production and intermediate-term	176,878	173,452
Agribusiness:		
Loans to cooperatives	3,267	1,814
Processing and marketing	47,596	29,169
Farm-related business	14,488	14,323
Rural infrastructure:		
Communication	7,012	4,335
Power and water/waste disposal	6,655	10,986
Rural residential real estate	37,595	38,080
Other:		
International	3,756	3,299
Lease receivables	75	86
Total loans	$ 829,085	$ 805,569

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly. The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations.

The following table shows loans, classified under the FCA 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	98.38%	99.13%
OAEM	1.22	0.45
Substandard/doubtful/loss	0.40	0.42
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	97.77%	99.02%
OAEM	1.78	0.49
Substandard/doubtful/loss	0.45	0.49
	100.00%	100.00%
Agribusiness:		
Acceptable	95.81%	96.14%
OAEM	4.19	3.86
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.51%	99.38%
OAEM	0.47	0.40
Substandard/doubtful/loss	0.02	0.22
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	98.14%	98.97%
OAEM	1.51	0.64
Substandard/doubtful/loss	0.35	0.39
	100.00%	100.00%

Accrued interest receivable on loans of $8,694 and $7,427 at September 30, 2024 and December 31, 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following tables provide an aging analysis of past due loans as of:

	September 30, 2024					
	30 Through 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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 4,188	$ 268	$ 4,456	$ 527,307	$ 531,763	$ –
Production and intermediate-term	2,732	126	2,858	174,020	176,878	–
Agribusiness	297	–	297	65,054	65,351	–
Rural infrastructure	–	–	–	13,667	13,667	–
Rural residential real estate	38	–	38	37,557	37,595	–
Other	–	–	–	3,831	3,831	–
Total	$ 7,255	$ 394	$ 7,649	$ 821,436	$ 829,085	$ –

	December 31, 2023					
	30 Through 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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 4,964	$ 528	$ 5,492	$ 524,533	$ 530,025	$ –
Production and intermediate-term	2,576	21	2,597	170,855	173,452	–
Agribusiness	–	–	–	45,306	45,306	–
Rural infrastructure	–	–	–	15,321	15,321	–
Rural residential real estate	911	39	950	37,130	38,080	–
Other	–	–	–	3,385	3,385	–
Total	$ 8,451	$ 588	$ 9,039	$ 796,530	$ 805,569	$ –

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans as of:

	September 30, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 963	$ 963
Production and intermediate-term	–	427	427
Rural residential real estate	–	9	9
Total	$ –	$ 1,399	$ 1,399

	December 31, 2023		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 1,433	$ 1,433
Production and intermediate-term	–	264	264
Rural residential real estate	–	39	39
Total	$ –	$ 1,736	$ 1,736

The Association recognized $9 and $17 of interest income on nonaccrual loans during the three months ended September 30, 2024 and September 30, 2023, respectively. The Association recognized $254 and $23 of interest income on nonaccrual loans during the nine months ended September 30, 2024 and September 30, 2023, respectively.

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

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

		September 30, 2024
Allowance for Credit Losses on Loans:		
Balance at June 30, 2024	$	1,594
Charge-offs		–
Recoveries		3
Provision for credit losses on loans		27
Balance at September 30, 2024	$	1,624
Allowance for Credit Losses on Unfunded Commitments:		
Balance at June 30, 2024	$	177
Provision for unfunded commitments		8
Balance at September 30, 2024	$	185
Total allowance for credit losses	$	1,809
Allowance for Credit Losses on Loans:		
Balance at December 31, 2023	$	1,254
Charge-offs		(25)
Recoveries		10
Provision for credit losses on loans		385
Balance at September 30, 2024	$	1,624
Allowance for Credit Losses on Unfunded Commitments:		
Balance at December 31, 2023	$	147
Provision for unfunded commitments		38
Balance at September 30, 2024	$	185
Total allowance for credit losses	$	1,809

		September 30, 2023
Allowance for Credit Losses on Loans:		
Balance at June 30, 2023	$	1,152
Charge-offs		–
Recoveries		21
Provision for credit losses on loans		(36)
Balance at September 30, 2023	$	1,137
Allowance for Credit Losses on Unfunded Commitments:		
Balance at June 30, 2023	$	50
Provision for unfunded commitments		–
Balance at September 30, 2023	$	50
Total allowance for credit losses	$	1,187
Allowance for Credit Losses on Loans:		
Balance at December 31, 2022	$	698
Cumulative effect of a change in accounting principle		465
Balance at January 1, 2023	$	1,163
Charge-offs		(14)
Recoveries		129
Provision for credit losses on loans		(141)
Balance at September 30, 2023	$	1,137
Allowance for Credit Losses on Unfunded Commitments:		
Balance at December 31, 2022	$	66
Cumulative effect of a change in accounting principle		11
Balance at January 1, 2023	$	77
Provision for unfunded commitments		(27)
Balance at September 30, 2023	$	50
Total allowance for credit losses	$	1,187

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three and nine months ended September 30, 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at September 30, 2024.

Loans held for sale were $484 and $4 at September 30, 2024 and December 31, 2023, respectively. Such loans are carried at the lower of cost or fair value.

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 2.16 percent of the issued stock and allocated retained earnings of the Bank as of September 30, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled $46.6 billion and shareholders' equity totaled $2.0 billion. The Bank's earnings were $189 million for the first nine months of 2024. In addition, the Association held $453 in investments related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Employee Benefit Plans:				
Balance at beginning of period	$ 30	$ 33	$ 2	$ 20
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	15	6	43	19
Net current period other comprehensive income	15	6	43	19
Balance at end of period	$ 45	$ 39	$ 45	$ 39

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	**2023**	**2024**	**2023**	**Income Statement Line Item**
Defined Benefit Pension Plans:					
Periodic pension costs	$ (15)	$ (6)	$ (43)	$ (19)	Salaries and employee benefits
Net amounts reclassified	$ (15)	$ (6)	$ (43)	$ (19)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer-quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	September 30, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 881	$ –	$ –	$ 881
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 64	$ 64
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 774	$ –	$ –	$ 774
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ –	$ –
Other property owned	$ –	$ –	$ –	$ –

Valuation Techniques

Assets held in trust funds
Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Nonaccrual loans
Fair values of nonaccrual loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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, and are therefore classified as Level 3.

Other property owned
For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 6 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 7 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through November 8, 2024, which was the date the financial statements were issued.