Legacy Ag Credit, ACA

2024
Third Quarter Financial Report

For the Nine Months 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.

Derrell W. Chapman, CPA, Chief Executive Officer
November 6, 2024

Terry Milligan, Chairman, Board of Directors
November 6, 2024

Heather Johnson, CPA, Chief Financial Officer
November 6, 2024

Third quarter 2024 Financial Report

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LEGACY AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Legacy Ag Credit, ACA (association or Legacy), for the quarter ended September 30, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 Annual Report to Stockholders.

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

The 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.

Loan Portfolio

Total loans outstanding at September 30, 2024, including nonaccrual loans and sales contracts, were $377,346,616 compared to $375,772,990 at December 31, 2023, reflecting an increase of 0.42%. Nonaccrual loans as a percentage of total loans outstanding were 0.16% at September 30, 2024, compared to 0.12% at December 31, 2023.

The association recorded $900 in recoveries and $0 in charge-offs for the quarter ended September 30, 2024, and $927 in recoveries and $0 in charge-offs for the same period in 2023. The association's allowance for loan losses was 0.29% and 0.29% of total loans outstanding as of September 30, 2024, and December 31, 2023, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets:

	September 30, 2024		December 31, 2023	
	Amount	**%**	**Amount**	**%**
Nonaccrual	**$ 596,347**	**64.4%**	**$ 440,261**	**100.0%**
90 days past due and still accruing interest	**329,341**	**35.6%**	**-**	**0.0%**
Total	**$ 925,688**	**100.0%**	**$ 440,261**	**100.0%**

Results of Operations

The association had net income of $1,354,121 and $3,851,413 for the three and nine months ended September 30, 2024, as compared to net income of $1,142,457 and $4,503,232 for the same periods in 2023, reflecting an increase of 18.53% and decrease of 14.47%, respectively. The quarterly comparison increase is due primarily to lower than budgeted operating expenses, and the year to date decrease is primarily due to a higher accrual of FCBT patronage in 2023 and lower interest rate spreads in 2024 compared to the same period in 2023. Net interest income was $2,750,072 and $8,237,270 for the three and nine months ended September 30, 2024, compared to $2,695,262 and $8,132,137 for the same period in 2023, reflecting an increase of 2.03% and 1.29% respectively.

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Average Balance	**Interest**	**Average Balance**	**Interest**
Loans	**$ 372,443,384**	**$ 16,962,111**	$ 364,708,287	$ 15,407,351
Interest-bearing liabilities	**315,011,741**	**8,724,841**	308,125,342	7,275,214
Impact of capital	**$ 57,431,643**		$ 56,582,945	
Net interest income		**$ 8,237,270**		$ 8,132,137

	2024	2023
	Average Yield	**Average Yield**
Yield on loans	**6.08%**	5.65%
Cost of interest-bearing liabilities	**3.70%**	3.16%
Interest rate spread	**2.38%**	2.49%
Net interest income as a percentage of average earning assets	**2.95%**	2.98%

	Nine Months Ended September 30, 2024 vs. September 30, 2023		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 327,073	$ 1,227,687	$ 1,554,760
Interest expense	162,745	1,286,882	1,449,627
Net interest income	**$ 164,328**	**$ (59,195)**	**$ 105,133**

Interest income for the three and nine months ended September 30, 2024, increased by $528,053 and $1,554,760, or 10.07% and 10.09% respectively, from the same period of 2023, primarily due to an increase in average yields on loans and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2024, increased by $473,243 and $1,449,627, or 18.59% and 19.93%, from the same period of 2023 due to an increase in the cost of funding as well as an increase in average debt volume. Average loan volume for the third quarter of 2024 was $374,975,320 compared to $363,038,501 in the third quarter of 2023. The average net interest rate spread on the loan portfolio for the third quarter of 2024 was 2.34% compared to 2.43% in the third quarter of 2023.

The association's return on average assets for the nine months ended September 30, 2024, was 1.33% compared to 1.59% for the same period in 2023. The association's return on average equity for the nine months ended September 30, 2024, was 7.58%, compared to 9.01% for the same period in 2023.

Liquidity and Funding Sources

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

	September 30, 2024	December 31, 2023
Note payable to the Bank	$ 319,631,129	$ 317,332,782
Accrued interest on note payable	1,014,293	942,054
Total	**$ 320,645,422**	$ 318,274,836

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2024. The primary source of liquidity and funding for the association is a direct loan from the Bank. The outstanding balance of $319,631,129 as of September 30, 2024, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.70 percent at September 30, 2024. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related increase in interest bearing liabilities since December 31, 2023, is due to the association's decrease in loan volume and increased cost of interest-bearing liabilities. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $56,705,460 at September 30, 2024. The maximum amount the association may borrow from the Bank as of September 30, 2024, was $379,759,066 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2024, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days prior written notice, or in all other circumstances, upon giving the Bank 120 days prior written notice. A new GFA was executed on October 1, 2024, and is effective through September 30, 2025.

Capital Resources

The association's capital position increased by $844,524 at September 30, 2024, compared to December 31, 2023 due to earnings offset by the establishment of a $3 million patronage payable during the first quarter of 2024. The association's debt as a percentage of members' equity was 4.56:1 as of September 30, 2024, compared to 4.58:1 as of December 31, 2023.

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

Significant Recent Accounting Pronouncements

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

Relationship With the Farm Credit Bank of Texas

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

The annual and quarterly stockholder reports of the Bank can be found at the Bank's website at *www.farmcreditbank.com.*

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at *www.legacyaca.com*. Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

Legacy Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash	**$ 141,875**	$ 138,043
Loans	**377,346,616**	375,772,990
Less: allowance for credit losses on loans	**1,095,275**	1,095,402
Net loans	**376,251,341**	374,677,588
Accrued interest receivable	**2,968,835**	2,436,348
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**6,173,070**	6,173,070
Allocated Equity	**253,681**	253,681
Other	**1,236,247**	178,118
Premises and equipment, net	**5,399,173**	5,605,940
Other assets	**287,887**	220,526
Total assets	**$ 392,712,109**	$ 389,683,314
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**319,631,129**	317,332,782
Advance conditional payments	**71,355**	1,000
Accrued interest payable	**1,014,293**	942,054
Drafts outstanding	**40,054**	43,222
Other liabilities	**1,268,448**	1,521,950
Total liabilities	**322,025,279**	319,841,008
MEMBERS' EQUITY		
Capital stock and participation certificates	**1,173,145**	1,176,510
Nonqualified allocated retained earnings	**23,929,068**	22,858,251
Unallocated retained earnings	**45,518,716**	45,738,155
Accumulated other comprehensive income (loss)	**65,901**	69,390
Total members' equity	**70,686,830**	69,842,306
Total liabilities and members' equity	**$ 392,712,109**	$ 389,683,314

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
INTEREST INCOME				
Loans	**$ 5,769,567**	$ 5,241,514	**$ 16,962,111**	$ 15,407,351
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**3,019,292**	2,546,237	**8,721,624**	7,275,018
Advance conditional payments	**203**	15	**3,217**	196
Total interest expense	**3,019,495**	2,546,252	**8,724,841**	7,275,214
Net interest income	**2,750,072**	2,695,262	**8,237,270**	8,132,137
PROVISION FOR LOAN LOSSES	**(8,441)**	(127,762)	**(6,900)**	(295,094)
Net interest income after provision for credit losses	**2,758,513**	2,823,024	**8,244,170**	8,427,231
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**301,758**	144,840	**897,244**	1,234,168
Loan fees	**107,771**	108,102	**272,765**	239,050
Refunds from Farm Credit System Insurance Corporation	**-**	-	**85,099**	-
Financially related services income	**17**	15	**130**	117
Gain (loss) on sale of premises and equipment, net	**-**	(16,425)	**822**	306,436
Other noninterest income	**32,010**	32,500	**65,611**	60,125
Total noninterest income	**441,556**	269,032	**1,321,671**	1,839,896
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,158,059**	1,216,703	**3,558,389**	3,551,261
Directors' expense	**33,162**	27,868	**145,997**	155,959
Purchased services	**126,790**	112,226	**414,067**	365,577
Travel	**68,879**	74,125	**216,743**	185,774
Occupancy and equipment	**175,672**	182,813	**495,040**	502,655
Communications	**29,917**	26,061	**94,421**	84,496
Advertising	**28,494**	32,083	**84,126**	113,039
Public and member relations	**42,795**	46,148	**158,736**	143,641
Supervisory and exam expense	**37,917**	37,036	**111,988**	101,895
Insurance fund premiums	**61,769**	106,983	**183,188**	324,683
Other components of net periodic postretirement benefit cost	**1,610**	1,843	**4,831**	5,531
Other noninterest expense	**80,884**	85,710	**246,902**	229,384
Total noninterest expenses	**1,845,948**	1,949,599	**5,714,428**	5,763,895
Income before income taxes	**1,354,121**	1,142,457	**3,851,413**	4,503,232
NET INCOME	**$ 1,354,121**	$ 1,142,457	**$ 3,851,413**	$ 4,503,232
Other comprehensive income:				
Change in postretirement benefit plans	**(1,163)**	(926)	**(3,489)**	(2,778)
COMPREHENSIVE INCOME	**$ 1,352,958**	$ 1,141,531	**$ 3,847,924**	$ 4,500,454

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Non-Qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 1,192,520	$ 21,076,255	$ 45,466,759	$ 60,450	$ 67,795,984
Net income			4,503,233		4,503,233
Other comprehensive income				(2,778)	(2,778)
Capital stock/participation certificates and allocated retained earnings issued	113,260				113,260
Capital stock/participation certificates and allocated retained earnings retired	(137,425)				(137,425)
Cumulative effect of CECL implementation			(74,032)		(74,032)
Patronage refunds:					
Cash			(3,230,770)		(3,230,770)
Nonqualified allocations		1,781,996	(1,781,996)		-
Balance at September 30, 2023	$ 1,168,355	$ 22,858,251	$ 44,883,194	$ 57,672	$ 68,967,472
Balance at December 31, 2023	**$ 1,176,510**	**$ 22,858,251**	**$ 45,738,155**	**$ 69,390**	**$ 69,842,306**
Net income			**3,851,413**		**3,851,413**
Other comprehensive income				**(3,489)**	**(3,489)**
Capital stock/participation certificates and allocated retained earnings issued	**87,075**				**87,075**
Capital stock/participation certificates and allocated retained earnings retired	**(90,440)**				**(90,440)**
Patronage refunds:					
Cash			**(3,000,035)**		**(3,000,035)**
Nonqualified allocations		**1,070,817**	**(1,070,817)**		**-**
Balance at September 30, 2024	**$ 1,173,145**	**$ 23,929,068**	**$ 45,518,716**	**$ 65,901**	**$ 70,686,830**

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

ASSOCIATION NEW MODEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Legacy is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt, and Wood in the state of Texas. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

Certain amounts in the prior period's financial statements have been corrected to be comparable to the current period's financial statement presentation and are noted where applicable.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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.

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

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

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The association is currently assessing the potential impact of this standard on its disclosures.

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

A summary of loans follows:

Loan Type	September 30, 2024 Amount	December 31, 2023 Amount
Production agriculture:		
Real estate mortgage	**$ 318,771,247**	$ 316,952,280
Production and intermediate-term	**15,100,580**	13,782,434
Agribusiness:		
Loans to cooperatives	**1,559,825**	2,567,359
Processing and marketing	**17,734,594**	15,356,382
Farm-related business	**872,361**	2,475,307
Communication	**9,059,938**	8,631,222
Energy	**2,430,884**	2,785,077
Water and waste-water	**967,346**	2,985,247
Rural residential real estate	**10,849,841**	10,237,682
Total	**$ 377,346,616**	$ 375,772,990

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at September 30, 2024:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 28,758,338	$ 9,094,109	$ -	$ -	$ 28,758,338	$ 9,094,109
Production and intermediate-term	5,852,827	-	-	-	5,852,827	-
Agribusiness	19,294,419	-	-	-	19,294,419	-
Communication	9,059,938	-	-	-	9,059,938	-
Energy	2,430,884	-	-	-	2,430,884	-
Water and waste-water	967,345	-	-	-	967,345	-
Total	$ 66,363,752	$ 9,094,109	$ -	$ -	$ 66,363,752	$ 9,094,109

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. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $71,355 and $1,000 at September 30, 2024, and December 31, 2023, respectively.

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, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

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

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

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

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

	Term Loans Amortized Cost by Origination Year								
September 30, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost**	**Total**
Real estate mortgage									
Acceptable	$ 32,475,895	$ 41,314,064	$ 53,935,001	$ 65,653,094	$ 37,347,690	$ 80,764,158	$ 956,572	$ -	$ 312,446,474
OAEM	$ -	$ 145,837	$ 1,613,269	$ -	$ 251,357	$ 738,185	$ 2,147,571	$ -	$ 4,896,219
Substandard/Doubtful	$ 301,722	$ -	$ 333,383	$ 309,199	$ -	$ 484,251	$ -	$ -	$ 1,428,555
	$ 32,777,617	$ 41,459,901	$ 55,881,653	$ 65,962,293	$ 37,599,047	$ 81,986,594	$ 3,104,143	$ -	$ 318,771,248
Gross charge-offs for the nine months ended September 30, 2024	1,094	-	-	-	-	-	-	-	1,094
Production and intermediate-term									
Acceptable	$ 205,448	$ 3,953,668	$ 277,348	$ 94,567	$ 87,384	$ 289,204	$ 10,167,941	$ 20,200	$ 15,095,760
OAEM	$ -	$ -	$ -	$ -	$ -	$ 4,819	$ -	$ -	$ 4,819
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 205,448	$ 3,953,668	$ 277,348	$ 94,567	$ 87,384	$ 294,023	$ 10,167,941	$ 20,200	$ 15,100,579
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	$ 971,698	$ 5,201,667	$ 6,760,381	$ 1,782,287	$ 1,528,598	$ 800,000	$ 2,307,090	$ -	$ 19,351,721
OAEM	$ -	$ -	$ 600,344	$ -	$ -	$ -	$ 214,714	$ -	$ 815,058
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 971,698	$ 5,201,667	$ 7,360,725	$ 1,782,287	$ 1,528,598	$ 800,000	$ 2,521,804	$ -	$ 20,166,779
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
Communications									
Acceptable	$ 2,484,514	$ 2,600,176	$ -	$ -	$ 3,833,603	$ -	$ 141,645	$ -	$ 9,059,938
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 2,484,514	$ 2,600,176	$ -	$ -	$ 3,833,603	$ -	$ 141,645	$ -	$ 9,059,938
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal									
Acceptable	$ -	$ 967,345	$ -	$ -	$ -	$ 2,370,932	$ 59,952	$ -	$ 3,398,229
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 967,345	$ -	$ -	$ -	$ 2,370,932	$ 59,952	$ -	$ 3,398,229
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	$ 1,092,148	$ 1,448,889	$ 2,537,714	$ 3,073,257	$ 1,727,728	$ 970,103	$ -	$ -	$ 10,849,839
OAEM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Substandard/Doubtful	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,092,148	$ 1,448,889	$ 2,537,714	$ 3,073,257	$ 1,727,728	$ 970,103	$ -	$ -	$ 10,849,839
Gross charge-offs for the nine months ended September 30, 2024	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 37,229,703	$ 55,485,809	$ 63,510,444	$ 70,603,205	$ 44,525,003	$ 85,194,397	$ 13,633,200	$ 20,200	$ 370,201,961
OAEM	$ -	$ 145,837	$ 2,213,613	$ -	$ 251,357	$ 743,004	$ 2,362,285	$ -	$ 5,716,096
Substandard/Doubtful	$ 301,722	$ -	$ 333,383	$ 309,199	$ -	$ 484,251	$ -	$ -	$ 1,428,555
	$ 37,531,425	$ 55,631,646	$ 66,057,440	$ 70,912,404	$ 44,776,360	$ 86,421,652	$ 15,995,485	$ 20,200	$ 377,346,612
Gross charge-offs for the nine months ended September 30, 2024	$ 1,094	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,094

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

	Term Loans Amortized Cost by Origination Year								
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage									
Acceptable	$ 45,009,556	$ 60,394,327	$ 71,211,194	$ 40,765,375	$ 24,928,326	$ 66,424,123	$ -	$ -	$ 308,732,901
OAEM	2,646,437	1,817,210	-	262,498	-	701,228	2,147,061	-	7,574,434
Substandard/Doubtful	-	-	-	-	-	644,945	-	-	644,945
	$ 47,655,993	$ 62,211,537	$ 71,211,194	$ 41,027,873	$ 24,928,326	$ 67,770,296	$ 2,147,061	$ -	$ 316,952,280
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Production and intermediate-term									
Acceptable	$ 4,222,371	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 229,633	$ 7,559,985	$ 51,200	$ 12,882,351
OAEM	891,588	-	-	-	-	8,495	-	-	900,083
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 5,113,959	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 238,128	$ 7,559,985	$ 51,200	$ 13,782,434
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Agribusiness									
Acceptable	$ 5,629,304	$ 6,859,834	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,318,899	$ -	$ 19,902,216
OAEM	-	373,253	-	-	-	-	123,579	-	496,832
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 5,629,304	$ 7,233,087	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,442,478	$ -	$ 20,399,048
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Communications									
Acceptable	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal									
Acceptable	$ 985,772	$ -	$ -	$ -	$ -	$ 4,631,153	$ 153,399	$ -	$ 5,770,324
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 985,772	$ -	$ -	$ -	$ -	$ 4,631,153	$ 153,399	$ -	$ 5,770,324
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
Gross charge-offs for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 60,290,860	$ 70,498,627	$ 77,583,598	$ 50,458,835	$ 26,099,786	$ 72,073,082	$ 9,100,708	$ 51,200	$ 366,156,696
OAEM	3,538,025	2,190,463	-	262,498	-	709,723	2,270,640	-	8,971,349
Substandard/Doubtful	-	-	-	-	-	644,945	-	-	644,945
	$ 63,828,885	**$ 72,689,090**	**$ 77,583,598**	**$ 50,721,333**	**$ 26,099,786**	**$ 73,427,750**	**$ 11,371,348**	**$ 51,200**	**$ 375,772,990**
Total Gross charge-offs for the year ended December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

	September 30, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**98.0 %**	97.4 %
OAEM	**1.5**	2.4
Substandard/doubtful	**0.4**	0.2
	100.0	100.0
Production and intermediate-term		
Acceptable	**100.0**	93.5
OAEM	**0.0**	6.5
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**96.0**	97.6
OAEM	**4.0**	2.4
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste-water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**98.1**	97.4
OAEM	**1.5**	2.4
Substandard/doubtful	**0.4**	0.2
	100.0 %	100.0 %

Accrued interest receivable on loans of $2,968,835 and $2,436,348 at September 30, 2024 and December 31, 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Balance Sheet.

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

	September 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 596,347**	$ 440,261
Total nonaccrual loans	**$ 596,347**	$ 440,261
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 329,821**	$ -
Total accruing loans 90 days or more past due	**$ 329,821**	$ -
Total nonperforming assets	**$ 926,168**	$ 440,261
Nonaccrual loans as a percentage of total loans	**0.16%**	0.12%
Nonperforming assets as a percentage of capital	**1.31%**	0.63%

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	**$ -**	**$ 596,347**	**$ 596,347**	**$ -**	**$ -**
Production and intermediate-term	**-**	**-**	**-**	**4,783**	**75,375**
Processing and Marketing	**-**	**-**	**-**	**-**	**924**
Total nonaccrual loans	**$ -**	**$ 596,347**	**$ 596,347**	**$ 4,783**	**$ 76,299**

	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	$ -	$ 440,261	$ 440,261	$ 5,014	$ 122,499
Processing and Marketing	-	-	-	$ 4,462	$ 4,462
Total nonaccrual loans	$ -	$ 440,261	$ 440,261	$ 9,476	$ 126,961

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment (with prior year's figures corrected to exclude accrued interest) as of:

September 30, 2024	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 655,960**	**$ 416,349**	**$ 1,072,309**	**$ 317,698,938**	**$ 318,771,247**	**$ 114,627**
Production and intermediate term	**51,046**	**-**	**51,046**	**15,049,534**	**15,100,580**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,559,825**	**1,559,825**	**-**
Processing and marketing	**600,344**	**214,714**	**815,058**	**16,919,537**	**17,734,595**	**214,714**
Farm-related business	**-**	**-**	**-**	**872,361**	**872,361**	**-**
Communication	**-**	**-**	**-**	**9,059,938**	**9,059,938**	**-**
Energy	**-**	**-**	**-**	**2,430,884**	**2,430,884**	**-**
Water and waste-water	**-**	**-**	**-**	**967,345**	**967,345**	**-**
Rural residential real estate	**-**	**-**	**-**	**10,849,841**	**10,849,841**	**-**
Total	**$ 1,307,350**	**$ 631,063**	**$ 1,938,413**	**$ 375,408,203**	**$ 377,346,616**	**$ 329,341**

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,114,732	$ -	$ 2,114,732	$ 314,837,549	$ 316,952,281	$ -
Production and intermediate term	-	-	-	13,782,434	13,782,434	-
Loans to cooperatives	-	-	-	2,567,359	2,567,359	-
Processing and marketing	-	-	-	15,356,382	15,356,382	-
Farm-related business	-	-	-	2,475,306	2,475,306	-
Communication	-	-	-	8,631,222	8,631,222	-
Energy	-	-	-	2,785,077	2,785,077	-
Water and waste-water	-	-	-	2,985,247	2,985,247	-
Rural residential real estate	-	-	-	10,237,682	10,237,682	-
Total	$ 2,114,732	$ -	$ 2,114,732	$ 373,658,258	$ 375,772,990	$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

The following table shows the amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted. There were no loan modifications to borrowers experiencing financial difficulty for the same periods ending 2023.

	For the Three Months Ended September 30, 2024		
	Payment Deferral	**Total**	**Percentage of Total by Loan Type**
Total	**$ -**	**$ -**	**0%**

	For the Nine Months Ended September 30, 2024		
	Payment Deferral	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	**$ 301,722**	**$ 301,722**	**0.09%**
Total	**$ 301,722**	**$ 301,722**	**0.08%**

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three and nine months ended September 30, 2024 and 2023 were $1,085 and $0, respectively.

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2024. There were no loan modifications to borrowers experiencing financial difficulty for the same periods ending 2023.

	Financial Effect
	For the Three Months Ended September 30, 2024
	Payment Deferral
Real estate mortgage	270 days

	Financial Effect
	For the Nine Months Ended September 30, 2024
	Payment Deferral
Real estate mortgage	270 days

Loans that were modified during the during the three- and nine-month periods ended September 30, 2024 have not experienced default as of September 30, 2024.

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

	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	-	-	301,722
Total	$ -	$ -	301,722

The Association did not materially modify any loans to borrowers experiencing financial difficulty on or after January 1, 2023, the date of adoption of Current Expected Credit Loss (CECL), through December 31, 2023.

There are no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2024.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the association's allowance for credit losses evaluation and is generally incorporated into the association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% 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	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at June 30, 2024	$ (967,306)	$ (17,615)	$ (61,188)	$ (13,649)	$ (3,562)	$ (37,290)	$ -	$ (1,100,610)
Recoveries	-	(900)	-	-	-	-	-	(900)
Provision for credit losses/(Credit loss reversal)	41,415	(11,602)	(8,581)	(14,794)	1,012	(1,215)	-	6,235
Balance at September 30, 2024	$ (925,891)	$ (30,117)	$ (69,769)	$ (28,443)	$ (2,550)	$ (38,505)	$ -	$ (1,095,275)
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2024	$ (340)	$ (2,721)	$ (15,705)	$ (1,589)	$ (33)	$ (322)	$ -	$ (20,710)
Provision for unfunded commitments	165	(3,059)	5,482	(697)	(6)	322	-	2,207
Balance at September 30, 2024	$ (175)	$ (5,780)	$ (10,223)	$ (2,286)	$ (39)	$ -	$ -	$ (18,503)

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	$ (940,360)	$ (16,919)	$ (67,755)	$ (30,472)	$ (21,067)	$ (18,850)	$ 21	$ (1,095,402)
Charge-offs	1,094	-	-	-	-	-	-	1,094
Recoveries	-	(2,400)	-	-	-	-	-	(2,400)
Provision for credit losses/(Credit loss reversal)	13,200	(14,232)	8,665	428	904	(2,083)	19	6,901
Transfers to/from reserve for unfunded commitments	175	3,434	(10,679)	1,601	20	-	(19)	(5,468)
Commidity Reclassification	-	-	-	-	17,593	(17,572)	(21)	-
Balance at September 30, 2024	$ (925,891)	$ (30,117)	$ (69,769)	$ (28,443)	$ (2,550)	$ (38,505)	$ -	$ (1,095,275)
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	$ -	$ (2,346)	$ (20,902)	$ (685)	$ (19)	$ -	$ (19)	$ (23,971)
Provision for unfunded commitments	(175)	(3,434)	10,679	(1,601)	(20)	-	19	5,468
Balance at September 30, 2024	$ (175)	$ (5,780)	$ (10,223)	$ (2,286)	$ (39)	$ -	$ -	$ (18,503)

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2022	$ (863,646)	$ (16,578)	$ (297,202)	$ (3,060)	$ (55,522)	$ (7,340)	$ -	$ (1,243,348)
Cumulative effect of a change in accounting principle	38,313	(14,684)	(33,954)	(5,719)	(1,151)	(17,593)	-	(34,788)
Balance at January 1, 2023	(825,333)	(31,262)	(331,156)	(8,779)	(56,673)	(24,933)	-	(1,278,136)
Transfers to/from reserve for unfunded commitments	(349)	(4,055)	(14,256)	475	(15)	-	41	(18,159)
Recoveries	-	(2,700)	-	-	(2,969)	-	-	(5,669)
Provision for loan losses (Credit loss reversal)	(17,420)	11,385	281,894	(30,101)	54,540	(5,162)	(41)	295,095
Balance at September 30, 2023	$ (843,102)	$ (26,632)	$ (63,518)	$ (38,405)	$ (5,117)	$ (30,095)	$ -	$ (1,006,869)
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2022	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative effect of a change in accounting principle	$ (358)	$ (6,710)	$ (31,495)	$ (642)	$ (18)	$ -	$ (21)	$ (39,244)
Balance at January 1, 2023	(358)	(6,710)	(31,495)	(642)	(18)	-	(21)	(39,244)
Provision for unfunded commitments	349	4,055	14,256	(475)	15	-	(41)	18,159
Balance at September 30, 2023	$ (9)	$ (2,655)	$ (17,239)	$ (1,117)	$ (3)	$ -	$ (62)	$ (21,085)

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at June 30, 2023	$ (745,567)	$ (22,230)	$ (322,532)	$ (14,640)	$ (3,510)	$ (26,529)	$ -	$ (1,135,008)
Transfers to/from reserve for unfunded commitments	(68)	463	305	604	-	-	(2)	1,302
Recoveries	-	(900)	-	-	(27)	-	-	(927)
Provision for loan losses (Credit loss reversal)	(97,468)	(3,965)	258,709	(24,368)	(1,580)	(3,566)	2	127,764
Balance at September 30, 2023	$ (843,103)	$ (26,632)	$ (63,518)	$ (38,404)	$ (5,117)	$ (30,095)	$ -	$ (1,006,869)
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2023	$ (78)	$ (2,191)	$ (16,934)	$ (514)	$ (3)	$ -	$ (63)	$ (19,783)
Provision for unfunded commitments	69	(464)	(305)	(604)	-	-	2	(1,302)
Balance at September 30, 2023	$ (9)	$ (2,655)	$ (17,239)	$ (1,118)	$ (3)	$ -	$ (61)	$ (21,085)

Discussion of Changes in Allowance for Credit Losses (ACL)

The ACL decreased $5,595 to $1,113,778 at September 30, 2024, as compared to $1,119,373 at December 31, 2023, primarily due to updates to the District Probability of Default Curve offset by a decrease in loan volume.

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

	Regulatory Minimums wih Buffer	As of September 30,2024
Risk-adjusted:		
Common equity tier 1 ratio	7.00%	18.36%
Tier 1 capital ratio	8.50%	18.36%
Total capital ratio	10.50%	18.69%
Permanent capital ratio	7.00%	18.42%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.46%
UREE leverage ratio	1.50%	16.15%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	44,267,720	44,267,720	44,267,720	44,267,720
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,171,840	1,171,840	1,171,840	1,171,840
Nonqualified allocated equities not subject to retirement	23,929,068	23,929,068	23,929,068	23,929,068
Allowance for loan losses and reserve for credit losses subject to certain limitations			1,116,245	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(6,426,751)	(6,426,751)	(6,426,751)	(6,426,751)
	62,941,877	**62,941,877**	**64,058,122**	**62,941,877**
Denominator:				
Risk-adjusted assets excluding allowance	349,252,970	349,252,970	349,252,970	349,252,970
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(6,426,751)	(6,426,751)	(6,426,751)	(6,426,751)
Allowance for loan losses				(1,095,560)
	342,826,219	**342,826,219**	**342,826,219**	**341,730,659**
Calculated Ratio	**18.36%**	**18.36%**	**18.69%**	**18.42%**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	44,267,720	44,267,720
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	1,171,840	-
Allocated equities:		
Nonqualified allocated equities not subject to retirement	23,929,068	23,929,068
Amount of allocated investments in other System institutions	(6,426,751)	(6,426,751)
	62,941,877	**61,770,037**
Denominator:		
Total Assets	389,544,227	389,544,227
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(7,126,116)	(7,126,116)
	382,418,111	**382,418,111**
Calculated Ratio	**16.46%**	**16.15%**

	September 30, 2024	December 31, 2023
Capital stock and participation certificates	**$ 1,173,145**	$ 1,176,510
Accumulated other comprehensive loss	**65,901**	69,390
Retained earnings[1]	**69,447,784**	68,596,406
Total Capital	**$ 70,686,830**	$ 69,842,306

[1] Retained earnings for the quarter ended March 31, 2024, reflects a decrease from the cumulative effect of a change in accounting principle for CECL on January 1, 2023.

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

September 30, 2024	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 65,901**	**$ -**	**$ 65,901**

September 30, 2023	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 57,672	$ -	$ 57,672

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

	2024	**2023**
Accumulated other comprehensive income (loss) at January 1	**$ 69,390**	$ 60,450
Amortization of prior service (credit) costs included in salaries and employee benefits	**(1,174)**	(1,175)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(2,315)**	(1,603)
Other comprehensive income (loss), net of tax	**(3,489)**	(2,778)
Accumulated other comprehensive income (loss) at September 30	**$ 65,901**	$ 57,672

NOTE 4 — INCOME TAXES:

Legacy conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly owned Federal Land Credit Association ("FLCA") subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly owned Production Credit Association ("PCA") subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends 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 dividends. 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.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 12 in the 2023 Annual Report to Stockholders for a more complete description.

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

September 30, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ -	$ -

At December 31, 2023, there were no impaired loans with specific reserves, and at September 30, 2024, there was one loan with a specific reserve equal to the recorded investment of that loan, netting to zero balances in the above table.

Information about Fair Value Measurements

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

Valuation Techniques

As more fully discussed in Note 12 to the 2023 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see the 2023 Annual Report to Stockholders.

Standby Letters of Credit

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

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

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

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

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three and nine months ended September 30,2024:

	Other Benefits	
Three months ended September 30:	**2024**	**2023**
Service cost	**$ 925**	$ 862
Interest cost	**2,774**	2,769
Amortization of prior service (credits) costs	**(391)**	(391)
Amortization of net actuarial (gain) loss	**(772)**	(535)
Net periodic benefit cost	**$ 2,536**	$ 2,705

	Other Benefits	
Nine months ended September 30:	**2024**	**2023**
Service cost	**$ 2,774**	$ 2,585
Interest cost	**8,320**	8,309
Amortization of prior service (credits) costs	**(1,174)**	(1,175)
Amortization of net actuarial (gain) loss	**(2,315)**	(1,603)
Net periodic benefit cost	**$ 7,605**	$ 8,116

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2024, was $209,847 and is included in other liabilities on the balance sheet.

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

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association previously disclosed in its financial statements for the year ended December 31, 2023, that it expected to contribute $8,725 to the district's defined benefit pension plan in 2024. As of September 30, 2024, $6,544 of contributions have been made. The association presently anticipates contributing an additional $2,181 to fund the defined benefit pension plan in 2024 for a total of $8,725.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through November 6, 2024, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.