AgSouth Farm Credit, ACA

THIRD QUARTER 2024

TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting....2

Management's Discussion and Analysis of

Financial Condition and Results of Operations....3

Consolidated Financial Statements

Consolidated Balance Sheets....7

Consolidated Statements of Comprehensive Income....8

Consolidated Statements of Changes in Members' Equity....9

Notes to the Consolidated Financial Statements....10

CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2024 quarterly report of AgSouth 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/ Vance C. Dalton, Jr.
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

/s/ H. Frank Ables, Jr.
Chairman of the Board

November 8, 2024

AgSouth Farm Credit, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and affected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2024. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2024.

/s/ Vance C. Dalton, Jr.
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

November 8, 2024

AgSouth 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 AgSouth 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 wide range of agricultural commodities produced in our region, including timber, poultry (broilers, turkeys and eggs), sod, nursery and horticulture, cotton, feed grains, soybeans and hay, beef cattle, dairy, horses, peanuts, blueberries, fruits, and nuts. Loans to producers of these commodities total $3,313,667 or 73.57 percent of the Association's portfolio. Farm size varies, and many of the Association's customers have diversified farming, operations. These factors, along with the numerous opportunities for non-farm income in the area, reduce to some degree the level of income dependency on any given commodity.

The total loan volume of the Association as of September 30, 2024, was $4,503,983, an increase of $383,711 as compared to $4,120,272 at December 31, 2023. The increase in total loan volume during the reporting period is attributed to the funding of operating lines of credit and term loans during the busiest time of the growing season. Advances on most operating lines are now funded and additional anticipated growth in the portfolio is being realized. Competition for good quality loans remains strong from some commercial banks, but the Association has remained competitive in a difficult rate environment.

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 increased from $15,509 at December 31, 2023, to $19,947 at September 30, 2024. As a percent of total loans, nonaccrual loans were less than one 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 $22,900 or less than one percent of total loans compared to $15,598 or less than one 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 $2,888 and $6,999 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	$ 87,956	$ 76,635	$ 76,635	$ 250,897	$ 180,420	$ 180,420
Interest Expense	44,809	38,819	35,931	124,794	87,835	80,836
Net Interest Income	43,147	37,816	40,704	126,103	92,585	99,584
Provision for Credit Losses	6,311	686	686	8,272	7,875	7,875
Noninterest Income	13,744	12,701	12,701	39,723	29,642	29,642
Noninterest Expense	27,884	22,555	25,443	79,578	59,770	66,769
Provision for Income Taxes	–	(6)	(6)	–	(6)	(6)
Net income	$ 22,696	$ 27,282	$ 27,282	$ 77,976	$ 54,588	$ 54,588
Net Interest Margin	3.94%	3.81%	4.10%	3.98%	3.77%	4.06%
Operating Efficiency Ratio	49.01%	44.65%	47.64%	47.99%	48.98%	51.75%

**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 $22,696, a decrease of $4,586 as compared to net income of $27,282 for the same period ended in 2023. The commentary presented below will explain the decrease.

For the three months ended September 30, 2024, net interest income was $43,147 and the net interest margin was 3.94 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $40,704, an increase of $2,443, and the net interest margin was 4.10 percent, a decrease of 16 basis points for the three months ended September 30, 2024. The increase in net interest income is attributable to an increase in loan volume between the two comparative periods.

The provision for credit losses for the three months ended September 30, 2024, was $6,311, an increase of $5,625 from the provision for credit losses of $686 for the same period ended during the prior year. The substantial increase of the provision for credit losses is attributable to Hurricanes Debbie and Helene that have impacted the Association's members and territory significantly.

Noninterest income increased $1,043 to $13,744 during the first three months of 2024 compared with the first three months of 2023 primarily due to an increase in Patronage refunds from other Farm Credit institutions and Gains on other transactions.

For the three months ended September 30, 2024 noninterest expense was $27,884. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $25,443, an increase of $2,441 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 $2,888 for the three months ended September 30, 2024, which is the cause of the increase between the two reporting periods.

For the nine months ended September 30, 2024

Net income for the nine months ended September 30, 2024, was $77,976, an increase of $23,388 as compared to net income of $54,588 for the same period ended in 2023. The commentary below will explain the increase.

For the nine months ended September 30, 2024, net interest income was $126,103 and the net interest margin was 3.98 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $99,584, an increase of $26,519, and the net interest margin was 4.06 percent, a decrease of 8 basis points for the nine months ended September 30, 2024.

The provision for credit losses for the nine months ended September 30, 2024, was $8,272, an increase of $397 from the provision for credit losses of $7,875 for the same period ended during the prior year.

Noninterest income increased $10,081 to $39,723 during the first nine months of 2024 compared with the first nine months of 2023 primarily due to an increase in Loan fees, Patronage refunds from other Farm Credit institutions, Gains on other transactions, and Insurance Fund refunds.

For the nine months ended September 30, 2024 noninterest expense was $79,578. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $66,769, an increase of $12,809 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 $6,999 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 $3,771,469 as compared to $3,385,232 at December 31, 2023.

CAPITAL RESOURCES

Total members' equity at September 30, 2024, was $853,171, an increase of $54,507 from a total of $798,664 at December 31, 2023. The increase is a result of earnings retained year-to-date.

Total capital stock and participation certificates were $22,908 on September 30, 2024, compared to $22,602 on December 31, 2023. The increase is attributed to the purchase of new stock and participation certificates for new borrowing entities offset by the retirement of stock and participation certificates on loans liquidated in the normal course of business.

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
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	15.64%	16.33%	16.78%
Tier 1 Capital ratio	8.50%	15.64%	16.33%	16.78%
Total Regulatory Capital Ratio	10.50%	17.28%	18.67%	19.21%
Tier 1 Leverage Ratio**	5.00%	15.61%	16.16%	16.54%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	15.11%	15.62%	15.99%
Permanent Capital Ratio	7.00%	16.92%	18.31%	18.84%

**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 1-800-633-9091, ext. 2674, writing Bo Fennell, CFO, AgSouth Farm Credit, ACA, P.O. Box 718, Statesboro, GA 30459, or accessing the Association's website ***www.agsouthfc.com***. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual report to Shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the 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.

Reports of suspected or actual wrongdoings involving the Association, its employees and/or Directors, can be made anonymously and confidentially through the Association's Whistleblower Hotline (NAVEX Global) at 1-833-220-9744 or ***www.agsouth.ethicspoint.com***.

AgSouth Farm Credit, ACA
Consolidated Balance Sheets

(dollars in thousands)	September 30, 2024	December 31, 2023
	(unaudited)	*(audited)*
Assets		
Cash	**$ 99**	$ 140
Investments in debt securities:		
Held to maturity	**623**	642
Loans	**4,503,983**	4,120,272
Allowance for credit losses on loans	**(22,900)**	(15,598)
Net loans	**4,481,083**	4,104,674
Loans held for sale	**319**	4,046
Other investments	**1,002**	375
Accrued interest receivable	**47,374**	39,595
Equity investments in other Farm Credit institutions	**71,652**	71,205
Premises and equipment, net	**43,683**	39,990
Other property owned	**11**	—
Accounts receivable	**24,611**	30,666
Other assets	**9,492**	7,689
Total assets	**$ 4,679,949**	$ 4,299,022
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 3,771,469**	$ 3,385,232
Accrued interest payable	**13,447**	12,401
Patronage refunds payable	**402**	56,601
Accounts payable	**4,660**	8,009
Other liabilities	**36,800**	38,115
Total liabilities	**3,826,778**	3,500,358
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**22,908**	22,602
Additional paid-in-capital	**96,458**	96,458
Retained earnings		
Allocated	**54,838**	78,658
Unallocated	**679,057**	601,081
Accumulated other comprehensive income (loss)	**(90)**	(135)
Total members' equity	**853,171**	798,664
Total liabilities and members' equity	**$ 4,679,949**	$ 4,299,022

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

AgSouth Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest Income				
Loans	**$ 87,947**	$ 76,566	**$ 250,869**	$ 180,222
Investments	**9**	69	**28**	198
Total interest income	**87,956**	76,635	**250,897**	180,420
Interest Expense	**44,809**	38,819	**124,794**	87,835
Net interest income	**43,147**	37,816	**126,103**	92,585
Provision for credit losses	**6,311**	686	**8,272**	7,875
Net interest income after provision for credit losses	**36,836**	37,130	**117,831**	84,710
Noninterest Income				
Loan fees	**2,093**	2,231	**6,430**	5,077
Fees for financially related services	**1,525**	1,418	**2,536**	2,248
Patronage refunds from other Farm Credit institutions	**8,307**	7,576	**24,335**	18,929
Gains (losses) on sales of rural home loans, net	**1,134**	995	**3,439**	2,402
Gains (losses) on sales of premises and equipment, net	**278**	359	**726**	515
Gains (losses) on other transactions	**294**	(3)	**687**	6
Insurance Fund refunds	**—**	—	**1,098**	—
Other noninterest income	**113**	125	**472**	465
Total noninterest income	**13,744**	12,701	**39,723**	29,642
Noninterest Expense				
Salaries and employee benefits	**15,698**	15,561	**48,409**	40,125
Occupancy and equipment	**1,434**	1,083	**3,811**	3,050
Insurance Fund premiums	**912**	1,426	**2,626**	3,473
Purchased services	**5,393**	765	**12,803**	2,971
Data processing	**274**	289	**993**	749
Other operating expenses	**4,173**	3,431	**10,930**	9,505
(Gains) losses on other property owned, net	**—**	—	**6**	(103)
Total noninterest expense	**27,884**	22,555	**79,578**	59,770
Income before income taxes	**22,696**	27,276	**77,976**	54,582
Provision (benefit) for income taxes	**—**	(6)	**—**	(6)
Net income	**$ 22,696**	$ 27,282	**$ 77,976**	$ 54,588
Other comprehensive income net of tax				
Employee benefit plans adjustments	**15**	5	**45**	738
Comprehensive income	**$ 22,711**	$ 27,287	**$ 78,021**	$ 55,326

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

AgSouth Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 11,243	$ —	$ 101,191	$ 346,152	$ (342)	$ 458,244
Cumulative effect of change in accounting principle				2,185		2,185
Comprehensive income				54,588	738	55,326
Capital stock/participation certificates issued/(retired), net	615					615
Retained earnings retired			(22,541)			(22,541)
Equity re-characterized due to merger	10,514	96,458	226,545		200	333,717
Patronage distribution adjustment			13			13
Balance at September 30, 2023	$ 22,372	$ 96,458	$ 305,208	$ 402,925	$ 596	$ 827,559
Balance at December 31, 2023	**$ 22,602**	**$ 96,458**	**$ 78,658**	**$ 601,081**	**$ (135)**	**$ 798,664**
Comprehensive income				**77,976**	**45**	**78,021**
Capital stock/participation certificates issued/(retired), net	**306**					**306**
Retained earnings retired			**(23,820)**			**(23,820)**
Balance at September 30, 2024	**$ 22,908**	**$ 96,458**	**$ 54,838**	**$ 679,057**	**$ (90)**	**$ 853,171**

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

AgSouth 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 AgSouth 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.

Effective April 1, 2023, the Association merged with Carolina Farm Credit, ACA. See Note 7, *Merger Activity*, for further information.

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 US 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	$ 3,131,830	$ 2,907,710
Production and intermediate-term	796,474	734,375
Agribusiness:		
Loans to cooperatives	9,307	12,205
Processing and marketing	258,003	165,722
Farm-related business	49,615	44,513
Rural infrastructure:		
Communication	29,232	21,116
Power and water/waste disposal	21,280	22,494
Rural residential real estate	195,216	200,451
Other:		
International	12,801	11,425
Other (including Mission Related)	225	261
Total loans	$ 4,503,983	$ 4,120,272

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	98.29%	98.72%
OAEM	1.08	0.72
Substandard/doubtful/loss	0.63	0.56
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	94.11%	97.18%
OAEM	4.21	1.18
Substandard/doubtful/loss	1.68	1.64
	100.00%	100.00%
Agribusiness:		
Acceptable	97.93%	98.53%
OAEM	1.91	1.16
Substandard/doubtful/loss	0.16	0.31
	100.00%	100.00%
Rural infrastructure:		
Acceptable	99.32%	97.52%
OAEM	0.68	2.48
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	98.60%	98.57%
OAEM	0.70	0.93
Substandard/doubtful/loss	0.70	0.50
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	97.55%	98.42%
OAEM	1.67	0.85
Substandard/doubtful/loss	0.78	0.73
	100.00%	100.00%

Accrued interest receivable on loans of $47,370 and $39,592 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	$ 32,450	$ 6,195	$ 38,645	$ 3,093,185	$ 3,131,830	$ –
Production and intermediate-term	6,000	4,637	10,637	785,837	796,474	–
Agribusiness	4,169	470	4,639	312,286	316,925	–
Rural infrastructure	–	–	–	50,512	50,512	–
Rural residential real estate	3,763	455	4,218	190,998	195,216	–
Other	–	–	–	13,026	13,026	–
Total	$ 46,382	$ 11,757	$ 58,139	$ 4,445,844	$ 4,503,983	$ –

	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	$ 32,583	$ 3,541	$ 36,124	$ 2,871,586	$ 2,907,710	$ –
Production and intermediate-term	9,383	3,832	13,215	721,160	734,375	–
Agribusiness	992	542	1,534	220,906	222,440	–
Rural infrastructure	–	–	–	43,610	43,610	–
Rural residential real estate	4,874	391	5,265	195,186	200,451	–
Other	–	–	–	11,686	11,686	–
Total	$ 47,832	$ 8,306	$ 56,138	$ 4,064,134	$ 4,120,272	$ –

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	$ 1,696	$ 10,541	$ 12,237
Production and intermediate-term	2,184	4,287	6,471
Agribusiness	182	316	498
Rural residential real estate	–	741	741
Total	$ 4,062	$ 15,885	$ 19,947

	December 31, 2023		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ 840	$ 8,175	$ 9,015
Production and intermediate-term	2,219	3,186	5,405
Agribusiness	135	449	584
Rural residential real estate	69	436	505
Total	$ 3,263	$ 12,246	$ 15,509

The Association recognized $1,705 and $385 of interest income on nonaccrual loans during the three months ended September 30, 2024 and September 30, 2023, respectively. The Association recognized $2,310 and $642 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	$ 17,201
Charge-offs	(332)
Recoveries	57
Provision for credit losses on loans	5,974
Balance at September 30, 2024	$ 22,900
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2024	$ 1,963
Provision for unfunded commitments	337
Balance at September 30, 2024	$ 2,300
Total allowance for credit losses	$ 25,200
Allowance for Credit Losses on Loans:	
Balance at December 31, 2023	$ 15,598
Charge-offs	(977)
Recoveries	190
Provision for credit losses on loans	8,089
Balance at September 30, 2024	$ 22,900
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2023	$ 2,117
Provision for unfunded commitments	183
Balance at September 30, 2024	$ 2,300
Total allowance for credit losses	$ 25,200

	September 30, 2023
Allowance for Credit Losses on Loans:	
Balance at June 30, 2023	$ 16,898
Charge-offs	(110)
Recoveries	19
Provision for credit losses on loans	(1,267)
Balance at September 30, 2023	$ 15,540
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2023	$ 963
Adjustment due to merger	(771)
Provision for unfunded commitments	1,953
Balance at September 30, 2023	$ 2,145
Total allowance for credit losses	$ 17,685
Allowance for Credit Losses on Loans:	
Balance at December 31, 2022	$ 14,280
Cumulative effect of a change in accounting principle	(2,157)
Balance at January 1, 2023	$ 12,123
Charge-offs	(2,837)
Recoveries	312
Provision for credit losses on loans	5,942
Balance at September 30, 2023	$ 15,540
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2022	$ 240
Cumulative effect of a change in accounting principle	(28)
Balance at January 1, 2023	$ 212
Provision for unfunded commitments	1,933
Balance at September 30, 2023	$ 2,145
Total allowance for credit losses	$ 17,685

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 $319 and $4,046 at September 30, 2024 and December 31, 2023, respectively. Such loans are carried at the lower of cost or fair value.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At September 30, 2024, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost of investment securities held-to-maturity follows:

	September 30, 2024	December 31, 2023
	Amortized Cost	
RABs	$ 623	$ 642

A summary of the contractual maturity and amortized cost of investment securities follows:

	Amortized Cost
In one year or less	$ –
After one year through five years	–
After five years through ten years	–
After ten years	623
Total	$ 623

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At September 30, 2024, the Association does not consider any unrealized losses to be credit-related and an allowance for credit losses is not necessary.

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 12.54 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 investments of $5,573 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	$ (105)	$ 591	$ (135)	$ (342)
Equity re-characterized due to merger	–	–	–	200
Other comprehensive income before reclassifications	–	–	–	653
Amounts reclassified from AOCI	15	5	45	85
Net current period other comprehensive income	15	5	45	738
Balance at end of period	$ (90)	$ 596	$ (90)	$ 596

	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)	$ (5)	$ (45)	$ (85)	Salaries and employee benefits
Net amounts reclassified	$ (15)	$ (5)	$ (45)	$ (85)	

(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	$ 7,794	$ –	$ –	$ 7,794
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 2,585	$ 2,585
Other property owned	$ –	$ –	$ 11	$ 11

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 6,057	$ –	$ –	$ 6,057
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 1,655	$ 1,655
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 monetary 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 not probable 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 — Merger Activity

Effective April 1, 2023, Carolina Farm Credit, ACA (Carolina) merged with and into AgSouth Farm Credit, ACA (AgSouth) to form the merged Association. The effects of the merger are included in the Association's results of operations, statement of condition, average balances, and related metrics beginning April 1, 2023.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of September 30, 2024 and December 31, 2023. The Consolidated Statements of Income and Members' Equity include the merged Association after April 1, 2023, and do not include the results of Carolina prior to April 1, 2023. Information in the Notes to the Consolidated Financial Statements does not include balances and transactional activity for Carolina prior to April 1, 2023.

For further information, see Note 14, *Merger Activity*, in the Notes to the Consolidated Financial Statements of the 2023 Annual Report.

Note 8 — Subsequent Events

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

On October 7, 2024 the Board of Directors voted to distribute $30 million of 2024 earnings to members in the form of an all cash patronage distribution. This distribution is an early distribution of 2024 earnings that would normally occur in March of the following year.