FRONTIER FARM CREDIT

Quarterly Report

September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following commentary reviews the consolidated financial position and consolidated results of operations of Frontier Farm Credit, ACA, and its subsidiaries Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA. The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2023 Annual Report for a description of our organization, operations and significant accounting policies.

Due to the nature of our financial relationship with CoBank, ACB, the financial condition and results of operations of CoBank, ACB may materially affect our shareholders' investment in Frontier Farm Credit, ACA. To request a free copy of the CoBank, ACB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@frontierfarmcredit.com. You may also obtain copies by accessing CoBank, ACB's website at www.cobank.com.

NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

The Boards of Directors of Frontier Farm Credit, ACA, AgCountry Farm Credit Services, ACA, and Farm Credit Services of America, ACA, entered into an agreement with an effective date of December 29, 2023. Beginning April 15, 2024, the three associations are jointly managed and share income and losses. The associations will deploy a common business approach to the development and delivery of products and services and use common technology platforms which accommodate differences in local marketplace conditions. While the associations are jointly managed and will operate under jointly developed strategic business plans and support plans, they remain separate organizations with strong local representation through independent boards of directors and distinct patronage programs. The collaboration is designed to benefit the farmers and ranchers who own and support the three financial services cooperatives by ensuring that all three associations have the strength and capacity to serve agricultural customers' needs for years to come.

Under the collaboration agreement, the three associations have agreed to share net income and losses based on a formula derived from the average net income/losses of each association from the previous five years including 2019 thru 2023. Therefore, the income/losses will be allocated as follows: Frontier Farm Credit (4.9 percent), AgCountry Farm Credit Services (21.3 percent), and Farm Credit Services of America (73.8 percent). Given such allocation methodology, income and losses that are generally specific to each of the associations will effectively be shared in proportion to the allocation formula. The allocation methodology in effect will continue to be applied until the boards mutually agree to any changes in the methodology to be used for the next allocation period starting on January 1, 2028.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Financial Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

COMMODITY REVIEW AND OUTLOOK UPDATE

The United States corn market experienced notable changes in the third quarter of 2024. As of September 1, 2024, corn stocks stored in all positions totaled 1.76 billion bushels, up 29 percent from September 1, 2023. New crop corn futures traded a bit up and down during the third quarter with a rebound to $4.24 per bushel by the end of the third quarter. The United States Department of Agriculture projects corn yields for 2024 at 183.6 bushels per acre, which if realized, would be the second largest corn crop produced by United States farmers. With the 2024 United States corn crop in good condition and demand soft relative to supply, the overall size of the United States corn crop will be a major factor in the fundamental market landscape.

Soybean prices trended lower in the third quarter. November soybean futures began the third quarter around $11.10 per bushel, bottomed in mid-August at $9.57 per bushel, and finished the quarter at around $10.57 per bushel. United States soybean prices rallied in the latter portion of the third quarter due to dry weather forecasts in Brazil and hopes for increased demand from China. Soybean stocks stored in all positions, as of September 1, 2024, totaled 111 million bushels, up 54 percent from a year ago. In September, due to favorable growing conditions, the United States Department of Agriculture forecasted a record high United States soybean crop in 2024 at approximately 4.6 billion bushels, a 10 percent increase from 2023. While domestic soybean crush remains historically strong, United States soybean exports remain below their 10-year average.

While remaining relatively strong, cattle prices were flat during the third quarter of 2024 finishing the quarter at around $185 per hundredweight. The United States feedlot inventory totaled 11.2 million head on September 1, 2024, a 1 percent increase from September 2023. Total United States beef imports for the month of July were reported up 27 percent from a year ago largely in part due to shipments coming in from Australia. However, United States feeder cattle imports from Mexico in July were over 122 thousand head, nearly 50 thousand more than a year ago. The significant increase was due to drought in Northern Mexico along with higher feeder cattle prices in the United States. Overall, the cattle market in the third quarter was characterized by relatively flat futures prices, slightly higher feedlot inventory from a year ago, and higher beef imports and exports from 2023.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2023 Annual Report for further analysis of farmland prices and industry conditions.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $3.0 billion at September 30, 2024, an increase of $104.9 million, or 3.6 percent from December 31, 2023. The increase was primarily due to an increase in our long-term agricultural mortgage and energy portfolios.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2023. Our adversely classified assets as a percentage of our portfolio increased during the first nine months of 2024 ending the quarter at 3.09 percent, compared to 2.24 percent at December 31, 2023. Adversely classified loans are assets we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

Nonperforming Assets

The following table summarizes nonperforming assets and delinquency information (dollars in thousands):

	September 30, 2024	December 31, 2023
Loans:		
Nonaccrual	**$ 25,528**	$ 15,864
Accruing loans 90 days or more past due	**—**	109
Total nonperforming loans	**$ 25,528**	$ 15,973
Nonperforming loans as a percentage of total loans	**0.84%**	0.55%
Nonaccrual loans as a percentage of total loans	**0.84%**	0.54%
Current nonaccrual loans as a percentage of total nonaccrual loans	**97.4%**	76.5%
Total delinquencies as a percentage of total loans*	**1.19%**	0.27%

*Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Total nonperforming assets have increased since year-end. The increase is primarily due to an increase in nonaccrual loans in the swine portfolio. The decrease in accruing loans 90 days or more past due was primarily related to operating loans in the swine portfolio. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Nonperforming loans as a percentage of total loans remained at acceptable levels. The increase in total delinquencies as a percentage of total loans was primarily due to the long-term agricultural mortgage portfolio.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses on loans in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

Allowance for Credit Losses on Loans Coverage Ratios:

	September 30, 2024	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Total loans	**0.12%**	0.29%
Nonaccrual loans	**14.49%**	53.58%
Total nonperforming loans	**14.49%**	53.21%

Total allowance for credit losses on loans was $3.7 million at September 30, 2024, and $8.5 million at December 31, 2023. The decrease from December 31, 2023 was primarily related to charge offs in 2024 on accounts that previously had specific reserves.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

	For the nine months ended September 30,	
	2024	2023
Net income	**$41,780**	$36,309
Return on average assets	**1.78%**	1.73%
Return on average members' equity	**9.32%**	8.56%

Changes in these ratios directly relate to:

- Changes in net income discussed in this section;
- Changes in assets discussed in the Loan Portfolio section; and,
- Changes in capital discussed in the Funding, Liquidity and Capital section.

Major components of the changes in net income for the nine months ended September 30, 2024 compared to the same period in 2023 are outlined in the following table (dollars in thousands):

For the nine months ended September 30,	**2024**	2023	**Increase (decrease) in net income**
Net interest income	**$ 60,176**	$ 53,475	**$ 6,701**
Provision for credit losses	**(4,276)**	666	**4,942**
Non-interest income	**15,698**	14,217	**1,481**
Non-interest expense	**38,370**	30,717	**(7,653)**
Net income	**$ 41,780**	$ 36,309	**$ 5,471**

Net Interest Income

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the nine months ended September 30, (dollars in thousands):

	2024 vs. 2023
Change in volume	**$ 4,487**
Change in rates	**2,119**
Change in nonaccrual income	**95**
Net change	**$ 6,701**

The increase in net interest income is due to higher loan volume and an increase in income earned on earning assets funded by our non-interest-bearing source (capital).

Provision for Credit Losses

We recorded a $(4,076) thousand provision for credit losses on loans as well as a $(200) thousand provision for credit losses on unfunded commitments for the first nine months of 2024, as compared with recording a $566 thousand provision for credit losses on loans and $100 thousand provision for credit losses on unfunded commitments during the first nine months of 2023. The decrease in provision was related to charge off amounts being less than the specific reserves that were released. Net charge offs for the first nine months of 2024 were $724 thousand compared to a net recovery of charge offs of $134 thousand in the same period a year ago. The change in the provision for credit losses on loans and unfunded commitments reflects our assessment of risk in the loan portfolio.

Non-interest Income

The increase in non-interest income is primarily due to our share of the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC). The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required 2 percent of insured debt. There was no AIRA distribution in 2023. Refer to our 2023 Annual Report for additional information about the FCSIC. In addition, we experienced an increase in non-interest income due to an increase in patronage and insurance income.

We may receive patronage from CoBank, ACB and other Farm Credit entities. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the nine months ended September 30,	
	2024	2023
Patronage from CoBank, ACB	**$ 8,544**	$ 7,666
AgDirect patronage distribution	**1,150**	995
Other patronage	**20**	10
Total patronage income	**$ 9,714**	$ 8,671

Patronage from CoBank, ACB primarily includes wholesale patronage and is usually in the form of cash. All other patronage from other Farm Credit institutions is typically distributed in cash.

Non-Interest Expense

The increase in non-interest expense is primarily due to higher salary and benefits expenses due to market adjustments since staffing levels are consistent with prior year, as well as one-time collaboration expenses primarily in salaries and purchased services. Additionally, changes in non-interest expense can be driven by the sharing of net income and losses based on our collaboration agreement with Farm Credit Services of America and AgCountry Farm Credit. Refer to our Notice of Significant or Material Events earlier in this Quarterly Report for more information. The Farm Credit System Insurance expense decreased in 2024, primarily due to a decrease in the FCSIC premium rate. The premium rate, which is primarily impacted by System growth, was 10 basis points for the nine months ended September 30, 2024, compared to 18 basis points for the same period in 2023. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Refer to Note 1 in our 2023 Annual Report for additional information on the Farm Credit System Insurance Fund.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from CoBank, ACB under a note payable, in the form of a line of credit. The note payable is collateralized by a pledge of substantially all our assets and is governed by a General Financing Agreement (GFA), which provides for an open-ended revolving line of credit. The line of credit was renegotiated as of June 1, 2024 and was renewed for $2.9 billion with a maturity of May 31, 2025 at which time the note will be renegotiated, if not sooner. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as Frontier Farm Credit is a stockholder of CoBank, ACB, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. CoBank, ACB has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At September 30, 2024 and at December 31, 2023 we were within the specified limitations.

Our members' equity increased to $621.2 million at September 30, 2024 compared to $579.3 million at December 31, 2023. The increase was primarily due to the net income recorded for the first nine months of 2024.

In the 4th quarter of 2023, our Board also adopted a patronage program for 2024. The 2024 patronage program will be based on each customer's average daily balance of eligible loans outstanding during 2024 to be paid in 2025 on eligible originations, participations purchased and participations sold volume.

Farm Credit Administration regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2023 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section and off-balance sheet commitments, as disclosed in Note 12 in our 2023 Annual Report.

	As of September 30, 2024	As of December 31, 2023	Regulatory Minimums	Capital Conservation Buffers
Risk-adjusted:				
Common equity tier 1 ratio	**15.22%**	15.44%	4.50%	7.00%
Tier 1 capital ratio	**15.22%**	15.44%	6.00%	8.50%
Total capital ratio	**15.36%**	15.60%	8.00%	10.50%
Permanent capital ratio	**15.23%**	15.46%	7.00%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.23%**	18.02%	4.00%	5.00%
Unallocated retained earnings and equivalents leverage ratio	**17.23%**	18.02%	1.50%	1.50%

CERTIFICATION

This report has been prepared under the oversight of the Board's Audit Committee. The undersigned certify that they have reviewed this report and 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 their knowledge and belief.

Mark Jensen
President and CEO
November 5, 2024

Shane Tiffany
Chairperson, ACA Board of Directors
November 5, 2024

Craig P. Kinnison
Executive Vice-President and CFO
November 5, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Frontier Farm Credit, ACA
(dollars in thousands)

As of:	September 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Loans	**$ 3,030,932**	$ 2,926,057
Allowance for credit losses on loans	**3,700**	8,500
Net loans	**3,027,232**	2,917,557
Accrued interest receivable	**56,324**	40,034
Investment securities, net	**81,468**	—
Investment in CoBank , ACB	**68,500**	68,447
Investment in AgDirect, LLP	**11,266**	9,516
Investment in RBIC	**8,204**	5,363
Premises and equipment, net	**20,009**	20,723
Prepaid benefit expense	**7,601**	7,908
Other assets	**11,767**	28,087
Total assets	**$ 3,292,371**	$ 3,097,635
LIABILITIES		
Notes payable to CoBank, ACB	**$ 2,651,641**	$ 2,477,811
Accrued interest payable	**9,022**	8,330
Patronage payable	**—**	23,900
Allowance for credit losses on unfunded commitments	**800**	1,000
Accrued benefits liability	**174**	180
Other liabilities	**9,556**	7,093
Total liabilities	**2,671,193**	2,518,314
Commitments and contingencies (Note 6)		
MEMBERS' EQUITY		
At-risk capital:		
Class B common stock	**9,369**	9,252
Class C common stock	**195**	179
Less: Capital stock receivable	**(9,564)**	(9,431)
Retained earnings	**621,178**	579,321
Total members' equity	**621,178**	579,321
Total liabilities and members' equity	**$ 3,292,371**	$ 3,097,635

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

CONSOLIDATED STATEMENTS OF INCOME

Frontier Farm Credit, ACA

(dollars in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30,	**2024**	2023	**2024**	2023
NET INTEREST INCOME				
Interest income	**$ 47,529**	$ 39,825	**$ 138,051**	$ 112,736
Interest expense	**27,064**	21,075	**77,875**	59,261
Net interest income	**20,465**	18,750	**60,176**	53,475
Provision for credit losses	**255**	(127)	**(4,276)**	666
Net interest income after provision for credit losses	**20,210**	18,877	**64,452**	52,809
NON-INTEREST INCOME				
Patronage income	**3,344**	2,903	**9,714**	8,671
Insurance services	**1,492**	1,431	**2,012**	1,782
Loan fees	**499**	596	**1,339**	1,645
Mineral income	**278**	284	**876**	1,126
Rural 1st program fees	**364**	268	**851**	766
Gain on RBIC	**97**	158	**24**	208
Other non-interest income	**19**	9	**882**	19
Total non-interest income	**6,093**	5,649	**15,698**	14,217
NON-INTEREST EXPENSE				
Salaries and employee benefits	**5,648**	5,421	**17,034**	15,989
Occupancy and equipment expense	**952**	842	**2,605**	2,510
Other operating expenses	**6,413**	3,124	**16,894**	9,319
Insurance fund premiums	**609**	966	**1,837**	2,899
Total non-interest expense	**13,622**	10,353	**38,370**	30,717
Income before income taxes	**12,681**	14,173	**41,780**	36,309
Provision for income taxes	**—**	—	**—**	—
Net income	**$ 12,681**	$ 14,173	**$ 41,780**	$ 36,309

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Frontier Farm Credit, ACA
(dollars in thousands)
(Unaudited)

	At-risk Capital		
	Capital Stock	**Retained Earnings**	**Total Members' Equity**
Balance at December 31, 2022	$ —	$ 551,815	$ 551,815
Net income		36,309	36,309
Cumulative effect of change in accounting principle		100	100
Patronage accrual adjustment		98	98
Capital stock:			
Issuance of stock in exchange for customer stock receivable	436		436
Release of customer stock receivable associated with retired stock	(423)		(423)
Less: Capital stock receivable	(13)		(13)
Balance at September 30, 2023	$ —	$ 588,322	$ 588,322
Balance at December 31, 2023	$ —	$ 579,321	$ 579,321
Net income		**41,780**	**41,780**
Patronage accrual adjustment		**77**	**77**
Capital stock:			
Issuance of stock in exchange for customer stock receivable	**449**		**449**
Release of customer stock receivable associated with retired stock	**(315)**		**(315)**
Less: Capital stock receivable	**(134)**		**(134)**
Balance at September 30, 2024	**$ —**	**$ 621,178**	**$ 621,178**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1: ORGANIZATION

The accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2023 Annual Report for the year ended December 31, 2023.

The consolidated financial statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent) and Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other Farm Credit System institutions.

Standard and Effective Date	Description	Financial Statement Impact
In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans by type consisted of the following (dollars in thousands):

	September 30, 2024		December 31, 2023	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$ 1,616,881**	**53.4 %**	$ 1,552,683	53.1 %
Production and intermediate term	**664,306**	**21.9**	671,101	22.9
Agribusiness	**463,688**	**15.3**	446,434	15.3
Rural infrastructure	**209,249**	**6.9**	179,280	6.1
Rural residential real estate	**42,628**	**1.4**	46,019	1.6
Agricultural export finance	**34,180**	**1.1**	30,540	1.0
Total loans	**$ 3,030,932**	**100.0 %**	$ 2,926,057	100.0 %

Credit Quality

One credit quality indicator we utilize is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- acceptable – loans are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) – loans are currently collectible but exhibit some potential weakness;
- substandard – loans exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful – loans exhibit similar weaknesses to substandard assets; however, doubtful loans have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- loss – loans are considered uncollectible.

We had no loans categorized as loss at September 30, 2024 or December 31, 2023.

The following table shows loans classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type at amortized cost (dollars in thousands):

	As of September 30, 2024						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$1,540,532**	**95.28 %**	**$ 19,008**	**1.17 %**	**$ 57,341**	**3.55 %**	**$1,616,881**
Production and intermediate term	**613,494**	**92.35 %**	**21,199**	**3.19 %**	**29,613**	**4.46 %**	**664,306**
Agribusiness	**442,786**	**95.49 %**	**15,130**	**3.26 %**	**5,772**	**1.25 %**	**463,688**
Rural infrastructure	**206,399**	**98.64 %**	**2,354**	**1.12 %**	**496**	**0.24 %**	**209,249**
Rural residential real estate	**41,851**	**98.18 %**	**264**	**0.62 %**	**513**	**1.20 %**	**42,628**
Agricultural export finance	**34,180**	**100.00 %**	**—**	**—**	**—**	**—**	**34,180**
Total	**$2,879,242**	**95.00 %**	**$ 57,955**	**1.91 %**	**$ 93,735**	**3.09 %**	**$3,030,932**

	As of December 31, 2023						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$1,505,339	96.95 %	$ 16,698	1.08 %	$ 30,646	1.97 %	$1,552,683
Production and intermediate term	630,413	93.94 %	16,041	2.39 %	24,647	3.67 %	671,101
Agribusiness	432,732	96.93 %	4,348	0.97 %	9,354	2.10 %	446,434
Rural infrastructure	174,337	97.24 %	4,433	2.47 %	510	0.29 %	179,280
Rural residential real estate	45,206	98.23 %	275	0.60 %	538	1.17 %	46,019
Agricultural export finance	30,540	100.00 %	—	—	—	—	30,540
Total	$2,818,567	96.33 %	$ 41,795	1.43 %	$ 65,695	2.24 %	$2,926,057

Delinquency

The following table provides an aging analysis of past due loans by loan type at amortized cost (dollars in thousands):

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**	**Accruing Loans 90 Days or More Past Due**
Long-term agricultural mortgage	**$ 31,169**	**$ 427**	**$ 31,596**	**$ 1,585,285**	**$ 1,616,881**	**$ —**
Production and intermediate term	**1,040**	**221**	**1,261**	**663,045**	**664,306**	**—**
Agribusiness	**3,002**	**—**	**3,002**	**460,686**	**463,688**	**—**
Rural infrastructure	**—**	**—**	**—**	**209,249**	**209,249**	**—**
Rural residential real estate	**178**	**—**	**178**	**42,450**	**42,628**	**—**
Agricultural export finance	**—**	**—**	**—**	**34,180**	**34,180**	**—**
Total	**$ 35,389**	**$ 648**	**$ 36,037**	**$ 2,994,895**	**$ 3,030,932**	**$ —**

As of 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	Accruing Loans 90 Days or More Past Due
Long-term agricultural mortgage	$ 1,990	$ 2,595	$ 4,585	$ 1,548,098	$ 1,552,683	$ —
Production and intermediate term	2,393	369	2,762	668,339	671,101	109
Agribusiness	630	—	630	445,804	446,434	—
Rural infrastructure	—	—	—	179,280	179,280	—
Rural residential real estate	24	—	24	45,995	46,019	—
Agricultural export finance	—	—	—	30,540	30,540	—
Total	$ 5,037	$ 2,964	$ 8,001	$ 2,918,056	$ 2,926,057	$ 109

Nonperforming Loans

The following table provides the amortized cost for nonperforming loans with and without a related allowance for credit losses on loans as well as, interest income recognized on nonaccrual during the period (dollars in thousands):

	As of September 30, 2024		**For the nine months ended September 30, 2024**
	Amortized Cost with Specific Allowance	**Amortized Cost without Specific Allowance**	**Interest Income Recognized (Reversed)**
Nonaccrual loans:			
Long-term agricultural mortgage	**$ —**	**$ 17,016**	**$ 22**
Production and intermediate term	**—**	**8,510**	**63**
Agribusiness	**—**	**—**	**3**
Rural residential real estate	**—**	**2**	**—**
Total nonaccrual loans	**$ —**	**$ 25,528**	**$ 88**
Accruing loans 90 days or more past due:			
Production and intermediate term	**$ —**	**$ —**	**$ 4**
Total accruing loans 90 days or more past due	**$ —**	**$ —**	**$ 4**

	As of December 31, 2023		**For the nine months ended September 30, 2023**
	Amortized Cost with Specific Allowance	**Amortized Cost without Specific Allowance**	**Interest Income Recognized (Reversed)**
Nonaccrual loans:			
Long-term agricultural mortgage	$ 2,269	$ 2,874	$ 2
Production and intermediate term	9,057	480	(9)
Agribusiness	822	352	—
Rural residential real estate	—	10	—
Total nonaccrual loans	$ 12,148	$ 3,716	$ (7)
Accruing loans 90 days or more past due:			
Production and intermediate term	$ —	$ 109	$ 18
Total accruing loans 90 days or more past due	$ —	$ 109	$ 18

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

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Our loans classified as modified loans at September 30, 2024, or 2023, and activity on these loans during the nine months ended September 30, 2024, or 2023, was not material. We did not have any material commitments at September 30, 2024, or December 31, 2023, to lend to borrowers whose loans were modified during the nine months ended September 30, 2024, or during the year ended December 31, 2023, respectively.

Allowance for Credit Losses

We utilize multiple macroeconomic scenarios, including base, adverse and optimistic, in the estimate of allowance for credit losses during a reasonable and supportable forecast period of two years. The adverse scenario includes macroeconomic factors reflecting downside potential relative to the base scenario. The optimistic scenario includes potential upside in the macroeconomic factors above the base scenario. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

An analysis of changes in the allowance for credit losses for the nine months ended September 30, 2024 follows (dollars in thousands):

	For the nine months ended September 30,	
Allowance for credit losses on loans	**2024**	2023
Balance at beginning of year	**$ 8,500**	$ 3,600
Cumulative effect of change in accounting principle	**—**	400
Provision for credit losses on loans	**(4,076)**	566
Recoveries	**781**	164
Charge-offs	**(1,505)**	(30)
Balance at end of period	**$ 3,700**	$ 4,700
Allowance for credit losses on unfunded commitments		
Balance at beginning of year	**$ 1,000**	$ 1,100
Cumulative effect of change in accounting principle	**—**	(500)
Provision for credit losses on unfunded commitments	**(200)**	100
Balance at end of period	**$ 800**	$ 700
Total allowance for credit losses	**$ 4,500**	$ 5,400

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by charge offs in 2024 on loans that previously had specific reserves.

NOTE 3: INVESTMENT SECURITIES

Held-to-Maturity

We held investment securities of $81.5 million at September 30, 2024 and we had no investments securities at December 31, 2023. Our investment securities consisted of pools of loans guaranteed by the U.S. Small Business Administration (SBA). Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed (ABS). which are generally shorter-term investments.

All of our investment securities were fully guaranteed by the SBA at September 30, 2024. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investments at September 30, 2024 or December 31, 2023.

A summary of the amortized cost of securities held-to-maturity is as follows (dollars in thousands):

As of:	**September 30, 2024**	December 31, 2023
Mortgage-backed securities	**$ 75,115**	$ —
Asset-backed securities	**6,353**	—
Total	**$ 81,468**	$ —

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $946 thousand at September 30, 2024. We had no accrued interest receivable on investment securities at December 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $1.0 million for the nine months ended September 30, 2024. We had no investment income in securities during the nine months ended, September 30, 2023.

A summary of the amortized cost of contractual maturities of investment securities is as follows (dollars in thousands):

As of September 30, 2024	**Amortized Cost**
Five to ten years	**$ 6,353**
More than ten years	**75,115**
Total	**$ 81,468**

NOTE 4: INVESTMENT IN RURAL BUSINESS INVESTMENT COMPANY

We and other Farm Credit System institutions are among the limited partners invested in ten Rural Business Investment Companies (RBIC). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. As of September 30, 2024, our current total commitment is $22.0 million of which $13.3 million is unfunded with varying commitment end dates through January 2035. Certain commitments may have an option to extend under specific circumstances.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2023 Annual Report for a more complete description of the three input levels.

Recurring Basis

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2024, or December 31, 2023.

Non-recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

	Fair Value Measurement Using			
As of September 30, 2024	Level 1	Level 2	Level 3	Total Fair Value
Loans	**—**	**—**	**$ —**	**$ —**

	Fair Value Measurement Using			
As of December 31, 2023	Level 1	Level 2	Level 3	Total Fair Value
Loans	—	—	$ 9,289	$ 9,289

Valuation Techniques

Nonperforming loans: Represents the carrying amount of loans evaluated individually for credit losses and are deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less cost to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgement about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

NOTE 6: COMMITMENTS AND CONTINGENCIES

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

Refer to Note 12 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 5, 2024 which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the notes to consolidated financial statements.