Quarterly Report to Shareholders

American AgCredit

Your future grows here

as of June 30, 2024

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries (collectively "the Association") as of the second quarter of 2024. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2023 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.agloan.com, or can be obtained free of charge by calling our corporate headquarters at (800) 800-4865. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, the voting stock of American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, and Colorado, as well as the states of Nevada, Hawaii, and New Mexico.

Forward Looking Statements

Any forward-looking statements in this 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.

Economic Overview

The macroeconomy appears to be slowing and inflation cooling from 2023 levels. The annual inflation rate in the U.S. decreased for the third consecutive month, starting the quarter at 3.4% in April and decreasing 0.4% to 3.0% in June 2024. Core inflation, excluding more volatile food and energy costs, climbed 0.1% in June, after rising 0.2% the prior month. Gasoline, a major component of the Consumer Price Index (CPI), decreased 3.8% at the end of June after declining 3.6% in May, more than offsetting an increase in shelter, which makes up almost a third of the CPI weighting. The S&P 500 and Nasdaq composite indexes have been gaining ground steadily over the last several months. The Federal Reserve announced during its July 2024 Federal Open Market Committee (FOMC) meeting that it would maintain the overnight federal funds rate at the current range of 5.25% to 5.5%, which is currently holding steady at 5.33%. The Federal Reserve has kept its key rate unchanged for nearly a year after having aggressively raised it in 2022 and 2023 to curb inflation. The job market has slowed in the past few months. The U.S. Bureau of Labor Statistics (BLS) reported the U.S. economy added 206,000 jobs in June, which declined 92,000 to end July, and is lower than the monthly average of 215,000 over the last 12 months. The unemployment rate has steadily increased in 2024, beginning January at 3.4% and ending the first month of the third quarter at 4.3%, its highest level since 2021, and up from the 3.5% recorded in July 2023. The market yield on the 10-year U.S. Treasury security in June increased to 4.36%, from 3.88% in December 2023, and 3.81% during the same period last year. The U.S. Treasury debt is the benchmark used to price other domestic debt and is an influential factor in setting consumer interest rates, such as mortgage rates. According to Freddie Mac's Market Survey Report, the average 30-year fixed mortgage rate climbed from 6.79% at the end of March to 7.22% at the beginning of May and hovered just below 7% to end the second quarter. With the labor market cooling and consumer spending seemingly slowing, it's possible the Federal Reserve will cut interest rates by the end of 2024.

The recent El Niño weather pattern is transitioning into a La Niña pattern, which is typically associated with the potential for elevated weather volatility, from floods to drought, as well as an increase in the frequency of hurricanes in the Caribbean. For instance, according to the National Weather Service, the Great Plains region received 150-200% of its normal rainfall between mid-May and mid-June, including Dodge City, KS which received 12.02 inches of rain recording the wettest month for the city since 1899, significantly improving the drought conditions in this portion of American AgCredit's territory. On the other hand, the U.S. Drought Monitor reported portions of Hawaii, Northern California, Nevada, and Colorado as being drier-than-normal during this period, resulting in some increasing, yet generally within a normal range for the entirety of the territory, levels of dryness and drought.

In November 2023, Congress extended the Agriculture Improvement Act of 2018, also known as the Farm Bill, which is set to expire September 30, 2024. This year some progress was made and by late May the U.S. House of Representatives Committee on Agriculture completed its markup of the new Farm Bill, renamed the Farm, Food and National Security Act of 2024. However, it's unclear whether the House will be able to consider the legislation which could prompt another extension through 2025.

Commodity Review and Outlook

The Association's commodity portfolio remains well-diversified. Vineyards/wineries and tree fruits/nuts lead our commodity portfolio at 14.79% and 13.09%, respectively, followed by beef at 12.78%, field crops at 12.23%, dairies at 11.95%, and forest products at 7.53%. The top six commodities make up 72.37% of the total portfolio with the remaining 27.63% spread over sixteen additional categories.

Following is a summary of economic conditions among the Association's significant commodities:

- **Vineyards and wineries:** The trajectory of the U.S. wine market has changed little in 2024, with sales volume continuing to demonstrate some decline across the value, premium, and luxury wine segments, though the decline is less pronounced in dollar terms. The middle price tiered wines ($11.00 to $30.00) are holding up better than the lower and upper tiers, and white and sparkling wines continue to perform better than reds and roses. There are no signs of a turnaround in direct-to-consumer sales which continue to lag prior year levels. Shipments by large wineries, which surged during the pandemic, have fallen sharply over the past several years. Wine exports also remain weak. Performance in the winery sector has remained mostly stable, but some early signs of struggle have appeared as wineries deal with higher input costs and slower sales. In the face of declining wine sales, depressed shipments, and high inventory levels, the grape market has been quiet. Absent a strong rebound in wine sales, the trajectory of grape prices will depend on the pace of vineyard removals. According to figures from the 2023 California Grape Acreage Report, bearing acreage has declined by 20,000 acres since its peak in 2019 as producers have pulled unprofitable acres. Additional acres have been pulled in 2024 as spot grape prices have struggled statewide, though particularly the Central Valley, and there remains a lot of uncontracted fruit on the vines. Less prominent wine grape producers, and those without long-term contracts, are likely to continue to roll out of wine grape acres and into other commodities.

- **Tree fruits and nuts:** Most almond growers have not been profitable since the pandemic, but conditions appear to be improving. Carry-in almond inventory is expected to reach more normal levels (15% of total supply) going into the new crop year due to relatively strong export shipments. Growers have also experienced a higher number of rejected shipments due to quality issues in the 2023 crop as growers have been forced to cut corners in growing practices due to poor economics, which has lowered the total supply of almonds. The almond price has reflected higher demand and lower supply, but current prices remain somewhat below breakeven for most growers which could add to ongoing liquidity stress. There is some uncertainty around the 2024 harvest as the full impact of orchard removals on supply remains to be seen. The Almond Board of California and Land IQ estimated that 70,725 acres of almonds have been removed, which should lower future supply. Walnut growers are in a similar position where most have not been profitable in recent years, though conditions appear to be improving. Despite increased competition in the export market, the industry has benefitted this season from a record crop with high quality at a time when the global supply has been relatively constrained, according to USDA. This has resulted in a record year-to-date shipment number which has helped put upward pressure on the price. More recent price increases are attributed to expectations of a smaller 2024 crop and reduced inventory, but walnut prices are still expected to be below breakeven for most producers. Unlike almonds and walnuts, pistachios have remained profitable despite a record 2023 crop. Like walnuts, the industry has managed to set a record for year-to-date shipments and is expected to have a very low carry-in for the 2024-2025 crop year (10% of supply). Prices are expected to be stable, or increase slightly, as the industry expects a small 2024 crop due to 2024 being an off year in the alternate bearing cycle of pistachios. While there is cautious optimism that prices could begin to improve for California nut markets, there are still significant risks to nut farmers in the Central Valley from tariffs, the appreciation of the dollar, ongoing liquidity stress on almond and walnut farmers, and continued pressure on land values, particularly in areas with lesser water availability and/or poor production history.

Management's Discussion and Analysis

- **Beef:** The U.S. beef herd remains in contraction mode as the share of heifers being fed out, as opposed to kept for replacements, remains historically high. Additionally, the USDA's Economic Research Service reported 2024 as having the third highest slaughter rate of heifers over the past 20 years, following the record highs from 2023 and 2022. Carcass weights climbed during the first quarter of 2024 as Midwest cattle feeders held cattle to replace the weight lost during severe weather and poor pen conditions in January and February. Higher carcass weights and an increase in imports helped partially offset declining cattle numbers, but overall beef supply was tight relative to demand. Placements of cattle into feedlots were below year-earlier levels in three of the four reported months of 2024 and were down 320,000, or 4.3%, in the first four months versus a year earlier, pointing to future tight supplies. Stable consumer demand and tight supplies are pushing prices higher in 2024. The June average price for fed steers was $193.33 per cwt, almost $6 above the record monthly price set the previous month and almost $9.00 higher year over year. Most cow-calf, stockers, backgrounders, and feedlot operators have had a very profitable run over the last 12 months and have strengthened their financial positions.

- **Field crops:** The 2024 new-crop corn market rode a strong run from early March through May that was partly fueled by not enough rain and then too much, both in the U.S. and abroad. However, farmers were able to plant more corn acres than expected and the USDA's July Crop Production and World Agricultural Supply and Demand Estimates (WASDE) report showed corn production for the 2024/2025 marketing year slightly increased from its June estimate of 14.9 billion bushels to 15.1 billion. The season average price of corn is $4.30/bu, $0.50 less compared to the same time last year and sharply below the high seen in the 2022/2023 crop year of $6.65/bu. Favorable weather conditions in much of the Corn Belt has added to the expectations of a large crop, pushing corn prices further down. The USDA slightly lowered total soybean production for the 2024/2025 marketing year by less than 0.50%, but total stocks-to-use ratios remain burdensome, and the season average farm price was lowered to $11.20/bu. The soybean crush in the U.S. keeps growing due to multiple federal and state regulations focusing on reducing carbon emissions and increasing renewable diesel production. In the long run this could improve on a local basis and offer better cash bids for producers. In July, the WASDE reported U.S. cotton projections for the 2024/2025 crop year with higher acreage, production, and beginning and ending stocks compared to last month which has led to very subdued cotton prices. Overall, profit margins for field crop farmers are expected to be thin, if not potentially below breakeven (soybean and grain), in the 2024 calendar year. Fortunately, most have experienced a few years of profitability prior to this year, supporting their ability to navigate the reduced margins in the near term.

- **Dairies:** According to the USDA, National Agricultural Statistics Service, the total number of milk cows in the U.S. increased to 9.35 million head, 5,000 more than the previous month, but 68,000 fewer than May 2023. Overall, dairy cow numbers have declined in recent years, and the price of dairy-beef cross calves is high resulting in low replacement heifers, but the total milkfat produced in the U.S. continues to grow year after year, offsetting the fact there are fewer cows. In May, milk output decreased 3 pounds per cow compared to the same time last year, in part due to increased heat stress on cows due to above-average temperatures in major dairy regions. Dairy export volumes for cheese and whey protein concentrate increased from last year, while exports of dry skim products, butter, dry whey, and lactose declined year over year. A persistently tight milk supply has created an opportunity for strong exports to drive prices to new heights for the year. Class III milk prices gained more than $3.00 in May reaching a high of $18.55 and steadily increased to $19.87 in June, $4.96 more than the prior year. With the higher all-milk prices and lower feed costs through the second half of 2024, dairy farm returns are expected to improve and remain above breakeven in the second half of 2024, into 2025.

- **Forest products:** The price of lumber in the United States has fluctuated widely over the last 10 years and has receded from the historic highs seen in 2021 and 2022. Prices for pulp, paper, and prefinished particle board and medium density fiberboard have decreased from pandemic highs but are picking up momentum in the second quarter of 2024. Spending on private residential construction was at a seasonally adjusted annual rate of $918.2 billion in May, down 0.2% after increasing 0.9% in the prior month, according to the construction spending data provided by the U.S. Census Bureau. Privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,353,000. This is 3.0% above the May estimate of 1,314,000 but is 4.4% below the June 2023 rate of 1,415,000. Single-family housing starts in June were at a rate of 980,000; this is 2.2% below the May total of 1,002,000. If the Federal Reserve decides to cut interest rates to move toward their 2% target, this could potentially lead to a gradual easing of mortgage rates offering some needed relief to home buyers and stimulating the housing market. Demand for other forest products such as tissue paper and corrugated containers remains very strong, and prices have only slightly retracted from pandemic highs and remain well above pre-pandemic levels.

Loan Portfolio

The total loan and lease balance was $20.7 billion at June 30, 2024, an increase of $233.5 million from $20.5 billion at December 31, 2023. On a year-over-year basis, loans increased by $3.1 billion when compared to June 30, 2023, resulting in a growth rate of 16.95%. The merger with Farm Credit of New Mexico in October 2023 contributed $1.9 billion to this increase in loan volume. Credit quality was 95.48% as of June 30, 2024, compared to 96.14% as of December 31, 2023. The decrease was primarily driven by the negative impact of ongoing inflationary influences (i.e. elevated input costs and interest rates, etc.), along with the market headwinds being experienced within the tree fruit and nut portion of the portfolio. Credit quality is a measurement of loans classified as either “Acceptable” or “Other Assets Especially Mentioned” divided by total loans under Farm Credit Administration’s Uniform Classification System.

In addition to the $20.7 billion of loans and leases reported on our balance sheet, we serviced an additional $9.9 billion of loans and syndicated balances for other institutions as of June 30, 2024, as compared to $8.2 billion at June 30, 2023. The increase was partially due to the merger with Farm Credit of New Mexico in the fourth quarter of 2023.

Nonearning Assets

Nonaccrual loans increased by $98.2 million to $354.6 million at June 30, 2024, compared to $256.4 million at December 31, 2023. The change in nonaccrual loans was primarily due to transfers to nonaccrual status of $195.2 million and disbursements on nonaccrual loans of $8.7 million. Much of this increase was driven by the profitability challenges and resulting elevated adversity, as noted above, within the tree fruit & nut segment of the portfolio, primarily that which is located within the San Joaquin Valley. This was offset by $50.9 million year-to-date repayments on nonaccrual loans, charge-offs of nonaccrual loans of $32.7 million related to certain corporate loan complexes, and transfers to other property owned of $22.1 million. Subsequent to moving the loan to other property owned, the Association received a $10.1 million paydown from a partial sale of the property. Nonaccrual loans represented 1.71% of total loan volume at the end of June 30, 2024, compared to 1.30% at June 30, 2023, and 1.25% at December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments. The allowance for credit losses on loans is an estimate of expected credit losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current and forecasted economic and environmental conditions. Total allowance for credit losses was $19.4 million at June 30, 2024, which included a $18.2 million allowance for loan losses and a $1.2 million reserve for unfunded commitments. Total allowance for credit losses at December 31, 2023 was $22.3 million.

Financial Condition and Results of Operations

Net income for the six months ended June 30, 2024, was $213.7 million compared to $198.9 million for the same period last year, an increase of $14.8 million. The change in net income was primarily due to the following reasons:

- Net interest income increased by $24.3 million year-over-year due to growth in accrual loan volume. The Association’s weighted average interest rate on interest-bearing liabilities was 4.28% and 3.88% as of June 30, 2024 and 2023, respectively.
- The Association recorded a provision for credit losses of $25.3 million through June 30, 2024, as compared to $13.8 million a year ago. This overall $11.5 million increase is primarily the result of credit quality decline and an increase in charge-offs during 2024 as compared to 2023.

Management's Discussion and Analysis

- Non-interest income increased by $21.0 million year-over-year. The increase was primarily due to a $8.7 million increase in patronage income from Farm Credit institutions, a $6.2 million increase from the Farm Credit System Insurance Corporation (FCSIC) premium refund allocation, a $4.8 million increase in loan origination fees, and a $1.0 million increase from the gain on the sale of the Ukiah, CA office building, which was partially offset by a decrease in financially-related services and loan servicing and late charges.
- Overall, non-interest operating expenses increased by $18.9 million compared to the same period last year, primarily caused by a $19.5 million increase in salaries and benefits due to the merger with Farm Credit of New Mexico, and higher travel and lodging expenses from increased travel, which was partially offset by a decrease in FCSIC insurance fund premiums.
- FCSIC insurance, a component of noninterest operating expense, decreased by $4.2 million when compared to June 2023. The FCSIC board voted to set the insurance premium assessment rate on adjusted insured debt to 10 basis points for 2024, as compared to 18 basis points for 2023.

The major components of change in net income are summarized as follows (dollars in thousands):

	For the Six Months Ended		Increase (Decrease) in
	June 30, 2024	**June 30, 2023**	**Net Income**
Net interest income	$288,015	$263,749	$24,266
Provision for credit losses	(25,320)	(13,756)	(11,564)
Patronage income	75,258	66,579	8,679
Other income, net	26,099	13,822	12,277
Non-interest expenses	(150,326)	(131,438)	(18,888)
Provision for income taxes	(2)	(11)	9
Net income	**$213,724**	**$198,945**	**$14,779**

The following table shows the Association's year-to-date annualized return on average assets, return on equity, and net interest margin:

	June 30,	
	2024	**2023**
Return on average assets	1.98%	2.16%
Return on common equity	12.97%	15.01%
Return on total equity	11.89%	13.49%
Net interest margin	2.81%	3.02%

Liquidity and Funding

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low-cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. The Association also received funding from preferred stock, subordinated debt, and funds held accounts. The direct note with CoBank is governed by a General Financing Agreement which was renewed June 1, 2023, for an additional five-year term.

Management's Discussion and Analysis

Shareholders' Equity

The Association's capital position remains strong. Total shareholders' equity was $3.7 billion at the end of the second quarter, an increase of $210.1 million from $3.5 billion at December 31, 2023. The increase in capital is primarily the result of the Association's year-to-date net income. The Association was in compliance with all capital ratio requirements at June 30, 2024. The Association's strong earnings and capital position enable us to effectively serve our mission and our customers and support our ability to maintain our cash patronage distribution program and pay preferred stock dividends.

Other Matters

The Association reached an agreement with the County of Sonoma to lease our current headquarters in Santa Rosa, beginning in fall of 2024, as disclosed in our 2023 Annual Report. We believe this decision is best for our shareholders, customers, and employees, considering what is the most efficient use of our resources. Remaining committed to agriculture across Sonoma County, the Association purchased a new headquarters building located in Santa Rosa, California.

On May 31, 2024, American AgCredit's Chief Strategy and Financial Officer, Jerry Rose, retired from the Association after 35-years of service to the Farm Credit System. Maryam Ghazi succeeded Jerry as Chief Financial Officer.

Certification

The undersigned certify that they have reviewed this report and that it has been prepared in accordance with all applicable statutory and/or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of his knowledge and belief.

Gary Harshberger Chairman	Curt Hudnutt Chief Executive Officer	Maryam Ghazi Chief Financial Officer

August 9, 2024

Consolidated Statements of Condition *(dollars in thousands)*

	June 30, 2024	December 31, 2023
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$20,732,922	$20,499,416
Less: allowance for credit losses on loans	(18,239)	(21,227)
Net loans	20,714,683	20,478,189
Cash	45,825	106,756
Accrued interest receivable	253,208	272,057
Investment in CoBank	550,325	547,062
Investment in AgDirect	32,459	29,744
Premises and equipment, net	121,978	122,643
Other property owned	14,182	-
Other assets	231,207	315,363
Total assets	**$21,963,867**	**$21,871,814**
LIABILITIES		
Notes payable to CoBank	$17,579,829	$17,436,357
Subordinated debt	198,007	197,923
Funds Held accounts	234,038	244,314
Accrued interest payable	105,786	100,413
Cash patronage and preferred stock dividends payable	786	215,426
Reserve for unfunded commitments	1,162	1,036
Other liabilities	144,475	186,689
Total liabilities	**18,264,083**	**18,382,158**
SHAREHOLDERS' EQUITY		
Preferred stock	300,000	300,000
Common stock and participation certificates	11,706	11,707
Additional paid-in capital	935,386	935,386
Unallocated retained surplus	2,466,505	2,259,128
Accumulated other comprehensive loss	(13,813)	(16,565)
Total shareholders' equity	**3,699,784**	**3,489,656**
Total liabilities and shareholders' equity	**$21,963,867**	**$21,871,814**

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

Consolidated Statements of Comprehensive Income *(dollars in thousands)*

(Unaudited)	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
INTEREST INCOME				
Loans	$356,105	$287,083	$706,756	$560,644
Total interest income	**356,105**	**287,083**	**706,756**	**560,644**
INTEREST EXPENSE				
Notes payable to CoBank	206,142	151,858	409,428	288,443
Subordinated notes	1,729	1,729	3,458	3,458
Funds Held and other interest	2,855	2,339	5,855	4,994
Total interest expense	**210,726**	**155,926**	**418,741**	**296,895**
Net interest income	**145,379**	**131,157**	**288,015**	**263,749**
Provision for credit losses	(4,559)	(5,487)	(25,320)	(13,756)
Net interest income after provision for credit losses	**140,820**	**125,670**	**262,695**	**249,993**
NON-INTEREST INCOME				
Patronage income from CoBank	22,818	19,680	45,967	39,101
Patronage income from other Farm Credit institutions	15,490	16,155	27,099	25,793
Patronage income from AgDirect	1,047	1,012	2,192	1,685
Loan origination fees	5,839	2,365	8,933	4,165
Servicing fees and late charges	2,977	3,063	3,811	3,835
Financially-related services	917	1,360	1,782	2,455
Miscellaneous	7,835	2,168	11,573	3,368
Total non-interest income	**56,923**	**45,802**	**101,357**	**80,401**
NON-INTEREST EXPENSES				
Salaries and employee benefits	51,588	45,094	101,664	82,204
Occupancy and equipment expense	2,828	2,621	5,184	5,116
Insurance fund premiums	4,217	6,487	8,726	12,889
Supervisory and examination expense	910	844	1,828	1,767
Other operating expenses	16,734	15,724	32,924	29,462
Total non-interest expenses	**76,277**	**70,770**	**150,326**	**131,438**
Income before income taxes	121,466	100,702	213,726	198,956
Provision for income taxes	(2)	(11)	(2)	(11)
Net income	**$121,464**	**$100,691**	**$213,724**	**$198,945**
COMPREHENSIVE INCOME				
Actuarial gain in retirement obligation	1,376	1,377	2,752	2,755
Total comprehensive income	**$122,840**	**$102,068**	**$216,476**	**$201,700**

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

Consolidated Statements of Changes in Shareholders' Equity *(dollars in thousands)*

(Unaudited)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2022	**$10,604**	**$300,000**	**$677,110**	**$1,850,386**	**$(16,796)**	**$2,821,304**
Comprehensive income				198,945	2,755	201,700
Stock/participation certificates issued	386					386
Stock/participation certificates retired	(402)					(402)
Preferred stock dividends				(7,875)		(7,875)
Adjustment to prior period patronage accrual				(3,430)		(3,430)
Cumulative effect adjustment				31,647		31,647
Balance at June 30, 2023	**$10,588**	**$300,000**	**$677,110**	**$2,069,673**	**$(14,041)**	**$3,043,330**
Balance at December 31, 2023	**$11,707**	**$300,000**	**$935,386**	**$2,259,128**	**$(16,565)**	**$3,489,656**
Comprehensive income				213,724	2,752	216,476
Stock/participation certificates issued	402					402
Stock/participation certificates retired	(403)					(403)
Preferred stock dividends				(7,875)		(7,875)
Adjustment to prior period patronage accrual				1,528		1,528
Balance at June 30, 2024	**$11,706**	**$300,000**	**$935,386**	**$2,466,505**	**$(13,813)**	**$3,699,784**

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

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders (2023 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited second quarter 2024 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.

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. 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 or Issued 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 enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than 5% of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state, and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than 5% of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024, and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. 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 but could result in additional disclosures.

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.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

	June 30, 2024		December 31, 2023	
	Amount	**Percentage**	**Amount**	**Percentage**
Real estate mortgage	$10,764,923	51.9%	$10,799,663	52.7%
Production and intermediate-term	4,437,888	21.4%	4,595,789	22.4%
Agribusiness	4,583,117	22.1%	4,197,597	20.5%
Rural infrastructure	866,142	4.2%	828,029	4.0%
Rural residential real estate	2,181	0.0%	2,014	0.0%
Agricultural export finance	78,671	0.4%	76,324	0.4%
Total loans	**$20,732,922**	**100.0%**	**$20,499,416**	**100.0%**

PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at June 30, 2024.

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$751,063	$2,115,083	$-	$-	$751,063	$2,115,083
Production and intermediate-term	1,090,545	1,514,973	13,439	-	1,103,984	1,514,973
Agribusiness	2,528,380	4,322,475	-	-	2,528,380	4,322,475
Rural infrastructure	836,781	161,631	-	-	836,781	161,631
Agricultural export finance	78,671	-	-	-	78,671	-
Total	**$5,285,440**	**$8,114,162**	**$13,439**	**$-**	**$5,298,879**	**$8,114,162**

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 its lending activities on an individual and portfolio basis through the application of sound lending and underwriting standards and policies, approved by its board of directors. The 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 real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance and actual Association loss history 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 over the next 12 months. 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 institution 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 ratings one thru nine (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. The 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, and/or collateral pledged on the loan,
- **Doubtful:** Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- **Loss:** Assets are considered uncollectible.

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. The extent to which collateral secures certain loans is primarily based on the calculated Loan-to-Value ratio.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of June 30, 2024:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized	Revolving Loans Converted to Term Loans Amortized	
	2024	2023	2022	2021	2020	Prior	Cost Basis	Cost Basis	Total
Real Estate Mortgage:									
Acceptable	$513,144	$871,238	$1,425,946	$1,592,796	$1,315,935	$3,424,019	$530,180	$74,266	$9,747,524
OAEM	6,103	15,039	33,198	82,133	88,875	137,085	39,053	5,734	407,220
Substandard/Doubtful	17,371	71,487	90,787	73,230	72,042	254,949	25,874	4,439	610,179
Total	**536,618**	**957,764**	**1,549,931**	**1,748,159**	**1,476,852**	**3,816,053**	**595,107**	**84,439**	**10,764,923**
Gross charge-offs	-	211	2,942	-	-	2,986	12	-	6,151
Production and intermediate-term:									
Acceptable	301,742	442,993	332,921	224,979	228,329	253,153	2,246,420	8,264	4,038,801
OAEM	6,978	13,896	23,691	15,050	10,694	1,949	139,420	1,391	213,069
Substandard/Doubtful	4,202	42,965	18,314	11,426	6,276	17,325	75,538	9,972	186,018
Total	**312,922**	**499,854**	**374,926**	**251,455**	**245,299**	**272,427**	**2,461,378**	**19,627**	**4,437,888**
Gross charge-offs	859	201	1,538	814	124	221	2,405	-	6,162
Agribusiness:									
Acceptable	390,028	1,075,914	963,970	629,561	316,335	478,426	464,426	33,961	4,352,621
OAEM	-	11,613	20,546	23,215	3,443	2,033	15,237	-	76,087
Substandard/Doubtful	5,896	36,524	7,796	28,764	54,716	9,557	11,219	-	154,409
Total	**395,924**	**1,124,051**	**992,312**	**681,540**	**374,494**	**489,953**	**490,882**	**33,961**	**4,583,117**
Gross charge-offs	3,390	472	-	8,095	-	-	-	8,457	20,414
Rural infrastructure:									
Acceptable	111,709	322,419	143,879	177,115	20,210	54,569	11,335	-	841,236
OAEM	-	-	7,054	-	15,845	1,804	203	-	24,906
Total	**111,709**	**322,419**	**150,933**	**177,115**	**36,055**	**56,373**	**11,538**	**-**	**866,142**
Rural residential real estate:									
Acceptable	359	-	-	203	242	1,319	-	-	2,123
Substandard/Doubtful	-	-	-	-	-	58	-	-	58
Total	**359**	**-**	**-**	**203**	**242**	**1,377**	**-**	**-**	**2,181**
Agricultural export finance:									
Acceptable	-	29,993	-	12,040	-	15,000	2,276	19,362	78,671
Total	**-**	**29,993**	**-**	**12,040**	**-**	**15,000**	**2,276**	**19,362**	**78,671**
Total loans:									
Acceptable	1,316,982	2,742,557	2,866,716	2,636,694	1,881,051	4,226,486	3,254,637	135,853	19,060,976
OAEM	13,081	40,548	84,489	120,398	118,857	142,871	193,913	7,125	721,282
Substandard/Doubtful	27,469	150,976	116,897	113,420	133,034	281,826	112,631	14,411	950,664
Total Loans	**$1,357,532**	**$2,934,081**	**$3,068,102**	**$2,870,512**	**$2,132,942**	**$4,651,183**	**$3,561,181**	**$157,389**	**$20,732,922**
Total gross charge-offs for the year ended June 30, 2024:	**$4,249**	**$884**	**$4,480**	**$8,909**	**$124**	**$3,207**	**$2,417**	**$8,457**	**$32,727**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table presents year-to-date gross charge-offs by year of origination as well as credit quality indicators by loan type and the related principal balance by year of origination as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**			**Total**
Real Estate Mortgage:									
Acceptable	$972,608	$1,529,047	$1,706,076	$1,375,339	$995,121	$2,786,628	$552,567	$76,126	$9,993,513
OAEM	14,454	46,158	41,079	77,301	29,305	112,319	29,716	6,786	357,118
Substandard/Doubtful	11,857	93,167	51,529	62,736	89,022	121,671	18,676	374	449,032
Total	**998,920**	**1,668,372**	**1,798,684**	**1,515,376**	**1,113,448**	**3,020,618**	**600,959**	**83,286**	**10,799,663**
Gross charge-offs	-	-	-	76	(3)	-	-	-	73
Production and intermediate-term:									
Acceptable	530,420	376,693	278,988	269,071	114,276	175,695	2,435,362	6,962	4,187,467
OAEM	12,160	20,794	11,135	11,683	27,699	295	136,588	143	220,498
Substandard/Doubtful	13,702	54,671	15,036	8,050	27,277	6,455	52,858	9,775	187,824
Total	**556,282**	**452,158**	**305,159**	**288,804**	**169,252**	**182,446**	**2,624,808**	**16,880**	**4,595,789**
Gross charge-offs	2,491	1,580	304	660	10,468	116	1,344	41	17,005
Agribusiness:									
Acceptable	1,003,167	945,667	621,039	325,354	169,533	385,602	527,522	24,372	4,002,256
OAEM	4,738	6,919	9,120	3,539	-	478	7,959	-	32,753
Substandard/Doubtful	41,719	844	17,191	63,132	6,780	11,672	14,680	6,570	162,588
Total	**1,049,624**	**953,430**	**647,350**	**392,025**	**176,313**	**397,752**	**550,161**	**30,942**	**4,197,597**
Gross charge-offs	3,590	-	1,568	1,143	7	179	3,796	-	10,284
Rural infrastructure:									
Acceptable	343,335	158,306	176,214	58,726	25,051	31,535	6,842	-	800,009
OAEM	-	6,562	-	15,842	-	5,530	86	-	28,020
Total	**343,335**	**164,868**	**176,214**	**74,568**	**25,051**	**37,065**	**6,928**	**-**	**828,029**
Rural residential real estate:									
Acceptable	-	-	227	253	41	1,434	-	-	1,955
Substandard/Doubtful	-	-	-	-	-	59	-	-	59
Total	**-**	**-**	**227**	**253**	**41**	**1,493**	**-**	**-**	**2,014**
Agricultural export finance:									
Acceptable	29,988	-	12,022	-	-	15,001	-	19,313	76,324
Total	**29,988**	**-**	**12,022**	**-**	**-**	**15,001**	**-**	**19,313**	**76,324**
Total loans:									
Acceptable	2,879,519	3,009,713	2,794,566	2,028,743	1,304,022	3,395,895	3,522,293	126,773	19,061,524
OAEM	31,352	80,433	61,334	108,365	57,004	118,623	174,349	6,929	638,389
Substandard/Doubtful	67,278	148,682	83,756	133,918	123,079	139,857	86,214	16,719	799,503
Total Loans	**$2,978,149**	**$3,238,828**	**$2,939,656**	**$2,271,026**	**$1,484,105**	**$3,654,375**	**$3,782,856**	**$150,421**	**$20,499,416**
Total gross charge-offs for the year ended December 31, 2023:	**$6,082**	**$1,580**	**$1,873**	**$1,879**	**$10,472**	**$295**	**$5,140**	**$41**	**$27,362**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

Accrued interest receivable on loans of $253.2 million and $272.0 million at June 30, 2024 and December 31, 2023 have been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition. The Association wrote off accrued interest receivable of $12.5 million and $2.0 million for the six months ended June 30, 2024 and 2023.

NONPERFORMING ASSETS

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

	June 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	$253,802	$145,493
Production and intermediate-term	72,495	65,806
Agribusiness	28,237	45,053
Rural residential real estate	58	59
Total nonaccrual loans	**354,592**	**256,411**
Accruing loans 90 days or more past due:		
Real estate mortgage	7,752	-
Production and intermediate-term	131	1,034
Total accruing loans 90 days or more past due	**7,883**	**1,034**
Total nonperforming loans	**362,475**	**257,445**
Other property owned	14,182	-
Total nonperforming assets	**$376,657**	**$257,445**
Nonaccrual loans as a percentage of total loans	1.71%	1.25%
Nonperforming assets as a percentage of total loans and other property owned	1.82%	1.26%
Nonperforming assets as a percentage of capital	10.18%	7.38%

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 loans during the period:

	At June 30, 2024			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Nonaccrual loans:					
Real estate mortgage	$18,488	$235,314	$253,802	$1,558	$1,838
Production and intermediate-term	12,590	59,906	72,496	735	2,556
Agribusiness	4,318	23,918	28,236	-	220
Rural residential real estate	-	58	58	-	-
Total nonaccrual loans	**$35,396**	**$319,196**	**$354,592**	**$2,293**	**$4,614**

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

	At June 30, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023
Nonaccrual loans:					
Real estate mortgage	$300	$99,208	$99,508	$1,023	$1,744
Production and intermediate-term	3,990	77,574	81,564	99	193
Agribusiness	12,597	36,173	48,770	-	53
Rural residential real estate	-	65	65	-	-
Total nonaccrual loans	**$16,887**	**$213,020**	**$229,907**	**$1,122**	**$1,990**

DELINQUENCY

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

June 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
Real estate mortgage	$15,571	$98,635	$114,206	$10,650,717	$10,764,923	$7,752
Production and intermediate-term	12,659	25,466	38,125	4,399,763	4,437,888	131
Agribusiness	850	21,390	22,240	4,560,877	4,583,117	-
Rural infrastructure	-	-	-	866,142	866,142	-
Rural residential real estate	-	58	58	2,123	2,181	-
Agricultural export finance	-	-	-	78,671	78,671	-
Total	**$29,080**	**$145,549**	**$174,629**	**$20,558,293**	**$20,732,922**	**$7,883**

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
Real estate mortgage	$8,510	$31,491	$40,001	$10,759,662	$10,799,663	$-
Production and intermediate-term	44,816	14,725	59,541	4,536,248	4,595,789	1,034
Agribusiness	5,250	34,290	39,540	4,158,057	4,197,597	-
Rural infrastructure	-	-	-	828,029	828,029	-
Rural residential real estate	1	6	7	2,007	2,014	-
Agricultural export finance	-	-	-	76,324	76,324	-
Total	**$58,577**	**$80,512**	**$139,089**	**$20,360,327**	**$20,499,416**	**$1,034**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

LOAN MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTIES

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, forbearance, or term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Also included in the following disclosures are other-than-insignificant payment deferrals that may provide the borrower with a temporary payment deferral, which has been defined as cumulative or individual forbearance or payment delay greater than or equal to 6 months. These deferred payments may be capitalized into the principal balance of the loan and amortized with no extension of maturity or with the deferred payment due at the time of original maturity.

The following table shows the amortized cost basis at June 30, 2024, for loan modifications granted to borrowers experiencing financial difficulty during the six months ended June 30, 2024 and June 30, 2023, disaggregated by loan type and type of modification granted.

	For the Six Months Ended June 30, 2024							
	Interest Rate Reduction	Term or Payment Extension	Payment Deferral	Combination – Interest Rate Reduction & Term or Payment Extension	Combination – Interest Rate Reduction & Payment Deferral	Combination – Term Extension & Principal Forgiveness	Total	Percentage of Total Loans by Type
Real estate mortgage	$17,877	$2,775	$118,083	$-	$4,895	$-	$143,630	1.33%
Production and intermediate-term	8,632	15,543	4,479	974	433	3,808	33,869	0.76%
Agribusiness	15,385	-	3,569	-	-	-	18,954	0.41%
Rural infrastructure	53	-	-	-	-	-	53	0.01%
Total	**$41,947**	**$18,318**	**$126,131**	**$974**	**$5,328**	**$3,808**	**$196,506**	0.95%

	For the Six Months Ended June 30, 2023				
	Interest Rate Reduction	Term or Payment Extension	Combination – Interest Rate Reduction & Term or Payment Extension	Total	Percentage of Total Loans by Type
Real estate mortgage	$29,895	$66,975	$7,535	$104,405	1.08%
Production and intermediate-term	7,861	61,822	6,103	75,786	2.06%
Agribusiness	-	28,304	-	28,304	0.79%
Rural residential real estate	-	65	-	65	4.97%
Total	**$37,756**	**$157,166**	**$13,638**	**$208,560**	1.18%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six months ended June 30, 2024 and June 30, 2023 was $7.6 million and $2.6 million.

	For the Three Months Ended June 30, 2024						
	Interest Rate Reduction	Term or Payment Extension	Payment Deferral	Combination – Interest Rate Reduction & Payment Deferral	Combination – Term or Payment Extension & Payment Deferral	Total	Percentage of Total Loans by Type
Real estate mortgage	$11,495	$403	$24,076	$1,717	$-	$37,691	0.35%
Production and intermediate-term	1,778	10,219	2,846	188	2	15,033	0.34%
Agribusiness	5,461	-	-	-	-	5,461	0.12%
Total	**$18,734**	**$10,622**	**$26,922**	**$1,905**	**$2**	**$58,185**	0.28%

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	For the Three Months Ended June 30, 2023				
	Interest Rate Reduction	Term or Payment Extension	Combination – Interest Rate Reduction & Payment Deferral	Total	Percentage of Total Loans by Type
Real estate mortgage	$28,906	$17,442	$713	$47,061	0.49%
Production and intermediate-term	580	2,941	249	3,770	0.10%
Total	**$29,486**	**$20,383**	**$962**	**$50,831**	0.29%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended June 30, 2024 and June 30, 2023 was $3.3 million and $1.4 million.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2024:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 12.37% to 8.34%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 15.04% to 10.04%
Agribusiness	Reduced weighted average contractual interest rate on loans from 9.95% to 8.88%

	Term or Payment Extension
	Financial Effect
Real estate mortgage	Increased weighted-average maturities on loans by 4.1 years
Production and intermediate-term	Increased weighted-average maturities on loans by 0.8 years

	Principal Forgiveness (*in thousands)*
	Financial Effect
Production and intermediate-term	$436

	Payment Deferral
	Financial Effect
Real estate mortgage	Provided a weighted average 0.8 year payment deferral
Production and intermediate-term	Provided a weighted average 0.9 year payment deferral
Agribusiness	Provided a weighted average 0.5 year payment deferral

	Combination - Interest Rate Reduction and Payment Deferral
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 10.76% to 7.79%
Real estate mortgage	Provided a weighted average 1.0 year payment deferral
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 12.37% to 6.53%
Production and intermediate-term	Increased weighted-average maturities on loans by 8.1 years
Production and intermediate-term	Provided a weighted average 0.8 year payment deferral

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Combination - Term or Payment Extension and Payment Deferral
	Financial Effect
Production and intermediate-term	Increased weighted-average maturities on loans by 3.1 years
Production and intermediate-term	Provided a weighted average 1.2 year payment deferral

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2023:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 11.78% to 6.78%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 14.33% to 9.33%

	Term or Payment Extension
	Financial Effect
Real estate mortgage	Increased weighted-average maturities on loans by 0.6 years
Production and intermediate-term	Increased weighted-average maturities on loans by 0.8 years

	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 13.81% to 8.81%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 11.75% to 8%
Production and intermediate-term	Increased weighted-average maturities on loans by 7.8 years

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 10.06% to 8.32%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 9.56% to 8.66%
Agribusiness	Reduced weighted average contractual interest rate on loans from 9.95% to 9.28%
Rural residential real estate	Reduced weighted average contractual interest rate on loans from 13.78% to 8.78%

	Term or Payment Extension
	Financial Effect
Real estate mortgage	Increased weighted-average maturities on loans by 8.7 years
Production and intermediate-term	Increased weighted-average maturities on loans by 1.8 years

	Payment Deferral
	Financial Effect
Real estate mortgage	Provided a weighted average 1.0 year payment deferral
Production and intermediate-term	Provided a weighted average 0.8 year payment deferral
Agribusiness	Provided a weighted average 3.0 year payment deferral

	Principal Forgiveness (*in thousands)*
	Financial Effect
Production and intermediate-term	$436

	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 16.35% to 11.36%
Production and intermediate-term	Increased weighted-average maturities on loans by 0.7 years

	Combination - Interest Rate Reduction and Payment Deferral
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 12.48% to 8.95%
Real estate mortgage	Provided a weighted average 1.0 year payment deferral
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 14.78% to 9.43%
Production and intermediate-term	Increased weighted-average maturities on loans by 8.1 years
Production and intermediate-term	Provided a weighted average 0.9 year payment deferral

	Combination - Term or Payment Extension and Payment Deferral
	Financial Effect
Production and intermediate-term	Increased weighted-average maturities on loans by 1.1 years
Production and intermediate-term	Provided a weighted average 2.0 year payment deferral

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2023:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 11.88% to 6.88%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 9.84% to 8.09%

	Term or Payment Extension
	Financial Effect
Real estate mortgage	Increased weighted-average maturities on loans by 0.6 years
Production and intermediate-term	Increased weighted-average maturities on loans by 2.1 years

	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate on loans from 11.54% to 6.54%
Production and intermediate-term	Reduced weighted average contractual interest rate on loans from 10.16% to 8%
Production and intermediate-term	Increased weighted-average maturities on loans by 0.8 years

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended June 30, 2024 and received a modification in the twelve months before default:

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Modified Loans that Subsequently Defaulted		
	Interest Rate Reduction	**Payment Deferral**	**Combination - Interest Rate Reduction & Payment Deferral**
Real estate mortgage	$4,442	$87	$1,717
Production and intermediate-term	-	2	
Total	**$4,442**	**$89**	**$1,717**

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the six months ended June 30, 2024 and received a modification in the twelve months before default:

	Modified Loans that Subsequently Defaulted				
	Interest Rate Reduction	**Payment Deferral**	**Combination - Interest Rate Reduction & Term or Payment Extension**	**Combination - Interest Rate Reduction & Payment Deferral**	**Combination - Term or Payment Extension & Payment Deferral**
Real estate mortgage	$4,970	$18,782	$-	$3,542	$-
Production and intermediate-term	-	163	946	197	262
Rural residential real estate	53	-	-	-	-
Total	**$5,023**	**$18,945**	**$946**	**$3,739**	**$262**

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended June 30, 2023 and received a modification in the twelve months before default:

	Modified Loans that Subsequently Defaulted		
	Interest Rate Reduction	**Term or Payment Extension**	**Combination - Interest Rate Reduction & Term or Payment Extension**
Real estate mortgage	$10,741	$2,436	$953
Production and intermediate-term	-	10,978	-
Agribusiness	-	65	-
Total	**$10,741**	**$13,479**	**$953**

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of CECL, through June 30, 2023 and that defaulted in the period presented:

	Modified Loans that Subsequently Defaulted		
	Interest Rate Reduction	**Term or Payment Extension**	**Combination - Interest Rate Reduction & Term or Payment Extension**
Real estate mortgage	$11,276	$5,148	$953
Production and intermediate-term	-	12,703	-
Agribusiness	-	65	-
Total	**$11,276**	**$17,916**	**$953**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 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	$107,428	$8,173	$28,028
Production and intermediate-term	32,097	178	1,594
Agribusiness	19,018	-	(63)
Rural residential real estate	-	-	53
Total	**$158,543**	**$8,351**	**$29,612**

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of adoption of CECL through June 30, 2023:

	Payment Status of Loans Modified in the Past 6 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$79,776	$16,090	$8,539
Production and intermediate-term	59,920	1,679	14,187
Agribusiness	28,304	-	-
Rural residential real estate	-	-	65
Total	**$168,000**	**$17,769**	**$22,791**

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 2024, were $43.0 million and during the year ended December 31, 2023, were $34.6 million.

ALLOWANCE FOR CREDIT LOSSES

The credit risk rating methodology is a key component of the allowance for credit losses evaluation and is incorporated into loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base but the board of directors has established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities, and to the Banks' (other than CoBank) loan participations.
A summary of changes in the allowance for credit losses by portfolio segment are as follows:

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at March 31, 2024	$7,257	$7,494	$2,219	$4	$-	$16,974
Charge-offs	(2,369)	(2,044)	(816)	-	-	(5,229)
Recoveries	4	804	1,418	-	-	2,226
Provision for/(Reversal of) loan losses	2,561	(107)	1,810	4	-	4,268
Balance at June 30, 2024	**$7,453**	**$6,147**	**$4,631**	**$8**	**$-**	**$18,239**
Allowance for unfunded commitments:						
Balance at March 31, 2024	$116	$420	$336	$-	$-	$872
Provision for unfunded commitments	4	(31)	318	-	-	291
Balance at June 30, 2024	**$120**	**$389**	**$654**	**$-**	**$-**	**$1,163**
Total allowance for credit losses	**$7,573**	**$6,536**	**$5,285**	**$8**	**$-**	**$19,402**

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at December 31, 2023	$5,599	$7,839	$7,788	$1	$-	$21,227
Charge-offs	(6,151)	(6,162)	(20,414)	-	-	(32,727)
Recoveries	6	1,655	2,885	-	-	4,546
Provision for loan losses	7,999	2,815	14,372	7	-	25,193
Balance at June 30, 2024	**$7,453**	**$6,147**	**$4,631**	**$8**	**$-**	**$18,239**
Allowance for unfunded commitments:						
Balance at December 31, 2023	$136	$396	$504	$-	$-	$1,036
Provision for unfunded commitments	(16)	(7)	150	-	-	127
Balance at June 30, 2024	**$120**	**$389**	**$654**	**$-**	**$-**	**$1,163**
Total allowance for credit losses	**$7,573**	**$6,536**	**$5,285**	**$8**	**$-**	**$19,402**

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Real Estate Mortgage	Production and Intermediate -term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at March 31, 2023	$3,477	$9,341	$9,472	$-	$-	$22,290
Charge-offs	-	(6,525)	(5,567)	-	-	(12,092)
Recoveries	8	3,983	1	-	-	3,992
Provision for/(Reversal of) loan losses	883	(324)	4,840	-	-	5,399
Balance at June 30, 2023	**$4,368**	**$6,475**	**$8,746**	**$-**	**$-**	**$19,589**
Allowance for unfunded commitments:						
Balance at March 31, 2023	$84	$445	$527	$-	$-	$1,056
Provision for unfunded commitments	40	(21)	69	-	-	88
Balance at June 30, 2023	**$124**	**$424**	**$596**	**$-**	**$-**	**$1,144**
Total allowance for credit losses	**$4,492**	**$6,899**	**$9,342**	**$-**	**$-**	**$20,733**

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Rural Infra-structure	Agricultural Export Finance	Total
Allowance for loan losses:						
Balance at December 31, 2022	$11,115	$15,672	$22,122	$457	$82	$49,448
Cumulative effect of change in accounting principle	(8,004)	(9,422)	(10,459)	(457)	(82)	(28,424)
Balance at January 1, 2023	**3,111**	**6,250**	**11,663**	**-**	**-**	**21,024**
Charge-offs	-	(12,916)	(6,220)	-	-	(19,136)
Recoveries	12	4,328	71	-	-	4,411
Provision for loan losses	1,245	8,813	3,232	-	-	13,290
Balance at June 30, 2023	**$4,368**	**$6,475**	**$8,746**	**$-**	**$-**	**$19,589**
Allowance for unfunded commitments:						
Balance at December 31, 2022	$200	$2,267	$1,375	$52	$6	$3,900
Cumulative effect of change in accounting principle	(108)	(2,018)	(1,039)	(52)	(6)	(3,223)
Balance at January 1, 2023	**92**	**249**	**336**	**-**	**-**	**677**
Provision for unfunded commitments	32	175	260	-	-	467
Balance at June 30, 2023	**$124**	**$424**	**$596**	**$-**	**$-**	**$1,144**
Total allowance for credit losses	**$4,492**	**$6,899**	**$9,342**	**$-**	**$-**	**$20,733**

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

DISCUSSION OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES

The ACL decreased $2.9 million to $19.4 million at June 30, 2024, as compared to $22.3 million at December 31, 2023. This is largely due to changes in PD/LGD ratings, offset by an increase in net charge-offs, resulting in decreased reserves.

The Association's CECL framework is significantly shaped by the internally assigned risk rating of each loan. By integrating the risk profile for each individual credit within the Association's portfolio, along with the key MEV's listed below, the Association's CECL framework provides an estimate of expected losses. This estimate is grounded in both the characteristics of each individual loan and broader economic factors. The below table provides the forecast variables for the first three years of the 10-year forecast period for the two most influential MEV's for the Association's five largest industry segments, which represent 64.85% of the portfolio at June 30, 2024.

Portfolio Segment	Significant Macroeconomic Variable	Forecast Period		
		Year 1	Year 2	Year 3
Beef	10-Year treasury yield	4.15	3.78	3.52
	Dow Jones total stock market index quarterly year-over-year % change	19.02%	1.06%	2.47%
Dairies	Japan bilateral dollar exchange rate YEN-USD	154.50	147.14	140.76
	Total Livestock & Cash Receipts quarter-over-quarter % change	0.85	0.47	0.64
Field crops	1-Year treasury yield	4.74%	3.78%	2.94%
	Net farm income quarterly year-over-year % change	-12.86%	-0.60%	-0.11%
Tree fruits and nuts	Price of oil, gasoline	973.66	947.4	951.28
	World lead price, constant exchange rates	2,157.14	2,184.51	2,215.14
Vineyards and wineries	Net interest receipts quarter-over-quarter level change	0.67%	2.95%	2.88%
	White wine grape price quarter-over-quarter % change	0.38	-0.03	0.16

NOTE 3 – LEASES

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

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

	Operating Leases	Finance Leases	Total
2024 (excluding the six months ended 6/30/24)	$445	$1,402	$1,847
2025	838	2,274	3,112
2026	500	670	1,170
2027	275	151	426
2028	230	-	230
Thereafter	1,201	-	1,201
Total lease payments	**3,489**	**4,497**	**7,986**
Less: interest	-	(776)	(776)
Total	**$3,489**	**$3,721**	**$7,210**

Right-of-use assets, net of accumulated amortization, amounted to $6.2 million for the period ended June 30, 2024.

NOTE 4 – SHAREHOLDERS' EQUITY

The table below shows the Association's regulatory capital requirements and ratios as of June 30, 2024. The Association exceeded all regulatory minimum capital requirements as of June 30, 2024, and December 31, 2023.

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

	Regulatory Minimums	Capital Conservation Buffer	Total	Jun. 30, 2024	Dec. 31, 2023
Risk-adjusted:					
Common Equity Tier 1 capital	4.5%	2.5%	7.0%	**11.36%**	**11.14%**
Tier 1 capital	6.0%	2.5%	8.5%	**12.61%**	**12.41%**
Total capital	8.0%	2.5%	10.5%	**13.52%**	**13.37%**
Permanent capital	7.0%	0.0%	7.0%	**13.61%**	**13.44%**
Non-risk-adjusted:					
Tier 1 leverage	4.0%	1.0%	5.0%	**14.38%**	**14.15%**
URE and UREE leverage	1.5%	0.0%	1.5%	**12.89%**	**12.64%**

On June 14, 2021, the Association issued $300 million of Series A non-cumulative perpetual preferred stock at $1,000 par value per share. The issuance carries an annual dividend rate of 5.25% payable quarterly until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026, and quarterly thereafter.

The Series A preferred stock is junior upon liquidation or dissolution to any subordinated debt, existing and future debt obligations, and to any series of preferred stock issued in the future with priority rights. Series A preferred stock has a preference as to dividends and is senior upon liquidation or dissolution to outstanding Class C common stock, Class F participation certificates, and patronage equities.

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

Balance at December 31, 2023	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Other comprehensive loss before reclassifications	$(16,565)	$(16,565)
Amounts reclassified from accumulated other comprehensive loss	2,752	2,752
Net current period other comprehensive income	2,752	2,752
Balance at June 30, 2024	**$(13,813)**	**$(13,813)**

Balance at December 31, 2022	Pension and Other Benefit Plans	Accumulated Other Comprehensive Loss
Other comprehensive loss before reclassifications	$(16,796)	$(16,796)
Amounts reclassified from accumulated other comprehensive loss	2,755	2,755
Net current period other comprehensive income	2,755	2,755
Balance at June 30, 2023	**$(14,041)**	**$(14,041)**

The following table represents reclassifications out of accumulated other comprehensive loss:

	For the Six Months Ended		Location of Gain/(Loss) Recognized in Statement of Income
	Jun. 30, 2024	Jun. 30, 2023	
Pension and other benefit plans:			
Net actuarial gain	$2,752	$2,755	Salaries & Benefits
Total amounts reclassified	**$2,752**	**$2,755**	

Notes to the Consolidated Financial Statements (dollars in thousands, except as noted.)

NOTE 5 – SUBORDINATED NOTES

In June 2021, the Association issued $200 million of Subordinated Notes (Notes), due in 2036, which may be redeemed all or in part on any interest payment date on or after June 2031. The Notes bear a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The Notes are subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The Notes are not considered System debt and are not an obligation of, nor guaranteed by any System entity. Further, payments on the Notes are not insured by the FCSIC. The notes are presented net of unamortized issuance costs of approximately $2.0 million on the Consolidated Statements of Condition at June 30, 2024.

NOTE 6 – FAIR VALUE MEASUREMENTS

Accounting standards define 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 2 to the 2023 Annual Report.

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

	June 30, 2024 Fair Value Measurement Using		December 31, 2023 Fair Value Measurement Using	
	Level 1	Level 3	Level 1	Level 3
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$39,524		$34,795	
Measured at fair value on a non-recurring basis:				
Loans		$34,847		$43,799
Other Property Owned		$14,182		$-

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying amounts, estimated fair values, and the level within the fair value hierarchy of the Association's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values, and other financial assets or liabilities with no defined or contractual maturities are excluded. There were no significant changes in the valuation techniques during the period ending June 30, 2024.

June 30, 2024	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$20,732,922	$20,022,043	Level 3
Cash	$45,825	$45,825	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$17,579,829	$17,191,936	Level 3
Subordinated debt	$198,007	$163,878	Level 3

December 31, 2023	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$20,478,189	$19,913,870	Level 3
Cash	$106,756	$106,756	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$17,436,357	$17,083,175	Level 3
Subordinated debt	$197,923	$166,730	Level 3

VALUATION TECHNIQUES

Accounting 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 Associations' assets and liabilities.

Loans: Fair value is estimated by discounting the expected future principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve, based on interest rates at which similar loans would be made to borrowers with similar credit risk regarding recent loan origination rates and management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

Fair value of loans in nonaccrual status is estimated as described above, but cash flows are principal only, meaning no interest cash flows occur, and the maturity date is adjusted to assume resolution occurs within two to three years.

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.

Other Property Owned: Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

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

Cash: Fair value of cash approximates amortized cost.

Notes Payable to CoBank: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve based on current market rates of similar securities with similar maturities and characteristics. The current market rates used were obtained from the Federal Farm Credit Banks Funding Corporation.

Subordinated Debt: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. This discount rate is a spread over an applicable yield curve based on expected market rates of similar securities. The expected market rates are derived from current market interest rates and the change in applicable corporate BBB finance spread obtained from an independent third party since the trade date. Management has no basis to determine whether the estimated fair value presented would be indicative of the assumptions and adjustments that a purchaser of the subordinated debt would seek in an actual sale.

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 9, 2024, which is the date the financial statements were available to be issued.