WESTERN AgCredit®

# REPORT TO SHAREHOLDERS
# THIRD QUARTER
# 2024

# WESTERN AGCREDIT

**Management's Discussion and Analysis of Financial Condition and Results of Operations:**

**Statement of Condition:** As of September 30, 2024, total loan volume was $1,397.3 million, an increase of $65.9 million from the comparative period for 2023 primarily due to the Association's successful marketing efforts to obtain new good quality loan volume and purchase of loan participations. This compares to an increase of $27.0 million from December 31, 2023 primarily due to new loan volume partially offset by repayments. The allowance for loan losses increased $53 thousand since September 30, 2023 and decreased $75 thousand since December 31, 2023. The increase from September 30, 2023 is due primarily to an increase in loan volume and LGD factor partially offset by decreases in PD, industry, and collateral quality factors. The decrease from December 31, 2023 is due primarily to decreases in PD and LGD factors partially offset by increases in loan volume, credit quality, and industry factors.

The Association's cash position decreased $971 thousand compared to year-end 2023 due to a smaller deposit being made at the end of September 2024 than at year-end 2023. Accrued interest receivable increased $3.9 million from September 2023, primarily due to increased interest rates and loan volume. The Investment in CoBank increased $1.6 million from September 2023 due to required purchases associated with higher loan volume and associated note payable during 2023. The $405 thousand decrease in premises and equipment from September 2023 is due primarily to normal depreciation partially offset by capital purchases. Other assets decreased $67 thousand compared to September 2023, primarily due to amortization of prepaid pension costs. The $2.0 million decrease in other assets from year-end 2023 is largely due to the receipt of 2023 CoBank patronage paid in March 2024.

Note payable to CoBank increased $48.2 million from a year earlier primarily due to increased loan volume, which is primarily funded by the note payable. Funds held at September 30, 2024 were $575 thousand higher than year-end 2023 and $1.1 million lower than the comparative period for 2023. Increases result from borrowers' deposit of funds into the Association's funds held account program and decreases result from borrowers use of those funds. Accrued interest payable increased $439 thousand or 12.2% from September 30, 2023 primarily as a result of the higher cost of funds and increased note payable. The Association accrues estimated member patronage each month, resulting in $7.6 million of accrued patronage at September 30, 2024. The $13.9 million of patronage distributions payable at December 31, 2023 is the accrued and declared 2023 patronage, subsequently paid to members in February 2024. Other liabilities decreased $639 thousand when compared to September 2023 primarily due to the decreased Farm Credit Insurance Fund accrual (due to reduced assessed rate) along with decreased deferred tax liability and income taxes payable partially offset by an increase in reserve for unfunded commitments. The $1.6 million decrease in other liabilities from year-end 2023 is largely due to the annual payments of Farm Credit Insurance Fund premiums and accrued employee incentives in the first quarter of each year.

Capital stock and participation certificates increased $22 thousand from year-end 2023 due to stock issuances exceeding retirements. Unallocated retained earnings increased $21.0 million from year-end 2023, attributed to the Association's net income partially offset by accrued member patronage, while the $23.4 million increase from September 2023 resulted from the Association's net income of $37.6 million less the $14.2 million in patronage distributions that were accrued during the period.

**Statement of Income:** Year-to-date net interest income for 2024 increased $2.2 million or 6.6% when compared to the same period in 2023. Total interest income increased $7.2 million primarily due to increased average interest rate and increased loan volume while total interest expense increased $4.9 million largely attributable to the increase in the average cost of funds and increased note payable. The 2024 year-to-date reversal of loan losses is due to decreases in PD and LGD factors partially offset by the increases in loan volume, credit quality, and industry factors. The Association's allowance for loan losses remained adequate at 0.12% of loans at September 30, 2024.

The $707 thousand increase in 2024 year-to-date total noninterest income was primarily due to increased other noninterest income, patronage from Farm Credit Institutions, financially related services income, and loan fees. The increase in other noninterest income resulted from receiving the Association's share of excess Farm Credit Insurance Fund. Other noninterest income in 2024 consists of the return of excess Farm Credit Insurance Fund, allocated income from the Farm Credit Captive Insurance program, rental income from a portion of the South Jordan and Evanston buildings, and mineral income.

Total year-to-date noninterest expense decreased $39 thousand or 0.31%. The decrease resulted from $628 thousand decrease in Farm Credit Insurance Fund premium and $1 thousand increase in the gain on other property owned offset by a $486 thousand increase in salaries and employee benefits, $86 thousand increase in other operating expenses, $16 thousand increase in occupancy and equipment, and $2 thousand increase in the loss on sale of premises and equipment.

The Association's $28.6 million 2024 year-to-date net income is $5.6 million higher than projected in the Association's business plan primarily due to lower than projected provision for loan losses, operating expenses, and Farm Credit Insurance Fund premium and higher than projected net interest income and noninterest income.

Please refer to “Notes to the Association Consolidated Financial Statements” and the Association’s 2023 Annual Report for additional information. The financial statements were prepared under the oversight of the Association’s Audit Committee.

# WESTERN AGCREDIT
# CONSOLIDATED STATEMENTS OF CONDITION
(Unaudited)
(Dollars in thousands)

| | September 30, | | December 31, | |
|---|---|---|---|---|
| | **2024** | 2023 | 2023 | 2022 |
| **ASSETS** | | | | |
| Loans | **$ 1,397,293** | $ 1,331,354 | $ 1,370,321 | $ 1,281,157 |
| Less: Allowance for loan losses | **(1,723)** | (1,670) | (1,798) | (2,141) |
| Net loans | **1,395,570** | 1,329,684 | 1,368,523 | 1,279,016 |
| Cash | **2,847** | 2,404 | 3,818 | 1,353 |
| Accrued interest receivable | **34,605** | 30,656 | 24,042 | 18,539 |
| Investment in CoBank | **31,579** | 29,992 | 31,560 | 34,463 |
| Premises and equipment, net | **10,866** | 11,271 | 11,090 | 11,451 |
| Other property owned | **2** | 905 | 702 | 905 |
| Deferred tax assets, net | **39** | - | - | - |
| Other assets | **14,713** | 14,780 | 16,725 | 16,998 |
| Total assets | **$ 1,490,221** | $ 1,419,692 | $ 1,456,460 | $ 1,362,725 |
| **LIABILITIES** | | | | |
| Note payable to CoBank | **$ 1,113,880** | $ 1,065,655 | $ 1,095,016 | $ 1,032,266 |
| Funds held | **37,425** | 38,534 | 36,850 | 28,163 |
| Accrued interest payable | **4,038** | 3,599 | 2,850 | 1,970 |
| Accrued member patronage | **7,621** | 7,324 | - | - |
| Patronage distributions payable | **-** | - | 13,865 | 8,770 |
| Deferred tax liabilities, net | **-** | 171 | 39 | 45 |
| Other liabilities | **3,454** | 4,093 | 5,016 | 5,708 |
| Total liabilities | **1,166,418** | 1,119,376 | 1,153,636 | 1,076,922 |
| Commitments and contingencies | | | | |
| **MEMBERS' EQUITY** | | | | |
| Capital stock and participation certificates | **1,549** | 1,519 | 1,527 | 1,500 |
| Unallocated retained earnings | **322,254** | 298,799 | 301,297 | 284,311 |
| Accumulated other comprehensive loss | **-** | (2) | - | (8) |
| Total members' equity | **323,803** | 300,316 | 302,824 | 285,803 |
| Total liabilities and members' equity | **$ 1,490,221** | $ 1,419,692 | $ 1,456,460 | $ 1,362,725 |

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

# WESTERN AGCREDIT
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(Dollars in thousands)

| | For the quarter ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **INTEREST INCOME** | | | | |
| Loans | **$ 22,129** | $ 20,745 | **$ 65,041** | $ 57,875 |
| Total interest income | **22,129** | 20,745 | **65,041** | 57,875 |
| **INTEREST EXPENSE** | | | | |
| Note payable to CoBank | **9,471** | 8,240 | **27,597** | 22,563 |
| Funds held | **387** | 397 | **1,195** | 1,294 |
| Total interest expense | **9,858** | 8,637 | **28,792** | 23,857 |
| Net interest income | **12,271** | 12,108 | **36,249** | 34,018 |
| (Provision for)/Reversal of loan losses | **(39)** | (342) | **27** | 161 |
| Net interest income after provision for loan losses | **12,232** | 11,766 | **36,276** | 34,179 |
| **NONINTEREST INCOME** | | | | |
| Patronage distribution from Farm Credit Institutions | **1,332** | 1,297 | **4,022** | 3,770 |
| Financially related services income | **41** | 15 | **122** | 66 |
| Loan fees | **121** | 120 | **261** | 273 |
| Other noninterest income | **25** | 33 | **517** | 106 |
| Total noninterest income | **1,519** | 1,465 | **4,922** | 4,215 |
| **NONINTEREST EXPENSE** | | | | |
| Salaries and employee benefits | **2,924** | 2,786 | **8,695** | 8,209 |
| Occupancy and equipment | **160** | 161 | **526** | 510 |
| Other operating expense | **854** | 817 | **2,716** | 2,630 |
| Farm Credit Insurance Fund premium | **289** | 444 | **798** | 1,426 |
| Loss/(gain) on sale of premises and equipment | **2** | (39) | **(38)** | (40) |
| Gain on other property owned, net | **-** | - | **(1)** | - |
| Total noninterest expense | **4,229** | 4,169 | **12,696** | 12,735 |
| Income before income taxes | **9,522** | 9,062 | **28,502** | 25,659 |
| (Provision)/Benefit for income taxes | **(11)** | (76) | **76** | (30) |
| Net income | **$ 9,511** | $ 8,986 | **$ 28,578** | $ 25,629 |
| **COMPREHENSIVE INCOME** | | | | |
| Amortization of retirement costs | **-** | 2 | **-** | 6 |
| Total Comprehensive Income | **$ 9,511** | $ 8,988 | **$ 28,578** | 25,635 |

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

# WESTERN AGCREDIT
## CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(Unaudited)
(Dollars in thousands)

| | At-Risk Equity | | | |
|---|---|---|---|---|
| | Capital Stock and Participation Certificates | Unallocated Retained Earnings | Accumulated Other Comprehensive Loss | Total Members' Equity |
| Balance at December 31, 2022 | $ 1,500 | $ 284,311 | $ (8) | $ 285,803 |
| Cumulative effect of change in accounting principle (Note 1) | | 216 | | 216 |
| Comprehensive income | | 25,629 | 6 | 25,635 |
| Accrued member patronage | | (7,324) | | (7,324) |
| Patronage declared and accrued | | (4,033) | | (4,033) |
| Capital stock and participation certificates issued | 96 | | | 96 |
| Capital stock and participation certificates retired | (77) | | | (77) |
| Balance at September 30, 2023 | $ 1,519 | $ 298,799 | $ (2) | $ 300,316 |
| | | | | |
| Balance at December 31, 2023 | $ 1,527 | $ 301,297 | $ - | $ 302,824 |
| **Comprehensive income** | | **28,578** | | **28,578** |
| **Accrued member patronage** | | **(7,621)** | | **(7,621)** |
| **Capital stock and participation certificates issued** | **85** | | | **85** |
| **Capital stock and participation certificates retired** | **(63)** | | | **(63)** |
| **Balance at September 30, 2024** | **$ 1,549** | **$ 322,254** | **$ -** | **$ 323,803** |

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

# WESTERN AGCREDIT
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and $ amounts in thousands)

### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Western AgCredit, ACA and wholly-owned subsidiaries, Western AgCredit, PCA and Western AgCredit, FLCA (collectively called "the 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 Stockholders. These unaudited third quarter 2024 financial statements should be read in conjunction with the 2023 Annual Report to Stockholders.

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

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

### Recently Adopted 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 amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations, or cash flows.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The amendments in this ASU improve reportable segment disclosure but do not change the definition of segment, method of determining a segment, or the criteria for aggregating operating segments. 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 Farm Credit System is currently assessing the potential impact of this standard on its disclosures.

## NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Real estate mortgage | $ 966,829 | $ 958,888 |
| Production & intermediate-term | 275,482 | 283,609 |
| Agribusiness | 122,540 | 97,127 |
| Rural infrastructure | 32,442 | 30,697 |
| Total loans | $ 1,397,293 | $ 1,370,321 |

The Association purchases or sells participation interests with other parties to diversify risk, manage loan volume, and comply with Board Policy and Farm Credit Administration regulations.

The following table presents information regarding participations purchased and sold as of the quarter ended September 30, 2024:

| | Other Farm Credit Institutions | | Non-Farm Credit Institutions | | Total | |
|---|---|---|---|---|---|---|
| | Purchased | Sold | Purchased | Sold | Purchased | Sold |
| Real estate mortgage | $ 53,493 | $ 82,393 | $ 192,969 | $ - | $ 246,462 | $ 82,393 |
| Production & intermediate-term | 49,511 | 11,522 | 15,323 | - | 64,834 | 11,522 |
| Agribusiness | 77,144 | 27,032 | 32,090 | - | 109,234 | 27,032 |
| Rural infrastructure | 32,442 | - | - | - | 32,442 | - |
| Total participations | $ 212,590 | $ 120,947 | $ 240,382 | $ - | $ 452,972 | $ 120,947 |

### 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 retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by the Board of Directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position, and collateral. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, 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.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default within twelve months from the date of the determination of the PD rating. The loss given default is management's estimate as to the anticipated loss on a specific loan assuming a default has occurred or will occur within the next twelve 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. The credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The Association reviews the probability of default category at least on an annual basis, or when a credit action is taken.

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

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

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

| | September 30 2024 | December 31, 2023 |
|---|---|---|
| Real estate mortgage | | |
| Acceptable | 94.81% | 96.13% |
| OAEM | 2.21% | 1.66% |
| Substandard | 2.98% | 2.21% |
| Total | 100.00% | 100.00% |
| Production & intermediate-term | | |
| Acceptable | 95.89% | 94.55% |
| OAEM | 2.63% | 1.39% |
| Substandard | 1.48% | 4.06% |
| Total | 100.00% | 100.00% |
| Agribusiness | | |
| Acceptable | 93.24% | 91.81% |
| OAEM | 0.00% | 7.61% |
| Substandard | 6.76% | 0.58% |
| Total | 100.00% | 100.00% |
| Rural infrastructure | | |
| Acceptable | 100.00% | 100.00% |
| Total | 100.00% | 100.00% |
| Total Loans | | |
| Acceptable | 95.01% | 95.58% |
| OAEM | 2.05% | 1.99% |
| Substandard | 2.94% | 2.43% |
| Total loans | 100.00% | 100.00% |

Accrued interest receivable on loans of $34.6 million and $24.0 million at September 30, 2024 and December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition.

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

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Nonaccrual loans: | | |
| Real estate mortgage | $ 6,951 | $ 6,403 |
| Production & intermediate-term | 936 | 3,246 |
| Agribusiness | 446 | 561 |
| Total nonaccrual loans | 8,333 | 10,210 |
| Other property owned | 2 | 702 |
| Total nonperforming assets | $ 8,335 | $ 10,912 |

| | |
|---|---|
| Nonaccrual loans as a percentage of total loans | 0.60% |
| Nonperforming assets as a percentage of total loans and other property owned | 0.60% |
| Nonperforming assets as a percentage of capital | 2.57% |

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

| | September 30, 2024 | | | Interest Income Recognized | |
|---|---|---|---|---|---|
| | Amortized Cost with Allowance | Amortized Cost without Allowance | Total | For the Three Months Ended September 30, 2024 | For the Nine Months Ended September 30, 2024 |
| Nonaccrual loans: | | | | | |
| Real estate mortgage | $ 6,951 | $ - | $ 6,951 | $ 2 | $ (60) |
| Production and intermediate-term | 936 | - | 936 | 12 | 100 |
| Agribusiness | 446 | - | 446 | - | - |
| Total nonaccrual loans | $ 8,333 | $ - | $ 8,333 | $ 14 | $ 40 |

| | December 31, 2023 | | | Interest Income Recognized | |
|---|---|---|---|---|---|
| | Amortized Cost with Allowance | Amortized Cost without Allowance | Total | For the Three Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2023 |
| Nonaccrual loans: | | | | | |
| Real estate mortgage | $ 6,403 | $ - | $ 6,403 | $ 18 | $ 26 |
| Production and intermediate-term | 3,246 | - | 3,246 | 640 | 643 |
| Agribusiness | 561 | - | 561 | - | - |
| Total nonaccrual loans | $ 10,210 | $ - | $ 10,210 | $ 658 | $ 669 |

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

| September 30, 2024 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less then 30 Days Past Due | Recorded Investment in Loans Outstanding | Recorded Investment >90 days and Accruing |
|---|---|---|---|---|---|---|
| Real estate mortgage | $ 44 | $ - | $ 44 | $ 966,784 | $ 966,828 | $ - |
| Production and intermediate-term | 820 | 310 | 1,130 | 274,353 | 275,483 | - |
| Agribusiness | 7,836 | - | 7,836 | 114,704 | 122,540 | - |
| Rural infrastructure | - | - | - | 32,442 | 32,442 | - |
| Total | $ 8,700 | $ 310 | $ 9,010 | $ 1,388,283 | $ 1,397,293 | $ - |

| December 31, 2023 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less then 30 Days Past Due | Recorded Investment in Loans Outstanding | Recorded Investment >90 days and Accruing |
|---|---|---|---|---|---|---|
| Real estate mortgage | $ - | $ 2,514 | $ 2,514 | $ 956,374 | $ 958,888 | $ - |
| Production and intermediate-term | 9 | 436 | 445 | 283,164 | 283,609 | - |
| Agribusiness | - | - | - | 97,127 | 97,127 | - |
| Rural infrastructure | - | - | - | 30,697 | 30,697 | - |
| Total | $ 9 | $ 2,950 | $ 2,959 | $ 1,367,362 | $ 1,370,321 | $ - |

As of September 30, 2024, the Association had $7.2 million in nonaccrual loans that meet the CECL definition of collateral dependent. 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 mortgages and production and intermediate-term loans.

On October 29, 2024, after the balance sheet date of September 30, 2024 but prior to the issuance of the financial statements, the Association transferred an $8.0 million real estate mortgage loan to nonaccrual status. This transfer was made after the borrower became noncompliant with loan covenants based on the expiration of a forbearance agreement. The Association expects to fully collect the loan and interest and as such there was no impact to net interest income or the allowance for credit losses. Management will continue to closely monitor the performance of this loan. The full impact on the Association's financial position and results of operations cannot be determined at this time but may be material in future periods if the borrower's financial condition further deteriorates.

**Loan Modifications to Borrowers Experiencing Financial Difficulties**

The following table shows the amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted.

| | For the Three Months Ended September 30, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term Extension | Payment Deferred | Combination - Interest Rate & Term Extension | Combination - Interest Rate & Payment Deferred | Combination - Term Extension & Payment Deferred | Percentage of Total by Loan Type |
| Production & intermediate-term | $ - | $ 172 | $ - | $ 78 | $ - | $ - | 0.09% |
| Total | $ - | $ 172 | $ - | $ 78 | $ - | $ - | 0.09% |

| | For the Three Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term Extension | Payment Deferred | Combination - Interest Rate & Term Extension | Combination - Interest Rate & Payment Deferred | Combination - Term Extension & Payment Deferred | Percentage of Total by Loan Type |
| Production & intermediate-term | $ - | $ 8,214 | $ 151 | $ - | $ - | $ - | 0.63% |
| Total | $ - | $ 8,214 | $ 151 | $ - | $ - | $ - | 0.63% |

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended September 30, 2024 and 2023 was $8 thousand and $338 thousand, respectively.

| | For the Nine Months Ended September 30, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term Extension | Payment Deferred | Combination - Interest Rate & Term Extension | Combination - Interest Rate & Payment Deferred | Combination - Term Extension & Payment Deferred | Percentage of Total by Loan Type |
| Real estate mortgage | $ - | $ - | $ 7,248 | $ - | $ - | $ - | 0.75% |
| Production & intermediate-term | - | 1,973 | 474 | 153 | - | - | 0.94% |
| Total | $ - | $ 1,973 | $ 7,722 | $ 153 | $ - | $ - | 1.69% |

| | For the Nine Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest Rate Reduction | Term Extension | Payment Deferred | Combination - Interest Rate & Term Extension | Combination - Interest Rate & Payment Deferred | Combination - Term Extension & Payment Deferred | Percentage of Total by Loan Type |
| Real estate mortgage | $ - | $ - | $ 3,561 | $ - | $ - | $ - | 0.27% |
| Production & intermediate-term | - | 8,547 | 151 | 61 | - | - | 0.66% |
| Total | $ - | $ 8,547 | $ 3,712 | $ 61 | $ - | $ - | 0.93% |

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine months ended September 30, 2024 and 2023 was $278 thousand and $348 thousand, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended September 30, 2024 and September 30, 2023:

| For the three months ended September 30, 2024 | Weighted average interest rate pre-modification | Weighted average interest rate post-modification | Weighted average term extensions (months) | Weighted average payments deferred (months) |
|---|---|---|---|---|
| Production & intermediate-term | 10.35% | 9.75% | 12 | - |

| For the three months ended September 30, 2023 | Weighted average interest rate pre-modification | Weighted average interest rate post-modification | Weighted average term extensions (months) | Weighted average payments deferred (months) |
|---|---|---|---|---|
| Production & intermediate-term | 11.41% | 11.41% | 7 | 3 |

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the nine months ended September 30, 2024 and September 30, 2023:

| For the nine months ended September 30, 2024 | Weighted average interest rate pre-modification | Weighted average interest rate post-modification | Weighted average term extensions (months) | Weighted average payments deferred (months) |
|---|---|---|---|---|
| Production & intermediate-term | 11.42% | 10.80% | 11 | 0 |

| For the nine months ended September 30, 2023 | Weighted average interest rate pre-modification | Weighted average interest rate post-modification | Weighted average term extensions (months) | Weighted average payments deferred (months) |
|---|---|---|---|---|
| Real estate mortgage | 8.05% | 8.05% | - | 5 |
| Production & intermediate-term | 10.30% | 9.85% | 9 | 3 |

The Association did not have any modified loans with borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, that date of adoption of CECL that subsequently defaulted during the three or nine months ended September 30, 2024.

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

| | Payment Status of Loans Modified in the Past 12 Months | | |
|---|---|---|---|
| | Current | 30-89 Days Past Due | 90 Days or More Past Due |
| Real estate mortgage | $ 8,167 | $ - | $ - |
| Production & intermediate-term | 2,616 | - | - |
| Total | $ 10,783 | $ - | $ - |

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 the adoption of CECL, through September 30, 2023:

| | Payment Status of Loans Modified January 1, 2023 - September 30, 2023 | | |
|---|---|---|---|
| | Current | 30-89 Days Past Due | 90 Days or More Past Due |
| Real estate mortgage | $ 958 | $ - | $ 2,603 |
| Production & intermediate-term | 15,187 | - | - |
| Total | $ 16,145 | $ - | $ 2,603 |

At September 30, 2024, there were additional commitments to lend to borrowers of $145 thousand whose loans were modified during the nine months ended September 30, 2024. There were no additional commitments to lend to borrowers whose loans were modified as of December 31, 2023.

**Allowance for Credit Losses**

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower is 15% of the Association's lending limit base but the Associations' boards of directors have generally 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:

| | Real estate mortgage | Production and intermediate-term | Agribusiness | Rural infrastructure | Total |
|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | |
| Balance at June 30, 2024 | $ 764 | $ 440 | $ 421 | $ 51 | $ 1,676 |
| Chargeoffs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provision for/(reversal of) loan losses | 85 | (22) | (20) | 4 | 47 |
| Balance at September 30, 2024 | $ 849 | $ 418 | $ 401 | $ 55 | $ 1,723 |
| **Allowance for Unfunded Commitments:** | | | | | |
| Balance at June 30, 2024 | $ 6 | $ 46 | $ 45 | $ 3 | $ 100 |
| Provision for/(reversal of) unfunded commitments | (1) | 3 | (10) | - | (8) |
| Balance at September 30, 2024 | $ 5 | $ 49 | $ 35 | $ 3 | $ 92 |
| Total allowance for credit losses at September 30, 2024 | $ 854 | $ 467 | $ 436 | $ 58 | $ 1,815 |
| | | | | | |
| **Allowance for loan losses:** | | | | | |
| Balance at December 31, 2023 | $ 522 | $ 985 | $ 238 | $ 53 | $ 1,798 |
| Chargeoffs | - | - | - | - | - |
| Recoveries | - | 43 | - | - | 43 |
| Provision for/(reversal of) loan losses | 327 | (610) | 163 | 2 | (118) |
| Balance at September 30, 2024 | $ 849 | $ 418 | $ 401 | $ 55 | $ 1,723 |
| **Allowance for Unfunded Commitments:** | | | | | |
| Balance at December 31, 2023 | $ - | $ - | $ - | $ - | $ - |
| Provision for/(reversal of) unfunded commitments | 5 | 49 | 35 | 3 | 92 |
| Balance at September 30, 2024 | $ 5 | $ 49 | $ 35 | $ 3 | $ 92 |
| Total allowance for credit losses at September 30, 2024 | $ 854 | $ 467 | $ 436 | $ 58 | $ 1,815 |

| | Real estate mortgage | Production and intermediate-term | Agribusiness | Rural infrastructure | Total |
|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | |
| Balance at June 30, 2023 | $ 498 | $ 580 | $ 184 | $ 64 | $ 1,326 |
| Chargeoffs | - | - | - | - | - |
| Recoveries | - | 2 | - | - | 2 |
| Provision for/(reversal of) loan losses | 85 | 217 | 40 | - | 342 |
| Balance at September 30, 2023 | $ 583 | $ 799 | $ 224 | $ 64 | $ 1,670 |

| | Real estate mortgage | Production and intermediate-term | Agribusiness | Rural infrastructure | Total |
|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | |
| Balance at December 31, 2022 | $ 664 | $ 1,061 | $ 336 | $ 80 | $ 2,141 |
| Cumulative effect of change in accounting principle | 115 | (320) | (83) | (25) | (313) |
| Balance at January 1, 2023 | 779 | 741 | 253 | 55 | 1,828 |
| Chargeoffs | - | - | - | - | - |
| Recoveries | - | 3 | - | - | 3 |
| Provision for/(reversal of) loan losses | (196) | 55 | (29) | 9 | (161) |
| Balance at September 30, 2023 | $ 583 | $ 799 | $ 224 | $ 64 | $ 1,670 |

## NOTE 3 - CAPITAL

In accordance with the Farm Credit Act, each borrower is required to invest in capital stock (in the case of agricultural loans) or participation certificates (in the case of rural home and farm-related business loans) as a condition of borrowing. Borrowers purchase an amount of stock equal to the lesser of $1,000 or 2% of the amount borrowed at the customer level. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment; the aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. In accordance with the Farm Credit Act, such equities are unprotected and at risk.

Retirement of at-risk equities will be solely at the discretion of the Board of Directors at the lower of par or book value, and repayment of a loan cannot automatically result in retirement of the corresponding stock or participation certificates. The Board of Directors may adjust the required level of capitalization as necessary to meet the Association’s long-term capital goals.

Risk adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Capital ratios are depicted in the table below.

| | Regulatory Minimums | Capital Conservation Buffer | Total | As of September 30, 2024 |
|---|---|---|---|---|
| Risk-adjusted: | | | | |
| Common Equity tier 1 capital ratio | 4.5% | 2.5% | 7.0% | 18.81% |
| Tier 1 capital ratio | 6.0% | 2.5% | 8.5% | 18.81% |
| Total capital ratio | 8.0% | 2.5% | 10.5% | 18.92% |
| Permanent captial ratio | 7.0% | 0.0% | 7.0% | 18.83% |
| | | | | |
| Non-risk-adjusted: | | | | |
| Tier 1 leverage ratio | 4.0% | 1.0% | 5.0% | 20.28% |
| UREE leverage ratio | 1.5% | 0.0% | 1.5% | 20.17% |

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

| | Pension and Other Benefit Plans | Accumulated Other Comprehensive Loss |
|---|---|---|
| Balance at June 30, 2024 | $ - | $ - |
| Net current period comprehensive income | - | - |
| Balance at September 30, 2024 | $ - | $ - |

| | Pension and Other Benefit Plans | Accumulated Other Comprehensive Loss |
|---|---|---|
| Balance at June 30, 2023 | $ - | $ (4) |
| Net current period comprehensive income | - | 2 |
| Balance at September, 2023 | $ - | $ (2) |

| | Pension and Other Benefit Plans | Accumulated Other Comprehensive Loss |
|---|---|---|
| Balance at December 31, 2023 | $ - | $ - |
| Net current period comprehensive income | - | - |
| Balance at September 30, 2024 | $ - | $ - |

| | Pension and Other Benefit Plans | Accumulated Other Comprehensive Loss |
|---|---|---|
| Balance at December 31, 2022 | $ - | $ (8) |
| Net current period comprehensive income | - | 6 |
| Balance at September 30, 2023 | $ - | $ (2) |

## NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 to the 2023 Annual Report for a more complete description.

Assets measured at fair value on a non-recurring basis for the applicable fair value hierarchy values are summarized below:

| | Total Fair Value | |
|---|---|---|
| | September 30, 2024 | December 31, 2023 |
| **LEVEL 3 - Assets:** | | |
| Impaired loans | $ 8,333 | $ 10,210 |
| Other property owned | 2 | 702 |

### Valuation Techniques

As more fully discussed in Note 2 to the 2023 Annual Report to Stockholders, the FASB 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 presents a brief summary of the valuation techniques used by the Association for assets and liabilities measured at fair value. For a more complete description, see Notes to the 2023 Annual Report to Stockholders.

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.

Loans Evaluated for Impairment - For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans are collateral-dependent. 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.

**NOTE 5 - INVESTMENT IN COBANK**

The Association is required to maintain a minimum at-risk investment in CoBank stock based on a percentage of the Association's average borrowings from CoBank. The required stock investment in CoBank, which can change from time to time, is 3.00%.

The stockholder's investment in the Association is materially affected by the financial condition and results of operations of CoBank. CoBank's Third Quarter 2024 Report to Shareholders can be obtained free of charge from their website (www.cobank.com) or by contacting us at 10980 South Jordan Gateway, South Jordan, UT 84095 or by calling 800-824-9198.

**NOTE 6 – SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through November 1, 2024, the date the financial statements were available to be issued. No material subsequent events other than the item disclosed in Note 2 were identified.

**CERTIFICATION**

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

LaDell Eyre
Chairman of the Board of Directors

David G. Brown
President and Chief Executive Officer

Darren Haas

Darren L. Haas
Senior Vice President and Chief Financial Officer

November 1, 2024

(This page intentionally left blank.)

(This page intentionally left blank.)

WESTERN AgCredit®

Administration Office:

10980 S. Jordan Gateway
South Jordan, UT 84095
(801) 571-9200
www.westernagcredit.com

Branch Offices:

| | |
|---|---|
| South Jordan | (801) 571-9200 |
| Logan | (435) 752-2146 |
| Tremonton | (435) 257-0179 |
| Spanish Fork | (801) 798-7360 |
| Richfield | (435) 896-8407 |
| Cedar City | (435) 586-6575 |
| Roosevelt | (435) 722-4076 |
| Evanston, WY | (307) 789-9420 |