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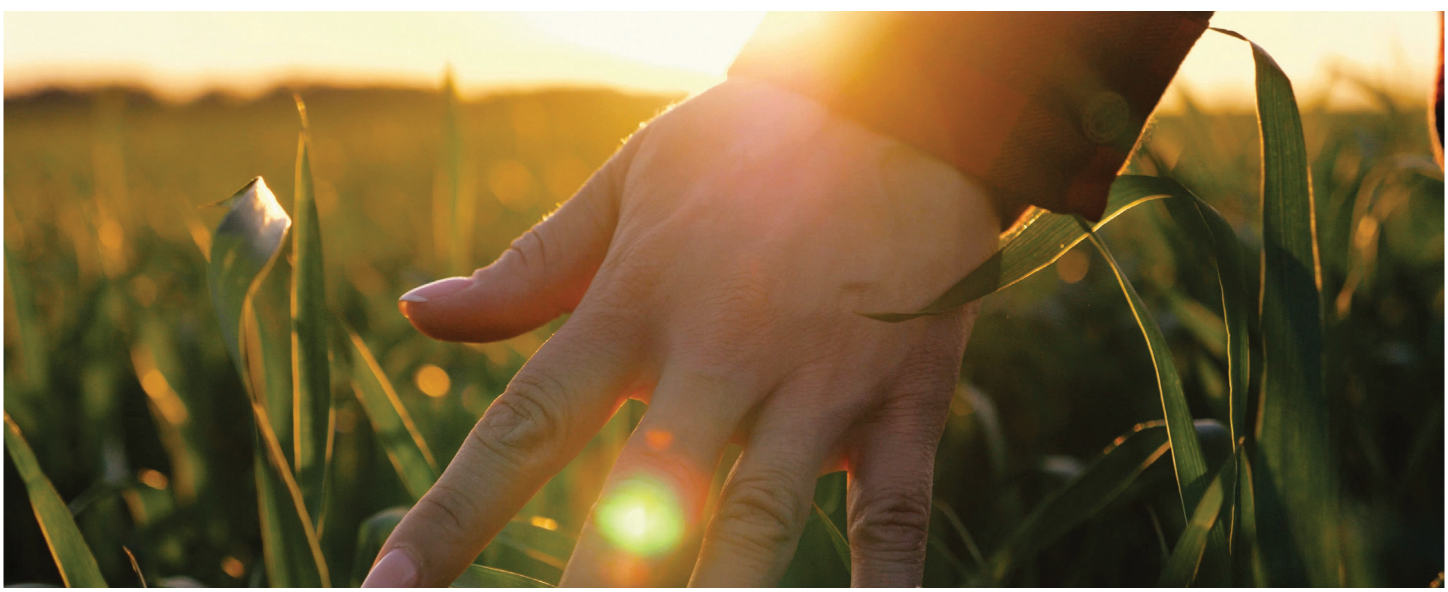

INTRODUCTION AND TEXAS FARM CREDIT DISTRICT OVERVIEW

(Unaudited)

The Farm Credit Bank of Texas (the Bank) and its affiliated associations, collectively referred to as the Texas Farm Credit District (the Texas District), are part of the Farm Credit System (the System). The System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The Texas District's chartered territory includes the states of Texas, Alabama, Mississippi, Louisiana and most of New Mexico. As of September 30, 2024, the Bank served one Federal Land Credit Association (FLCA) and 12 Agricultural Credit Associations (ACAs) (collectively referred to as District Associations). The Bank also serves certain Other Financing Institutions (OFIs), which are not part of the System.

The U.S. Congress authorized the creation of the first System institutions in 1916 to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to provide sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives and certain farm-related businesses. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. The System is a cooperative structure. Cooperatives are organizations that are owned and controlled by their members who use the cooperative's products or services.

Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). On behalf of the four System banks, the Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures. Each System bank has exposure to Systemwide credit risks because it is jointly and severally liable for all debt issued by the Funding Corporation. The associations in each district receive funding from their System bank and, in turn, provide credit to their borrower-shareholders. The associations have specific lending authority within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration.

The following commentary reviews the combined financial statements of condition and results of operations of the Texas District for the three and nine months ended September 30, 2024.

COMBINED FINANCIAL HIGHLIGHTS

(in thousands)	September 30, 2024	December 31, 2023
Total loans	**$ 38,794,683**	$ 37,720,675
Allowance for credit losses on loans	**127,194**	121,261
Net loans	**38,667,488**	37,599,414
Total assets	**47,618,375**	45,906,962
Total members' equity	**6,043,788**	5,497,476

Nine Months Ended September 30,	**2024**	**2023**
Net interest income	**$ 884,591**	$ 845,603
Provision for credit losses on loans	**27,331**	44,460
Net fee income	**31,181**	30,525
Net income	**$ 522,723**	$ 464,993
Net interest margin	**2.60 %**	2.54 %
Loan charge-offs, net of recoveries, to average loans	**0.08**	0.06
Return on average assets (ROA)	**1.51**	1.36
Return on average shareholders' equity (ROE)	**11.93**	11.31
Operating expenses as a percentage of net interest income and noninterest income	**41.63**	43.89
Average loans	**$ 38,141,627**	$ 37,197,132
Average interest earning assets	**45,408,847**	44,494,772
Average total assets	**46,469,642**	45,504,023

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollars in thousands, except as noted)

CONDITIONS IN THE TEXAS DISTRICT

The Texas District continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of continued headwinds within the current market environment. While inflation has declined from its peak and is moving closer to the Federal Reserve's long-term target, and interest rates on the short end of the yield curve have declined as a result of action from the Federal Reserve, the macroeconomic environment continues to exhibit volatility. Despite the challenging operating environment, credit quality in the Texas District has remained strong. Volatility in risk ratings remains a concern in the near future due to factors such as high production cost, elevated cost of debt, declining farm income (4.4 percent decline in 2024 and 19.5 percent in 2023) and an uncertain economic outlook.

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI) increased by 2.4 percent for the 12-month period ending September 2024, remaining above the Federal Reserve's long-term target of approximately 2.0 percent. However, the rate of increase in the CPI decreased month-over-month (MOM) from 2.5 percent and year-over-year (YOY) from 3.7 percent. Since July 2023, the Federal Open Market Committee (FOMC) maintained the target federal funds rate within the 5.25 – 5.50 percent range. In light of inflation moving sustainably toward its 2.0 percent target and the balance of risks between achieving its employment and inflation goals, the FOMC reduced the target federal funds rate to 4.75 – 5.00 percent at its September meeting. The FOMC stays attentive to the risks to both sides of its dual mandate as the economic outlook remains uncertain.

On September 26, 2024, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the second quarter of 2024. U.S. real GDP increased at an annual rate of 3.0 percent during the second quarter, up from 1.6 percent during the previous quarter and up from 2.4 percent during the same period a year ago. The increase in real GDP during the second quarter of 2024 primarily reflected increases in consumer spending, private inventory investment and non-residential fixed investment. Within the Texas District, second quarter 2024 annualized real GDP growth rates ranged from a low of 1.7 percent in New Mexico to a high of 3.4 percent in Alabama. Texas real GDP grew at an annual rate of 2.8 percent during the second quarter, below the national average of 3.0 percent.

Data from the BLS indicates that the U.S. unemployment rate decreased again MOM by 0.1 percent to 4.1 percent in September 2024, down from 4.2 percent in August 2024 but up from 3.8 percent during the same period a year ago. The September state unemployment rates in the Texas District ranged from a low of 2.8 percent in Mississippi to a high of 4.2 percent in New Mexico. Texas unemployment rate was 4.1 percent in September 2024, in line with the national average. The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased from an average of nearly $81 per barrel in the second quarter of 2024 to an average of approximately $75 per barrel during the third quarter of 2024. Additionally, the average front-month WTI price decreased by approximately 8.4 percent (approximately $7 per barrel) during the third quarter of 2024 compared to the same period a year ago. In the October 2024 edition of the Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration (EIA) estimated that the monthly average WTI spot price would be nearly $77 per barrel in 2024 and $73 per barrel in 2025. The front-month WTI futures price closed at approximately $68 per barrel in September 2024, but has recently increased primarily due to geopolitical risks.

On September 5, 2024, the U.S. Department of Agriculture (USDA) released its latest 2024 Farm Income Forecast. Net farm income (nominal), a broad measure of profits, is forecasted at $140.0 billion in 2024, after decreasing $6.5 billion, or 4.4 percent, relative to 2023. This follows a record high of $182.0 billion in calendar year 2022 and a decline of about $35.5 billion, or 19.5 percent, in 2023 to $146.5 billion. Total crop receipts are forecasted to decrease YOY by $27.7 billion, or 10 percent, to $249.0 billion in 2024, due to lower receipts for corn and soybeans. However, total animal and animal product receipts are projected to increase YOY by $17.8 billion, or 7.1 percent, to $267.4 billion in 2024. Total production expenses are forecasted to decrease YOY by $4.4 billion, or 1.0 percent, to $457.5 billion in 2024. Farm sector assets and equity are forecasted to increase by 5.2 and 5.3 percent, respectively. Farm sector debt is expected to increase by 4.2 percent in 2024, leading to a YOY improvement in the debt-to-asset ratio from 12.93 to 12.81 percent in 2024.

According to USDA's October 2024 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, soybeans, wheat and cotton are estimated to continue decreasing during the 2024/25 season from a range of 9.9 percent (corn) to 18.1 percent (wheat). Steer, barrow/gilt and broiler prices are projected to increase YOY by 6.1 percent, 2.1 percent and 3.8 percent, respectively, in 2024. Turkey prices are projected to decline YOY by an average of 33.0 percent in 2024. Subsequently, steer and turkey prices are projected to increase YOY in 2025 by about 0.4 percent and 6.6 percent, respectively. However, barrow/gilt prices are projected to decrease YOY by about 3.0 percent in 2025 while broiler prices are projected to remain mostly unchanged from last year's average price of 129 cents per pound. USDA estimates that after decreasing by nearly 20.0 percent in 2023, all-milk prices are projected to increase by 12.1 percent in 2024 from an average of $20.3 per hundredweight (/cwt.) in 2023 to $22.8/cwt. in 2024. All-milk prices are projected to continue increasing by approximately 3.0 percent in 2025. Front-month random length lumber futures prices increased quarter-over-quarter by approximately 8.3 percent in the third quarter of 2024, leading to a YOY increase of approximately 3.9 percent in September 2024.

According to the U.S. Monthly Drought Outlook issued on September 30, 2024 by the Climate Prediction Center from the National Weather Service, the most likely areas to have drought development by the end of October include eastern and northern Texas. These development areas generally have 30-day precipitation deficits and declining soil moisture. Later in the autumn and into the 2024/2025 winter, the development of La Niña could lead to a broader area of drought development across the Southwest.

Drought improvement is more likely across the severe drought area of northeastern Alabama that received 2 to 3 inches of rainfall in September. The seasonal temperature outlook indicates that above-normal temperatures are expected for the Texas District from October through December 2024. Similarly, the seasonal precipitation outlook indicates that below normal precipitation is forecasted for New Mexico, Texas and most of Louisiana with probabilities that range from 33 to 60 percent. The rest of the Texas District has equal chances of below and above normal precipitation.

In terms of recent hurricane activity with potential impacts on the Texas District, Hurricane Francine made landfall on September 11 in southern Louisiana as a Category 2 hurricane. Flooding was reported to last for several days across the south. Additionally, Hurricane Helene impacted Alabama with an incident period starting on September 22. As Hurricane Helene tracked inland, widespread heavy to flooding rainfall affected a large portion of Alabama. Hurricane Helene, a Category 4 storm, led to the shutdown of 29 percent of oil production in the Gulf of Mexico (GOM) in September, per EIA. This disruption followed Hurricane Francine, which shut down up to 42 percent of crude oil production in GOM. USDA WASDE reported that sugar cane processors in Louisiana estimated that their production would be lower in September due to the impacts of Hurricane Francine. USDA also reduced the estimate of U.S. all-cotton production by slightly over 300,000 bales in its October Crop Production report, primarily reflecting the damage from Hurricane Helene. Hurricane Milton, the season's second storm to reach Category 5, made landfall on the west coast of Florida (near Siesta Key) on October 9 as a Category 3 hurricane. While the damage caused by these storms is still being assessed, early indications suggest impacts to the Texas District will not be material or long lasting.

Agricultural producers and processors are expected to face several risk factors for the remainder of 2024, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges and adverse weather conditions. The Texas District's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Texas District's borrowers primarily rely on non-farm sources of income to repay their loans.

Results of Operations

Net Income

Net income for the Texas District was $175.4 million for the three months ended September 30, 2024, an increase of $2.2 million, or 1.29 percent, over the same period of 2023. The increase in net income was primarily driven by a $13.0 million increase in net interest income, and a $3.7 million decrease in noninterest expense, partially offset by a $7.7 million decrease in noninterest income and a $6.7 million increase in the provision for credit losses.

Net income for the Texas District was $522.7 million for the nine months ended September 30, 2024, an increase of $57.7 million, or 12.42 percent, over the same period of 2023. The increase in net income was driven by a $39.0 million increase in net interest income, a $17.1 million decrease in the provision for credit losses, and a $6.4 million decrease in noninterest expense, partially offset by a $5.0 million decrease in noninterest income.

Net Interest Income

Net interest income for the three months ended September 30, 2024, was $300.3 million, an increase of $13.0 million, or 4.51 percent, over the same period of 2023, driven by a $1.46 billion increase in the Texas District's average earning assets. The net interest spread for the three months ended September 30, 2024, declined by 5 basis points to 2.09 percent, attributable to a 45 basis point increase in the average rate paid on interest-bearing liabilities, partially offset by a 40 basis point increase in the average yields on interest earning assets. The net interest margin increased by 4 basis points to 2.60 percent compared to 2.56 percent for the same period of 2023. Net interest margin for the three months ended September 30, 2024 benefited from a 9 basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

Net interest income for the nine months ended September 30, 2024 was $884.6 million, an increase of $39.0 million, or 4.61 percent, over the same period of 2023, driven by a $914.1 million increase in the Texas District's average earning assets, partially offset by a decrease in the net interest spread. The net interest spread for the nine months ended September 30, 2024 decreased 2 basis points from 2.14 percent to 2.12 percent, attributable to a 58 basis point increase in the average rate paid on interest-bearing liabilities, offset by a 56 basis point increase in the average yields on interest earning assets. The net interest margin increased by 6 basis points to 2.60 percent compared to 2.54 percent for the same period of 2023. Net interest margin for the nine months ended September 30, 2024 benefited from an 8 basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

Provision for Credit Losses on Loans

During the three months ended September 30, 2024, the provision for credit losses on loans totaled $8.8 million, compared to $2.1 million for the same period of 2023. The combined District Associations recorded a provision for credit losses of $3.9 million compared to $1.4 million for the same period of 2023. The Bank recorded a provision for credit losses on loans of $4.9 million compared to $629 thousand for the same period of 2023.

The provision for credit losses on loans for the combined District Associations, during the three months ended September 30, 2024, was primarily due to increases in general reserves in the real estate mortgage and production and intermediate-term loan sectors related to new lending activities and credit deterioration on select credits.

The Bank's provision for credit losses on loans for the three months ended September 30, 2024, was due primarily to an increase in specific reserves for certain agribusiness loans and, to a lesser extent, higher general reserves. The increase in general reserves reflects increased portfolio risk resulting from credit deterioration on select credits.

The provision for credit losses on loans for the nine months ended September 30, 2024 totaled $27.3 million, compared to $44.5 million for the same period of 2023. The combined District Associations recorded a provision for credit losses on loans of $15.3 million for the nine months ended September 30, 2024, as compared to $11.7 million for the same period of 2023. The Bank recorded a provision for credit losses on loans of $12.0 million compared to $32.8 million for the same period of 2023.

The provision for credit losses on loans for the combined District Associations, during the nine months ended September 30, 2024, reflects credit deterioration on a few select borrowers in the production and intermediate-term and agribusiness sectors, as well as increases in general reserves for new lending activities.

The Bank's provision for credit losses on loans for the nine months ended September 30, 2024 reflects specific reserves for certain agribusiness loans.

Noninterest Income

Noninterest income for the three months ended September 30, 2024 was $12.5 million, a decrease of $7.7 million, or 38.27 percent, compared to the same period of 2023. The decrease was driven by the recognition of valuation losses on certain Rural Business Investment Companies (RBICs) and losses on loan sales.

Noninterest income for the nine months ended September 30, 2024 was $57.8 million, a decrease of $5.0 million, or 7.89 percent, compared to the same period of 2023. The decrease was primarily driven by the recognition of valuation losses on RBICs and losses on loans sold and held for sale, partially offset by a return of excess insurance funds from FCSIC in April 2024 of $12.6 million and an increase in patronage income of $4.0 million.

Noninterest Expense

Noninterest expense for the three months ended September 30, 2024 totaled $128.5 million, a decrease of $3.7 million, or 2.78 percent, from the same period of 2023. The decrease was primarily driven by lower FCSIC premiums of $7.0 million due to a decrease in the FCSIC premium rate assessed during 2024 and a decrease in other operating expenses of $3.8 million, partially offset by an increase in salaries and employee benefits of $6.5 million.

Noninterest expense for the nine months ended September 30, 2024 totaled $392.4 million, a decrease of $6.4 million, or 1.61 percent, from the same period of 2023. The decrease in noninterest expense for the nine months ended September 30, 2024 was primarily driven by a $20.5 million decrease in FCSIC premiums as discussed above, partially offset by a $10.4 million increase in salaries and employee benefits and a $2.9 million increase in occupancy and equipment for software licensing and depreciation expense.

Loan Portfolio

The following table summarizes Texas District loans by loan type:

	September 30, 2024	December 31, 2023
Real estate mortgage	**$ 23,188,554**	$ 22,507,216
Production and intermediate-term	**5,515,591**	5,293,706
Agribusiness:		
Loans to cooperatives	**627,128**	629,393
Processing and marketing	**5,152,191**	4,965,804
Farm-related business	**542,896**	579,206
Communications	**1,146,181**	1,180,113
Energy (rural utilities)	**1,741,310**	1,599,892
Water and waste disposal	**340,814**	423,731
Rural residential real estate	**255,214**	263,188
International	**183,099**	157,693
Mission-related	**27,814**	29,869
Loans to other financing institutions (OFIs)	**44,439**	55,304
Lease receivables	**29,452**	35,560
Total loans	**$ 38,794,683**	$ 37,720,675

The Texas District loan portfolio consists of only retail loans. The Bank's loans to the District Associations, also referred to as direct notes, have been eliminated in the combined financial statements. Total Texas District loan volume at September 30, 2024 was $38.79 billion, an increase of $1.07 billion, or 2.85 percent, from the $37.72 billion loan portfolio balance at December 31, 2023. The loan volume increase of $1.07 billion during the nine months ended September 30, 2024, was driven by a $1.02 billion increase in the District Associations' loan portfolios, partially offset by a $8.8 million decrease in the Bank's capital markets loan and loans to OFIs portfolios.

The Bank's capital markets loan portfolio, also referred to as participations purchased loan portfolio, predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. In addition to purchasing loans from District Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside the Texas District's territory by other System institutions, commercial banks and other lenders. The Bank's capital markets loan portfolio depends to a significant degree on other relationships with other Farm Credit institutions. These loans may be held as earning assets of the Bank or sub-participated to the District Associations or other System entities.

Loan Quality

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

- Acceptable – assets 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.

The following table shows the amortized cost of loans (principal balance adjusted for discounts, premiums, charge-offs, recoveries and deferred loan fees and costs) classified under the Uniform Loan Classification System by origination year as of September 30, 2024 and December 31, 2023:

September 30, 2024	**Acceptable**	**OAEM (Special Mention)**	**Substandard/ Doubtful**	**Total**	**Gross Charge-offs for the Nine Months Ended September 30, 2024**
2024	**$4,089,427**	**$ 29,578**	**$ 32,077**	**$ 4,151,082**	**$ 146**
2023	**4,609,981**	**44,771**	**53,460**	**4,708,212**	**288**
2022	**5,793,356**	**111,366**	**31,657**	**5,936,379**	**84**
2021	**6,477,556**	**62,812**	**58,110**	**6,598,478**	**11,759**
2020	**3,998,887**	**58,188**	**82,066**	**4,139,141**	**42**
Prior to 2020	**6,922,837**	**114,792**	**69,072**	**7,106,701**	**6,794**
Revolving loans	**5,631,068**	**162,501**	**146,840**	**5,940,409**	**3,992**
Revolving loans converted to term	**212,635**	**613**	**1,033**	**214,281**	**—**
Total	**$37,735,747**	**$ 584,621**	**$ 474,315**	**$38,794,683**	**$ 23,105**
Percentage	**97.27 %**	**1.51 %**	**1.22 %**	**100.00 %**	

December 31, 2023	Acceptable	OAEM (Special Mention)	Substandard/ Doubtful	Total	Total gross charge-offs for the year ended December 31, 2023
2023	$ 4,905,277	$ 42,717	$ 54,014	$ 5,002,008	$ 1,601
2022	6,422,981	84,052	52,414	6,559,447	5,972
2021	7,277,276	95,811	57,127	7,430,214	25
2020	4,508,421	107,165	63,610	4,679,196	1
2019	2,049,172	31,487	51,445	2,132,104	9,008
Prior to 2019	6,000,062	66,687	52,095	6,118,844	3,921
Revolving loans	5,233,151	108,312	79,653	5,421,116	8,345
Revolving loans converted to term	374,035	3,311	400	377,746	—
Total	$36,770,375	$ 539,542	$ 410,758	$37,720,675	$ 28,873
Percentage	97.48 %	1.43 %	1.09 %	100.00 %	

Overall credit quality in the Texas District and at the District Associations remained strong at September 30, 2024. Loans classified as acceptable or OAEM as a percentage of total loans were 98.78 percent and 98.91 percent at September 30, 2024 and December 31, 2023, respectively.

The table below summarizes the amortized cost of the Texas District's nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned, at September 30, 2024 and December 31, 2023.

	September 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 53,113**	$ 39,118
Production and intermediate-term	**5,897**	45,073
Agribusiness	**43,596**	40,558
Energy and water/waste disposal	**4,893**	5,801
Rural residential real estate	**491**	342
Total nonaccrual loans	**107,990**	130,892
Accruing loans 90 days or more past due		
Real estate mortgage	**3,543**	1,193
Production and intermediate-term	**577**	339
Agribusiness	**9,716**	—
Mission-related	**289**	1,101
Total accruing loans 90 days or more past due	**14,125**	2,633
Total nonperforming loans	**122,115**	133,525
Other property owned	**21,978**	37,032
Total nonperforming assets	**$ 144,093**	$ 170,557

The Texas District's nonaccrual loans decreased by $22.9 million, or 17.50 percent, from $130.9 million at December 31, 2023, to $108.0 million at September 30, 2024. The decrease reflects the move of a large production and intermediate-term loan to other property owned (OPO) and associated charge-offs, partially offset by credit deterioration among select borrowers in the real estate mortgage and agribusiness loan sectors. OPO is held for sale and consists of real and personal property acquired through collection activities. The increase in the District's accruing loans 90 days or more past due compared to December 31, 2023 is due to an increase in the agribusiness loan sector.

At September 30, 2024, $39.2 million, or 36.31 percent, of nonaccrual loans were current as to principal and interest, compared to $44.8 million, or 34.26 percent, of nonaccrual loans at December 31, 2023.

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

September 30, 2024	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Accruing Loans 90 Days or More Past Due**
Real estate mortgage	**$ 160,323**	**$ 32,281**	**$ 192,604**	**$ 22,995,950**	**$ 23,188,554**	**$ 3,543**
Production and intermediate-term	**16,169**	**3,630**	**19,799**	**5,495,792**	**5,515,591**	**577**
Agribusiness	**45,984**	**22,329**	**68,313**	**6,253,902**	**6,322,215**	**9,716**
Communications	**—**	**—**	**—**	**1,146,181**	**1,146,181**	**—**
Energy and water/waste disposal	**—**	**—**	**—**	**2,082,124**	**2,082,124**	**—**
Rural residential real estate	**2,252**	**206**	**2,458**	**252,756**	**255,214**	**—**
International	**—**	**—**	**—**	**183,099**	**183,099**	**—**
Mission-related	**2,311**	**289**	**2,600**	**25,214**	**27,814**	**289**
Loans to OFIs	**—**	**—**	**—**	**44,439**	**44,439**	**—**
Lease receivables	**1,439**	**—**	**1,439**	**28,013**	**29,452**	**—**
Total loans	**$ 228,478**	**$ 58,735**	**$ 287,213**	**$ 38,507,470**	**$ 38,794,683**	**$ 14,125**

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	$ 128,365	$ 11,150	$ 139,515	$ 22,367,701	$ 22,507,216	$ 1,193
Production and intermediate-term	58,982	8,500	67,482	5,226,224	5,293,706	339
Agribusiness	3,237	28,410	31,647	6,142,756	6,174,403	—
Communications	—	—	—	1,180,113	1,180,113	—
Energy and water/waste disposal	—	—	—	2,023,623	2,023,623	—
Rural residential real estate	2,180	138	2,318	260,870	263,188	—
International	—	—	—	157,693	157,693	—
Mission-related	2,418	1,101	3,519	26,350	29,869	1,101
Loans to OFIs	—	—	—	55,304	55,304	—
Lease receivables	1,507	—	1,507	34,053	35,560	—
Total loans	$ 196,689	$ 49,299	$ 245,988	$ 37,474,687	$ 37,720,675	$ 2,633

A summary of changes in the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Mission-Related	Loans to OFIs	Lease Receivables	Total
Allowance for Credit Losses on Loans:											
Balance at June 30, 2024	**$ 54,745**	**$ 17,626**	**$ 37,251**	**$ 2,602**	**$ 5,584**	**$ 679**	**$ 151**	**$ 12**	**$ —**	**$ 758**	**$ 119,408**
Charge-offs	**(177)**	**(553)**	**(13)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(743)**
Recoveries	**36**	**179**	**199**	**—**	**—**	**—**	**—**	**—**	**—**	**(333)**	**81**
Provision for credit losses	**1,176**	**1,260**	**5,871**	**323**	**(872)**	**(18)**	**(38)**	**—**	**—**	**746**	**8,448**
Balance at September 30, 2024	**$ 55,780**	**$ 18,512**	**$ 43,308**	**$ 2,925**	**$ 4,712**	**$ 661**	**$ 113**	**$ 12**	**$ —**	**$ 1,171**	**$ 127,194**
Balance at December 31, 2023	**$ 54,375**	**$ 25,677**	**$ 32,207**	**$ 2,337**	**$ 5,227**	**$ 670**	**$ 119**	**$ 12**	**—**	**$ 637**	**$ 121,261**
Charge-offs	**(316)**	**(7,771)**	**(15,007)**	**—**	**—**	**(11)**	**—**	**—**	**—**	**—**	**(23,105)**
Recoveries	**90**	**713**	**387**	**—**	**—**	**—**	**—**	**106**	**—**	**—**	**1,296**
Provision for credit losses	**1,631**	**(107)**	**25,721**	**588**	**(515)**	**2**	**(6)**	**(106)**	**—**	**534**	**27,742**
Balance at September 30, 2024	**$ 55,780**	**$ 18,512**	**$ 43,308**	**$ 2,925**	**$ 4,712**	**$ 661**	**$ 113**	**$ 12**	**$ —**	**$ 1,171**	**$ 127,194**
Balance at June 30, 2023	$ 50,462	$ 23,724	$ 41,731	$ 1,678	$ 5,504	$ 677	$ 90	$ 14	$ —	$ 589	$ 124,469
Charge-offs	(97)	(4)	(2)	—	(701)	—	—	—	—	—	(804)
Recoveries	45	30	1,014	—	—	—	—	8	—	—	1,097
Provision for credit losses	3,073	10,036	(12,646)	470	399	15	(3)	(7)	—	51	1,388
Balance at September 30, 2023	$ 53,483	$ 33,786	$ 30,097	$ 2,148	$ 5,202	$ 692	$ 87	$ 15	$ —	$ 640	$ 126,150
Balance at December 31, 2022	$ 44,759	$ 13,539	$ 21,628	$ 959	$ 3,700	$ 319	$ 80	$ 63	$ —	$ 470	$ 85,517
Adjustment in beginning balance due to change in accounting for credit losses	5,969	(3,237)	5,286	382	623	375	15	(10)	—	208	9,612
Balance at January 1, 2023	50,728	10,302	26,915	1,341	4,323	694	95	53	—	678	95,129
Charge-offs	(172)	(1,787)	(12,144)	—	(701)	—	—	—	—	(710)	(15,514)
Recoveries	112	213	1,022	—	48	—	—	24	—	—	1,419
Provision for credit losses	2,815	25,058	14,304	807	1,532	(2)	(8)	(62)	—	672	45,116
Balance at September 30, 2023	$ 53,483	$ 33,786	$ 30,097	$ 2,148	$ 5,202	$ 692	$ 87	$ 15	$ —	$ 640	$ 126,150
Allowance for Credit Losses on Unfunded Commitments*											
Balance at June 30, 2024	**$ 483**	**$ 1,505**	**$ 3,656**	**$ 120**	**$ 700**	**$ —**	**$ 56**	**$ —**	**$ —**	**$ —**	**$ 6,520**
Provision for credit losses	**(19)**	**286**	**(60)**	**19**	**144**	**1**	**(6)**	**—**	**—**	**—**	**365**
Balance at September 30, 2024	**$ 464**	**$ 1,791**	**$ 3,596**	**$ 139**	**$ 844**	**$ 1**	**$ 50**	**$ —**	**$ —**	**$ —**	**$ 6,885**
Balance at December 31, 2023	**$ 486**	**$ 1,129**	**$ 4,749**	**$ 151**	**$ 714**	**$ 1**	**66**	**—**	**— $**	**—**	**7,296**
Credit loss reversal	**(22)**	**662**	**(1,153)**	**(12)**	**130**	**—**	**(16)**	**—**	**—**	**—**	**(411)**
Balance at September 30, 2024	**$ 464**	**$ 1,791**	**$ 3,596**	**$ 139**	**$ 844**	**$ 1**	**$ 50**	**$ —**	**$ —**	**$ —**	**$ 6,885**
Balance at June 30, 2023	$ 491	$ 1,023	$ 4,073	$ 129	$ 801	$ —	$ 65	$ —	$ —	$ —	$ 6,582
Provision for credit losses	(12)	120	565	5	(5)	1	2	—	—	—	676
Balance at September 30, 2023	$ 479	$ 1,143	$ 4,638	$ 134	$ 796	$ 1	$ 67	$ —	$ —	$ —	$ 7,258
Balance at December 31, 2022	$ 664	$ 1,935	$ 2,221	$ 53	$ 307	$ 1	$ 32	$ —	$ —	$ —	$ 5,213
Adjustment in beginning balance due to change in accounting for credit losses	177	(897)	2,800	100	489	(1)	33	—	—	—	2,701
Balance at January 1, 2023	841	1,038	5,021	153	796	—	65	—	—	—	7,914
Credit loss reversal	(362)	105	(383)	(19)	—	1	2	—	—	—	(656)
Balance at September 30, 2023	$ 479	$ 1,143	$ 4,638	$ 134	$ 796	$ 1	$ 67	$ —	$ —	$ —	$ 7,258

*Allowance for credit losses on unfunded commitments are recorded in other liabilities.

Loans, net of the allowance for credit losses on loans, represented 81.20 percent of total assets at September 30, 2024 and 81.90 percent at December 31, 2023.

Investments

The Bank is responsible for meeting the Texas District's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the Texas District's primary source of liquidity, the Bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. The Bank holds these investments on an available-for-sale basis. Refer to the Bank's 2023 Annual Report for additional description of the types of investments and maturities. Additionally, the District Associations have regulatory authority to enter into certain guaranteed investments that are typically mortgage-backed or asset-backed securities.

The Texas District's investment portfolio is summarized in the following table:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2024				
Bank investments	**$ 7,547,112**	**$ 10,362**	**$ (458,201)**	**$ 7,099,273**
District Association investments	**201,531**	**1,371**	**(575)**	**202,327**
Total Texas District investments	**$ 7,748,643**	**$ 11,733**	**$ (458,776)**	**$ 7,301,600**
December 31, 2023				
Bank investments	$ 7,178,757	$ 1,953	$ (570,281)	$ 6,610,429
District Association investments	191,764	1,161	(630)	192,295
Total Texas District investments	$ 7,370,521	$ 3,114	$ (570,911)	$ 6,802,724

The District Associations' investments in the preceding tables include held-to-maturity securities with an amortized cost of $1.8 million (unrealized net losses of $12 thousand and a fair value of $1.8 million) as of September 30, 2024, and an amortized cost of $2.4 million (unrealized net losses of $71 thousand and a fair value of $2.4 million) as of December 31, 2023. These securities are reported at amortized cost and are included in investment securities on the balance sheets.

The Texas District evaluated its investment securities with unrealized losses for impairment during the nine months ended September 30, 2024. As a result of the assessment, the Texas District concluded that it does not intend to sell any securities and it is more likely than not that it would not be required to sell any securities prior to recovery of the amortized cost basis. The Texas District concluded that a credit impairment did not exist at September 30, 2024.

Capital Resources

The Texas District's equity totaled $6.04 billion at September 30, 2024, including $1.03 billion in preferred stock, $73.1 million in capital stock and participation certificates, $5.13 billion in retained earnings and $254.9 million in additional paid-in-capital, partially offset by accumulated other comprehensive loss of $444.0 million. On May 20, 2024, the Bank issued $300.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 5 (Class B-5), representing 300,000 shares at $1,000 per share par value, for net proceeds of $296.8 million, with issuance costs of $3.3 million. On September 16, 2024, the Bank redeemed its $300.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 2 (Class B-2) at a redemption price of $100 per share, or $300.0 million in the aggregate, together with an amount equal to all dividends accrued and unpaid up to the redemption date.

Borrower equity purchases required by District Association capitalization bylaws, combined with a history of growth in retained earnings at District Associations, have resulted in District Associations being able to maintain strong capital positions. The $6.04 billion equity position of the Texas District at September 30, 2024, increased by $546.3 million compared to $5.50 billion at December 31, 2023. The increase since December 31, 2023, was driven by a $445.7 million increase in unallocated retained earnings driven by net income for the nine months ended September 30, 2024 of $522.7 million and a $100.3 million decrease in accumulated other comprehensive loss.

Following is a summary of the components of accumulated other comprehensive loss:

	September 30, 2024	December 31, 2023
Unrealized losses on investment securities	$ (447,043)	$ (567,798)
Derivatives and hedging position	24,078	44,892
Pension and postretirement plan position	(21,034)	(21,440)
Total accumulated other comprehensive loss	$ (443,999)	$ (544,346)

Accumulated other comprehensive loss totaled $444.0 million at September 30, 2024, a decrease of $100.3 million from December 31, 2023. The decrease in accumulated other comprehensive loss reflects a decrease of $120.8 million in unrealized losses on the available-for-sale investments, partially offset by a $20.8 million decrease in unrealized gains on derivatives related to changes in the valuation of interest rate swaps at the Bank. All changes are primarily attributable to changes in interest rates.

The Farm Credit Administration sets minimum regulatory capital requirements for System banks and associations.

September 30, 2024	Primary Components of Numerator	Regulatory Minimums with Capital Conservation Buffers	Bank	District Associations
Risk adjusted:				
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	7.00%	8.66%	10.18% - 18.36%
Tier 1 capital ratio	CET1 capital, noncumulative perpetual preferred stock	8.50%	14.59%	11.78% - 18.36%
Total capital ratio	Tier 1 capital, allowance for credit losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	10.50%	14.67%	12.23% - 18.69%
Permanent capital ratio	Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00%	14.46%	11.83% - 18.42%
Non-risk adjusted:				
Tier 1 leverage ratio*	Tier 1 capital	5.00%	6.23%	10.84% - 17.49%
UREE leverage ratio	URE and URE equivalents	1.50%	2.14%	4.36% - 17.21%

[*] Must include the regulatory minimum requirements for the URE and UREE leverage ratio

[1] Equities outstanding 7 or more years

[2] Capped at 1.25% of risk-adjusted assets

[3] Outstanding 5 or more years, but less than 7 years

[4] Outstanding 5 or more years

Combined Balance Sheets

(Unaudited)

(in thousands)	September 30, 2024	December 31, 2023
ASSETS		
Cash	**$ 106,391**	$ 78,513
Federal funds sold and overnight investments	**390,213**	312,399
Investment securities	**7,301,600**	6,802,724
Loans	**38,794,683**	37,720,675
Less allowance for credit losses on loans	**127,194**	121,261
Net loans	**38,667,488**	37,599,414
Accrued interest receivable	**448,957**	401,520
Premises and equipment, net	**320,119**	306,669
Other assets	**383,606**	405,723
Total assets	**$ 47,618,375**	$ 45,906,962
LIABILITIES		
Bonds and notes	**$ 40,923,250**	$ 39,483,325
Accrued interest payable	**270,503**	227,680
Patronage distributions payable	**3,063**	288,004
Preferred stock dividends payable	**13,500**	13,798
Other liabilities	**364,271**	396,679
Total liabilities	**41,574,587**	40,409,486
MEMBERS' EQUITY		
Preferred stock	**1,030,000**	1,030,000
Capital stock and participation certificates	**73,077**	72,834
Allocated retained earnings	**1,091,946**	1,091,910
Unallocated retained earnings	**4,037,868**	3,592,182
Additional paid-in-capital	**254,896**	254,896
Accumulated other comprehensive loss	**(443,999)**	(544,346)
Total members' equity	**6,043,788**	5,497,476
Total liabilities and members' equity	**$ 47,618,375**	$ 45,906,962

Combined Statements of Income

(Unaudited)

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest income				
Investment securities	**$ 75,553**	$ 64,539	**$ 210,812**	$ 180,216
Loans	**631,525**	576,385	**1,855,184**	1,656,324
Total interest income	**707,078**	640,924	**2,065,996**	1,836,540
Interest expense				
Bonds and notes	**338,347**	287,612	**977,215**	806,031
Notes payable and other	**68,387**	65,931	**204,190**	184,906
Total interest expense	**406,734**	353,543	**1,181,405**	990,937
Net interest income	**300,344**	287,381	**884,591**	845,603
Provision for credit losses on loans	**8,813**	2,064	**27,331**	44,460
Net interest income after provision for credit losses on loans	**291,531**	285,317	**857,260**	801,143
Noninterest income				
Patronage income	**4,595**	3,991	**24,352**	20,322
Fees for loan-related services	**11,677**	10,770	**31,181**	30,525
Refunds from Farm Credit System Insurance Corporation	**—**	—	**12,615**	—
Other (loss) income, net	**(3,819)**	5,413	**(10,324)**	11,927
Total noninterest income	**12,453**	20,174	**57,824**	62,774
Noninterest expense				
Salaries and employee benefits	**74,981**	68,485	**220,796**	210,435
Occupancy and equipment	**16,784**	16,552	**53,911**	51,006
Purchased services	**9,379**	8,933	**29,560**	28,329
Farm Credit System Insurance Corporation expense	**9,048**	16,092	**26,614**	47,127
Other operating expenses	**18,335**	22,136	**61,480**	61,874
Total noninterest expense	**128,527**	132,198	**392,361**	398,771
Income before income taxes	**175,457**	173,293	**522,723**	465,146
Provision for income taxes	**84**	158	**—**	153
Net income	**$ 175,373**	$ 173,135	**$ 522,723**	$ 464,993

Select Information on Texas District Associations

(Unaudited)

(in thousands) As of September 30, 2024	Direct Notes	% of Total Direct Notes	Total Assets	Total Allowance and Capital	Total Capital Ratio	Nonperforming Loans as a % of Total Loans	Annualized ROA
AgTexas Farm Credit Services	$ 2,765,396	10.49%	$ 3,291,918	$ 489,192	13.09%	0.25%	2.03%
AgTrust Farm Credit, ACA	2,622,576	9.95%	3,120,562	509,675	14.63%	0.10%	2.01%
Alabama Ag Credit, ACA	1,149,338	4.36%	1,404,714	255,600	16.14%	0.40%	1.48%
Alabama Farm Credit, ACA	1,011,705	3.84%	1,180,145	164,814	12.23%	0.55%	1.40%
Capital Farm Credit, ACA	11,100,336	42.12%	13,230,151	2,032,644	12.80%	0.22%	2.20%
Central Texas Farm Credit, ACA	580,978	2.21%	723,949	138,305	16.92%	0.07%	1.82%
Heritage Land Bank, ACA	582,055	2.21%	697,145	112,562	14.43%	1.71%	1.28%
Legacy Ag Credit, ACA	319,631	1.21%	392,712	71,782	18.69%	0.19%	1.33%
Louisiana Land Bank, ACA	870,711	3.31%	1,085,758	208,918	17.34%	0.29%	1.76%
Mississippi Land Bank, ACA	920,900	3.50%	1,119,126	180,252	14.40%	0.02%	1.62%
Plains Land Bank, FLCA	947,032	3.59%	1,133,725	182,963	14.30%	0.38%	2.09%
Southern AgCredit, ACA	1,339,090	5.08%	1,598,988	239,567	13.59%	0.01%	1.72%
Texas Farm Credit Services	2,142,243	8.13%	2,489,280	324,129	12.96%	0.47%	1.97%
Totals	$ 26,351,991	100.00%	$31,468,173	$4,910,403			

Texas District Contact Information

Name of Entity	Headquarters Location	Contact Number	Website
AgTexas Farm Credit Services	5004 N. Loop 289, Lubbock, Texas 79416	806-687-4068	*www.agtexas.com*
AgTrust Farm Credit, ACA	5600 Clearfork Main Street, Suite 600, Fort Worth, Texas 76109	817-332-6565	*www.agtrustaca.com*
Alabama Ag Credit, ACA	7480 Halcyon Pointe Drive, Suite 201, Montgomery, Alabama 36117	334-270-8687	*www.alabamaagcredit.com*
Alabama Farm Credit, ACA	300 2nd Avenue SW, Cullman, Alabama 35055	256-737-7128	*www.alabamafarmcredit.com*
Capital Farm Credit, ACA	3902 South Traditions Drive, College Station, TX 77845	979-822-3018	*www.capitalfarmcredit.com*
Central Texas Farm Credit, ACA	1026 Early Boulevard, Early, Texas 76802	325-643-5563	*www.centraltexasfarmcredit.com*
Farm Credit Bank of Texas	4801 Plaza on the Lake Drive, Austin, Texas 78746	512-465-0400	*www.farmcreditbank.com*
Heritage Land Bank, ACA	4608 Kinsey Drive, Suite 100, Tyler, Texas 75703	903-534-4975	*www.heritagelandbank.com*
Legacy Ag Credit, ACA	303 Connally Street, Sulphur Springs, Texas 75482	903-885-9566	*www.legacyaca.com*
Louisiana Land Bank, ACA	2413 Tower Drive, Monroe, Louisiana 71201	318-387-7535	*www.louisianalandbank.com*
Mississippi Land Bank, ACA	5509 Highway 51 North, Senatobia, Mississippi 38668	662-562-9671	*www.mslandbank.com*
Plains Land Bank, FLCA	5625 Fulton Drive, Amarillo, Texas 79109	806-353-6688	*www.plainslandbank.com*
Southern AgCredit, ACA	306 Commerce Center Drive, Ridgeland, Mississippi 39157	601-499-2820	*www.southernagcredit.com*
Texas Farm Credit Services	545 S. Highway 77, Robstown, Texas 78380	361-387-8563	*www.texasfarmcredit.com*

FARM CREDIT
BANK OF TEXAS

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