Farm Credit of Florida, ACA

THIRD QUARTER 2024

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2024 quarterly report of Farm Credit of Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Marcus A. Boone
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

/s/Bobby G. Lines
Chairman of the Board

November 8, 2024

Farm Credit of Florida, ACA

Report on Internal Control Over Financial Reporting

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

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

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

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

/s/ Marcus A. Boone
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

November 8, 2024

Farm Credit of Florida, ACA

Management’s Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Florida, ACA (Association) for the period ended September 30, 2024, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2023 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO AND ECONOMIC CONDITIONS

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association’s loan portfolio is diversified over a range of agricultural commodities in the northern and southern regions of Florida. The commodities include but are not limited to cattle, citrus, dairy, equine, field crops, nurseries, sugar, timber, tropical fruits, and vegetables with no significant single concentration. The largest commodity in the Association’s loan portfolio is equine representing 17.1% of the portfolio. Repayment ability remains closely related to the commodities produced by our borrowers with some having supplemental nonfarm income. Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of repayment dependency on a single agricultural commodity.

On August 5th, 2024, Hurricane Debby made landfall near Steinhatchee, in Florida’s Big Bend region, as a Category 1 hurricane. Debby brought storm surge that caused widespread flooding to the immediate coastal strip and affected more than 2.2 million acres of agricultural lands, most of it used for grazing. The storm also brought heavy rain and flooding to counties in the North and Southwest areas of the State impacting beef cattle, dairy, poultry, field and row crops, citrus, and nursery/greenhouse commodity groups. Impact to the Association’s overall portfolio is not expected to be material.

Hurricane Helene made landfall in the Big Bend region near Perry, Florida as a Category 4 hurricane with a devastating coastal storm surge and raced through rural North Florida on September 26th, 2024. The wind and heavy rains impacted beef cattle, dairies, poultry, field and row crops, nurseries, timber, and agricultural processing plants. In addition to crop and animal losses, fences, barns, poultry houses, irrigation systems and farm equipment were damaged or destroyed. Damage and risk assessments are ongoing, however, some credit quality deterioration and credit losses are expected.

Hurricane Milton made landfall in Siesta Key near Sarasota, Florida as a Category 3 hurricane on October 9th, 2024 bringing storm surge, high winds, heavy rainfall, and deadly tornadoes to the central, south and southwest regions of the State. The effects of the storm and tornadoes impacted citrus, beef cattle, dairy, field and row crops and nursery/greenhouse commodity groups. Damages and portfolio risks are being assessed, however, some credit quality deterioration and credit losses are expected.

The Association is still assessing the impact to the overall portfolio from the hurricanes. Loss reduction options that are available for some of our customers, such as the use of loan guarantees, crop insurance, and state and federal disaster relief, help to mitigate the losses associated with these storm events. The Association is well capitalized and maintains adequate allowance for credit losses, which allows us to withstand stress in our loan portfolio.

Inflation declined in the last half of 2023 as interest rates have risen, and despite a slight uptick in early 2024, the overall cooling economy has continued the downward trend of the all items CPI inflation rate to 2.4% for the 12 months ending September 2024. Over the last 12 months, the all items less food and energy index rose 3.3%, with the energy index decreasing 6.8% and the food index increasing 2.3%. Consumer spending continues to be resilient overall, despite signs of stress like higher default rates on consumer debt and higher credit card balances. The Florida unemployment rate was 3.3% at the end of August 2024, comparing favorably to the national average of 4.2% which is slightly above the level when Florida’s economy entered the pandemic with an unemployment rate of 2.7%. Florida’s unemployment rate has rebounded after exceeding 14% earlier in 2020. The Federal Open Market Committee (FOMC) raised its target range for the fed funds rate by 525 bps in 2022 and 2023 including increasing the balance sheet run-off of Treasury securities and agency debt to combat inflation. However, recent indicators suggest that economic activity has continued to expand at a solid pace, job gains have slowed and the unemployment rate has moved up but remains low. Inflation has made progress towards the FOMC's objective resulting in a 50 bps fed funds rate cut at the September 2024 meeting. Most forecasts indicate one to two 25 bps fed funds rate cuts for the balance of this year. In addition, the FOMC has curtailed the maximum monthly balance sheet run-off of Treasuries. The FOMC seeks to achieve maximum employment and inflation at 2% over the longer run.

Most commodity groups within the portfolio have experienced generally favorable operating results over the last two production seasons; however, citrus producers remain impacted by citrus greening disease, the residual impact of Hurricane Ian and the most recent impact of Hurricane Milton. The various challenges from citrus greening disease have caused reduced production and declines in overall profitability for most producers. The final 2022/2023 USDA production report indicated a 62% decrease in production for the 2022/2023 orange crop, following a 22% decline the previous season. The preliminary 2023/2024 season report indicated a 14% rebound in orange production, however, the initial forecast for the 2024/2025 season projects a 16% decrease to 15 million boxes before considering the effects of Hurricane Milton. Of the estimated $1.035 Billion of expected agricultural losses from Hurricane Ian, 23.9% was estimated to be from citrus and Milton will cause another setback. Despite these factors, the Association's citrus portfolio has continued to perform satisfactorily with performance issues isolated to only a few stressed growers. The dairy industry has also remained under stress due to supply and demand dynamics, reduced government price supports as well as high feed and fuel costs. Most of the Association's dairy loans are to the fluid milk producers who had experienced depressed commodity prices for several years. Pricing declined over the past year, which has stressed producers even more as moderating operating expenses are not making up for the weakened pricing environment.

The horticultural or nursery segment remains satisfactory as consumer spending remains strong and the residential housing market continues to see ongoing demand and growth. 2023 was stronger than expected, due to moderating operating expenses and strong demand despite challenges in the housing market. To date, 2024's growth has been modest and is expected to remain so for the rest of the year. The forestry industry has also experienced challenges as packaging and housing, including renovation and repair markets, has slowed domestically and global trade remains a concern. The beef cattle industry has strengthened as smaller herd sizes and ongoing strong demand has led to strong prices while feed and transportation cost increases have moderated.

The total loan volume of the Association as of September 30, 2024, was $1,563,232, a decrease of $14,837 or 0.94 percent as compared to $1,578,069 at December 31, 2023. The decrease in total loan volume during the period is primarily attributed to liquidations and curtailments on several large loan relationships and negative impacts of higher interest rates on new loan volume.

The Association remains active in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income, which may strengthen our capital position. As of September 30, 2024, participations purchased totaled $483,820 and participations sold totaled $231,261, resulting in $252,559 net participations purchased.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality improved compared to year end 2023 as a result of a decrease in substandard nonaccrual loans offset by an increase in OAEM loans. The increase in OAEM loans is from downgrades mostly in the dairy and swine commodity groups. Acceptable and OAEM credit quality, as a percentage of the total loan portfolio, was 99.32 percent as of September 30, 2024, compared to 99.09 percent on December 31, 2023.

Nonaccrual loans decreased from $6,870 at December 31, 2023, to $5,777 at September 30, 2024. As a percent of total loans, nonaccrual loans were 0.37% and 0.44% at September 30, 2024 and December 31, 2023, respectively. The decrease in nonaccrual loans is attributed to transfers into other property owned primarily in the tree fruit and nuts commodity group. Other property owned increased $983 or 100.00 percent to $983 on September 30, 2024 from $0 on December 31, 2023. Equity investments in two companies in the tree fruits and nuts commodity group were transferred into other property owned during 2024.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLL). The ACLL at September 30, 2024, was $4,442 or 0.28% of total loans compared to $9,366 or 0.59% of total loans at December 31, 2023, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

The Association's primary source of funding is provided by AgFirst Farm Credit Bank (the Bank) in the form of notes payable. See *Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassifies the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of $1,022 and $3,062 for the three and nine months ended September 30, 2023, respectively, as shown in the tables below.

	For the three months ended			For the nine months ended		
	September 30, 2024	September 30, 2023	September 30, 2023*	September 30, 2024	September 30, 2023	September 30, 2023*
Interest Income	$ 26,048	$ 25,010	$ 25,010	$ 78,725	$ 72,943	$ 72,943
Interest Expense	13,653	13,534	12,512	40,394	38,882	35,820
Net Interest Income	12,395	11,476	12,498	38,331	34,061	37,123
Provision for Credit Losses	62	942	942	(4,172)	3,996	3,996
Noninterest Income	4,183	4,082	4,082	13,534	12,341	12,341
Noninterest Expense	9,289	6,861	7,883	26,746	20,901	23,963
Provision for Income Taxes	–	–	–	–	–	–
Net income	$ 7,227	$ 7,755	$ 7,755	$ 29,291	$ 21,505	$ 21,505
Net Interest Margin	3.23%	2.99%	3.26%	3.32%	2.96%	3.23%
Operating Efficiency Ratio	56.03%	44.09%	47.54%	51.56%	45.11%	48.51%

**reflects the pro-forma results if the amended notes payable rate had been in effect during 2023*

For the three months ended September 30, 2024

Net income for the three months ended September 30, 2024, was $7,227, a decrease of $528 or 6.81 percent as compared to net income of $7,755 for the same period ended in 2023. The decrease is primarily attributed to an increase in noninterest expense offset by a decrease in provision for credit losses expense.

For the three months ended September 30, 2024, net interest income was $12,395 and the net interest margin was 3.23 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $12,498, a decrease of $103 or 0.82 percent, and the net interest margin was 3.26 percent, a decrease of 3 basis points for the three months ended September 30, 2024 as compared to the same period in the prior year. The decrease in net interest income was primarily the result of lower interest recoveries on nonaccrual loan liquidations offset by higher interest income on variable rate loans resulting from increasing of the target range for the federal funds rate by the Federal Reserve during 2023.

The provision for credit losses for the three months ended September 30, 2024, was $62, a decrease in expense of $880 from the provision for credit losses of $942 for the same period ended during the prior year. The decrease in expense is attributed to higher reserves required in the prior year on loans individually evaluated in the tree fruits and nuts commodity group.

Noninterest income increased $101 or 2.47 percent to $4,183 for the three months ended September 30, 2024 compared to $4,082 for the same period in 2023 primarily due to an increase in fees for financially related services.

For the three months ended September 30, 2024, noninterest expense was $9,289. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $7,883, an increase of $1,406 or 17.84 percent for the three months ended September 30, 2024 as compared to the same period in the prior year. The increase in noninterest expense was primarily due to an increase in salaries and employee benefits resulting from an increase in employee incentive expense during the period and an increase in purchased services expense from an increase in the Bank's cost of services provided to the Association. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of $650 for the three months ended September 30, 2024. The increases were offset by a decrease in Insurance Fund premiums as a result of a decrease in the insurance premium rate charged by the Farm Credit System Insurance Corporation in 2024 compared to 2023.

For the nine months ended September 30, 2024

Net income for the nine months ended September 30, 2024, was $29,291, an increase of $7,786 or 36.21 percent as compared to net income of $21,505 for the same period ended in 2023. The increase is primarily attributed to a decrease in provision for credit losses expense.

For the nine months ended September 30, 2024, net interest income was $38,331 and the net interest margin was 3.32 percent. After adjusting the prior year for the notes payable rate amendment discussed above, net interest income was $37,123, an increase of $1,208 or 3.25 percent, and the net interest margin was 3.23 percent, an increase of 9 basis points for the nine months ended September 30, 2024 as compared to the same period in the prior year. The increase in net interest income was primarily the result of higher interest income on variable rate loans resulting from increasing of the target range for the federal funds rate by the Federal Reserve during 2023 and higher interest on loan volume growth over the last 12 months.

The reversal of credit losses for the nine months ended September 30, 2024, was $4,172, a decrease in expense of $8,168 from the provision for credit losses of $3,996 for the same period ended during the prior year. The decrease in expense is attributed to lower reserves required on loans both collectively and individually evaluated as a result of credit quality improvement and adoption of updated historical loss rate assumptions during the period. Recoveries of $64 recorded during the period were primarily in the field crops commodity group and charge-offs of $787 were mostly in the tree fruits and nuts commodity group.

Noninterest income increased $1,193 or 9.67 percent to $13,534 for the nine months ended September 30, 2024 compared to $12,341 for the same period in 2023 primarily due to Insurance Fund refunds received in 2024, an increase in fees for financially related services, and an increase in patronage refunds from other Farm Credit institutions.

In April 2024, the Association recorded $422 of insurance premium refunds from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. These payments are nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act.

For the nine months ended September 30, 2024, noninterest expense was $26,746. After adjusting the prior year for the notes payable rate amendment discussed above, noninterest expense was $23,963, an increase of $2,783 or 11.61 percent for the nine months ended September 30, 2024 as compared to the same period in the prior year. The increase in noninterest expense was primarily due to an increase in salaries and employee benefits resulting from an increase in employee incentive expense in 2024 and an increase in purchased services expense from an increase in the Bank's cost of services provided to the Association. Beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of $650 for the nine months ended September 30, 2024. The increases were offset by a decrease in Insurance Fund premiums as a result of a decrease in the insurance premium rate charged by the Farm Credit System Insurance Corporation in 2024 compared to 2023.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2024, was $1,206,271 as compared to $1,246,767 at December 31, 2023. The decrease during the period of $40,496 is primarily attributed to a decrease in loan volume during the period along with an increase in members' equity resulting from net income for the nine months ended September 30, 2024 and receipt of 2023 patronage dividends due from AgFirst Farm Credit Bank.

CAPITAL RESOURCES

Total members' equity at September 30, 2024, was $380,490, an increase of $29,246 from a total of $351,244 at December 31, 2023. The increase is primarily attributed to net income during the period. Total capital stock and participation certificates were $2,795 on September 30, 2024, compared to $2,844 on December 31, 2023. The decrease is attributed to retirement of capital stock on loans liquidated in the ordinary course of business.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	9/30/24	12/31/23	9/30/23
Permanent Capital Ratio	7.00%	19.85%	18.67%	19.01%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	19.80%	18.55%	18.89%
Tier 1 Capital ratio	8.50%	19.80%	18.55%	18.89%
Total Regulatory Capital Ratio	10.50%	20.10%	19.27%	19.56%
Tier 1 Leverage Ratio**	5.00%	22.43%	20.95%	21.54%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	18.60%	17.21%	17.70%

**Include full capital conservation buffers.*
***The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.*

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

REGULATORY MATTERS

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between FCA's risk-weightings and the federal banking regulators. The final rule excludes certain acquisition, development, and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated less than $500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the Farm Credit Administration approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish board reporting requirements. The final rule will become effective on January 1, 2025.

Note: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request, free of charge, by calling (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2024 (unaudited)	December 31, 2023 (audited)
Assets		
Cash	**$ 28**	$ 14
Investments in debt securities:		
Held to maturity	**1,690**	1,781
Loans	**1,563,232**	1,578,069
Allowance for credit losses on loans	**(4,442)**	(9,366)
Net loans	**1,558,790**	1,568,703
Loans held for sale	**—**	6,894
Accrued interest receivable	**10,272**	10,347
Equity investments in other Farm Credit institutions	**25,571**	26,273
Premises and equipment, net	**7,865**	7,634
Other property owned	**983**	—
Accounts receivable	**8,704**	12,800
Other assets	**2,026**	1,638
Total assets	**$ 1,615,929**	$ 1,636,084
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,206,271**	$ 1,246,767
Accrued interest payable	**4,604**	5,276
Patronage refunds payable	**299**	14,930
Accounts payable	**3,929**	5,108
Advanced conditional payments	**12,016**	5,209
Other liabilities	**8,320**	7,550
Total liabilities	**1,235,439**	1,284,840
Commitments and contingencies (Note 6)		
Members' Equity		
Protected borrower stock	**445**	445
Capital stock and participation certificates	**2,350**	2,399
Additional paid-in-capital	**7,873**	7,873
Retained earnings		
Allocated	**148,283**	147,634
Unallocated	**221,677**	193,037
Accumulated other comprehensive income (loss)	**(138)**	(144)
Total members' equity	**380,490**	351,244
Total liabilities and members' equity	**$ 1,615,929**	$ 1,636,084

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest Income				
Loans	**$ 26,020**	$ 24,982	**$ 78,644**	$ 72,852
Investments	**28**	28	**81**	91
Total interest income	**26,048**	25,010	**78,725**	72,943
Interest Expense	**13,653**	13,534	**40,394**	38,882
Net interest income	**12,395**	11,476	**38,331**	34,061
Provision for (reversal of) allowance for credit losses	**62**	942	**(4,172)**	3,996
Net interest income after provision for (reversal of) allowance for credit losses	**12,333**	10,534	**42,503**	30,065
Noninterest Income				
Loan fees	**261**	259	**666**	811
Fees for financially related services	**1,029**	975	**3,429**	3,032
Patronage refunds from other Farm Credit institutions	**2,708**	2,732	**8,406**	8,213
Gains (losses) on sales of rural home loans, net	**81**	43	**180**	147
Gains (losses) on sales of premises and equipment, net	**1**	6	**173**	9
Gains (losses) on other transactions	**65**	36	**152**	48
Insurance Fund refunds	**—**	—	**422**	—
Other noninterest income	**38**	31	**106**	81
Total noninterest income	**4,183**	4,082	**13,534**	12,341
Noninterest Expense				
Salaries and employee benefits	**5,518**	4,657	**16,977**	14,488
Occupancy and equipment	**333**	341	**1,038**	992
Insurance Fund premiums	**292**	532	**890**	1,605
Purchased services	**2,016**	256	**4,603**	716
Data processing	**84**	39	**206**	135
Other operating expenses	**1,046**	1,035	**3,028**	2,996
(Gains) losses on other property owned, net	**—**	1	**4**	(31)
Total noninterest expense	**9,289**	6,861	**26,746**	20,901
Net income	**$ 7,227**	$ 7,755	**$ 29,291**	$ 21,505
Other comprehensive income net of tax				
Employee benefit plans adjustments	**2**	2	**6**	5
Comprehensive income	**$ 7,229**	$ 7,757	**$ 29,297**	$ 21,510

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 445	$ 2,437	$ 7,873	$ 141,579	$ 185,301	$ (140)	$ 337,495
Cumulative effect of change in accounting principle					452		452
Comprehensive income					21,505	5	21,510
Capital stock/participation certificates issued/(retired), net		(26)					(26)
Patronage distribution adjustment				250	(251)		(1)
Balance at September 30, 2023	$ 445	$ 2,411	$ 7,873	$ 141,829	$ 207,007	$ (135)	$ 359,430
Balance at December 31, 2023	**$ 445**	**$ 2,399**	**$ 7,873**	**$ 147,634**	**$ 193,037**	**$ (144)**	**$ 351,244**
Comprehensive income					**29,291**	**6**	**29,297**
Capital stock/participation certificates issued/(retired), net		**(49)**					**(49)**
Patronage distribution adjustment				**649**	**(651)**		**(2)**
Balance at September 30, 2024	**$ 445**	**$ 2,350**	**$ 7,873**	**$ 148,283**	**$ 221,677**	**$ (138)**	**$ 380,490**

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

Farm Credit of Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Farm Credit of Florida, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

	September 30, 2024	December 31, 2023
Real estate mortgage	$ 870,344	$ 876,328
Production and intermediate-term	242,644	260,136
Agribusiness:		
Loans to cooperatives	39,852	30,122
Processing and marketing	180,209	176,669
Farm-related business	37,473	41,854
Rural infrastructure:		
Communication	74,904	76,978
Power and water/waste disposal	73,256	72,496
Rural residential real estate	20,861	21,411
Other:		
International	19,417	17,506
Other (including Mission Related)	4,272	4,569
Total loans	$ 1,563,232	$ 1,578,069

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly. The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations.

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	September 30, 2024	December 31, 2023
Real estate mortgage:		
Acceptable	98.10%	97.75%
OAEM	0.86	1.26
Substandard/doubtful/loss	1.04	0.99
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.52%	97.49%
OAEM	3.91	0.44
Substandard/doubtful/loss	0.57	2.07
	100.00%	100.00%
Agribusiness:		
Acceptable	92.85%	94.49%
OAEM	7.07	5.43
Substandard/doubtful/loss	0.08	0.08
	100.00%	100.00%
Rural infrastructure:		
Acceptable	95.92%	94.52%
OAEM	4.08	5.48
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.45%	99.45%
OAEM	0.17	0.18
Substandard/doubtful/loss	0.38	0.37
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	96.68%	96.94%
OAEM	2.64	2.15
Substandard/doubtful/loss	0.68	0.91
	100.00%	100.00%

Accrued interest receivable on loans of $10,235 and $10,331 at September 30, 2024 and December 31, 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following tables provide an aging analysis of past due loans as of:

	September 30, 2024					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 5,806	$ 758	$ 6,564	$ 863,780	$ 870,344	$ –
Production and intermediate-term	859	992	1,851	240,793	242,644	–
Agribusiness	–	–	–	257,534	257,534	–
Rural infrastructure	–	–	–	148,160	148,160	–
Rural residential real estate	23	80	103	20,758	20,861	–
Other	–	–	–	23,689	23,689	–
Total	$ 6,688	$ 1,830	$ 8,518	$ 1,554,714	$ 1,563,232	$ –

	December 31, 2023					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 1,076	$ 45	$ 1,121	$ 875,207	$ 876,328	$ –
Production and intermediate-term	193	4,923	5,116	255,020	260,136	–
Agribusiness	–	–	–	248,645	248,645	–
Rural infrastructure	–	–	–	149,474	149,474	–
Rural residential real estate	–	80	80	21,331	21,411	–
Other	–	–	–	22,075	22,075	–
Total	$ 1,269	$ 5,048	$ 6,317	$ 1,571,752	$ 1,578,069	$ –

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans as of:

	September 30, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 4,489	$ 4,489
Production and intermediate-term	549	456	1,005
Agribusiness	–	203	203
Rural residential real estate	–	80	80
Total	$ 549	$ 5,228	$ 5,777

	December 31, 2023		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 1,645	$ 1,645
Production and intermediate-term	4,405	523	4,928
Agribusiness	–	217	217
Rural residential real estate	–	80	80
Total	$ 4,405	$ 2,465	$ 6,870

The Association recognized $46 and $189 of interest income on nonaccrual loans during the three months ended September 30, 2024 and September 30, 2023, respectively. The Association recognized $374 and $592 of interest income on nonaccrual loans during the nine months ended September 30, 2024 and September 30, 2023, respectively.

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

A summary of changes in the allowance for credit losses is as follows:

	September 30, 2024
Allowance for Credit Losses on Loans:	
Balance at June 30, 2024	$ 4,326
Charge-offs	–
Recoveries	9
Provision for credit losses on loans	107
Balance at September 30, 2024	$ 4,442
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2024	$ 971
Provision for unfunded commitments	(45)
Balance at September 30, 2024	$ 926
Total allowance for credit losses	$ 5,368
Allowance for Credit Losses on Loans:	
Balance at December 31, 2023	$ 9,366
Charge-offs	(787)
Recoveries	64
Provision for credit losses on loans	(4,201)
Balance at September 30, 2024	$ 4,442
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2023	$ 897
Provision for unfunded commitments	29
Balance at September 30, 2024	$ 926
Total allowance for credit losses	$ 5,368

	September 30, 2023
Allowance for Credit Losses on Loans:	
Balance at June 30, 2023	$ 10,991
Charge-offs	(109)
Recoveries	137
Provision for credit losses on loans	932
Balance at September 30, 2023	$ 11,951
Allowance for Credit Losses on Unfunded Commitments:	
Balance at June 30, 2023	$ 836
Provision for unfunded commitments	10
Balance at September 30, 2023	$ 846
Total allowance for credit losses	$ 12,797
Allowance for Credit Losses on Loans:	
Balance at December 31, 2022	$ 8,685
Cumulative effect of a change in accounting principle	(790)
Balance at January 1, 2023	$ 7,895
Charge-offs	(229)
Recoveries	288
Provision for credit losses on loans	3,997
Balance at September 30, 2023	$ 11,951
Allowance for Credit Losses on Unfunded Commitments:	
Balance at December 31, 2022	$ 509
Cumulative effect of a change in accounting principle	338
Balance at January 1, 2023	$ 847
Provision for unfunded commitments	(1)
Balance at September 30, 2023	$ 846
Total allowance for credit losses	$ 12,797

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three and nine months ended September 30, 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at September 30, 2024.

Loans held for sale were $0 and $6,894 at September 30, 2024 and December 31, 2023, respectively. Such loans are carried at the lower of cost or fair value.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

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

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

	September 30, 2024	December 31, 2023
	Amortized Cost	
RABs	$ 1,429	$ 1,424
ABSs	261	357
Total	$ 1,690	$ 1,781

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

	Amortized Cost
In one year or less	$ 3
After one year through five years	45
After five years through ten years	213
After ten years	1,429
Total	$ 1,690

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

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

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 4.59 percent of the issued stock and allocated retained earnings of the Bank as of September 30, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled $46.6 billion and shareholders' equity totaled $2.0 billion. The Bank's earnings were $189 million for the first nine months of 2024. In addition, the Association held investments of $1,387 related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component *(a)*			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Employee Benefit Plans:				
Balance at beginning of period	$ (140)	$ (137)	$ (144)	$ (140)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	2	2	6	5
Net current period other comprehensive income	2	2	6	5
Balance at end of period	$ (138)	$ (135)	$ (138)	$ (135)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2023	2024	2023	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (2)	$ (2)	$ (6)	$ (5)	Salaries and employee benefits
Net amounts reclassified	$ (2)	$ (2)	$ (6)	$ (5)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	September 30, 2024							
	Fair Value Measurement Using						Total Fair Value	
	Level 1		Level 2		Level 3			
Recurring assets								
Assets held in trust funds	$	1,594	$	–	$	–	$	1,594
Nonrecurring assets								
Nonaccrual loans	$	–	$	–	$	494	$	494
Other property owned	$	–	$	–	$	983	$	983

	December 31, 2023							
	Fair Value Measurement Using						Total Fair Value	
	Level 1		Level 2		Level 3			
Recurring assets								
Assets held in trust funds	$	1,271	$	–	$	–	$	1,271
Nonrecurring assets								
Nonaccrual loans	$	–	$	–	$	2,722	$	2,722
Other property owned	$	–	$	–	$	–	$	–

Valuation Techniques

Assets held in trust funds

Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Nonaccrual loans

Fair values of nonaccrual loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, and are therefore classified as Level 3.

Other property owned

For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 6 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for claims that may be pending.

Note 7 — Subsequent Events

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