Farm Credit Southeast Missouri, ACA

Quarterly Report
September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Southeast Missouri, ACA and its subsidiaries, Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

Farm Credit Southeast Missouri, ACA
1116 N. Main Street
Sikeston, MO 63801
(573) 471-0342
www.FarmCreditSEMO.com
info@FarmCreditSEMO.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

Land Values: Average 2024 benchmark farmland values increased 4.3% compared to an increase of 15.4% and 14.1% in 2023 and 2022, respectively.

Commodity Prices: Projections for above average yields globally are causing downward pressure on commodity prices raising concerns for net farm income in 2024. We are expecting net farm income to fall below levels seen in recent years, due to less than favorable commodity prices and continued inflationary pressure on expenses. Despite the unfavorable outlook, there are no significant concerns regarding repayment abilities at this time.

Crop Conditions: The weather early in the third quarter was dry to extremely dry across our territory. Late in the quarter, the territory was impacted by heavy rainfalls from two hurricanes. Most farmers made good progress on harvest while the weather was favorable. Early reports on yields are average to above average.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $954.4 million at September 30, 2024, an increase of $100.9 million from December 31, 2023. The increase was primarily due to seasonal loan disbursements and growth in production and intermediate-term and real estate mortgage loans.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2023. Adversely classified loans decreased to 0.1% of the portfolio at September 30, 2024, from 0.8% of the portfolio at December 31, 2023. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At September 30, 2024, $36.6 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	September 30, 2024	December 31, 2023
Loans:		
Nonaccrual	**$ 168**	$ 2,305
Accruing loans 90 days or more past due	**336**	918
Total nonperforming loans	**504**	3,223
Other property owned	**77**	--
Total nonperforming assets	**$ 581**	$ 3,223
Total nonperforming loans as a percentage of total loans	**0.1%**	0.4%
Nonaccrual loans as a percentage of total loans	**0.0%**	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**--**	79.8%
Total delinquencies as a percentage of total loans[1]	**0.3%**	0.5%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have decreased from December 31, 2023, and remained at acceptable levels. Total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The decrease in nonaccrual loans was primarily due to repayments on certain production and intermediate-term and real estate mortgage loans and the transfer of one nonaccrual loan to other property owned. Nonaccrual loans remained at an acceptable level at September 30, 2024, and December 31, 2023.

The decrease in accruing loans 90 days or more past due was due to the payoff of one loan fully guaranteed by the United States Department of Agriculture. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

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

Allowance for Credit Losses on Loans Coverage Ratios

As of:	September 30, 2024	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Loans	**0.1%**	0.1%
Nonaccrual loans	**516.7%**	32.5%
Total nonperforming loans	**172.2%**	23.2%

Total allowance for credit losses on loans was $868 thousand at September 30, 2024, and $748 thousand at December 31, 2023. The increase from December 31, 2023, was primarily related to an increase to the general allowance slightly offset by a decrease in specific reserves. The allowance for credit losses on loans as a percentage of nonaccrual loans increased from December 31, 2023, primarily due to the decrease in nonaccrual loans from December 31, 2023, to September 30, 2024.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30,	2024	2023
Net income	**$ 15,016**	$ 14,900
Return on average assets	**2.0%**	2.1%
Return on average members' equity	**9.4%**	9.9%

Changes presented in the profitability information table relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30,	2024	2023	Increase (decrease) in net income
Net interest income	$ **20,811**	$ 20,441	$ **370**
Provision for credit losses	**48**	(41)	**(89)**
Non-interest income	**4,626**	4,358	**268**
Non-interest expense	**10,373**	9,935	**(438)**
Provision for income taxes	**--**	5	**5**
Net income	$ **15,016**	$ 14,900	$ **116**

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2026. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at September 30, 2024, or December 31, 2023.

Total members' equity increased $10.5 million from December 31, 2023, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2023 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	September 30, 2024	December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.0%**	18.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.0%**	18.4%	6.0%	2.5%	8.5%
Total capital ratio	**18.1%**	18.5%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.0%**	18.4%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.1%**	18.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.0%**	18.6%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2023 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2024, Quarterly Report of Farm Credit Southeast Missouri, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Ed C. Marshall III
Chairperson of the Board
Farm Credit Southeast Missouri, ACA

Gregory M. Cunningham
President / Chief Executive Officer
Farm Credit Southeast Missouri, ACA

Michelle M. Beacham
Executive Vice President / Chief Financial Officer
Farm Credit Southeast Missouri, ACA

November 7, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Southeast Missouri, ACA

(in thousands)

As of:	September 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Loans	**$ 954,406**	$ 853,483
Allowance for credit losses on loans	**868**	748
Net loans	**953,538**	852,735
Investment in AgriBank, FCB	**36,971**	35,821
Investment securities	**27,204**	30,883
Accrued interest receivable	**29,192**	23,062
Other assets	**14,395**	13,070
Total assets	**$ 1,061,300**	$ 955,571
LIABILITIES		
Note payable to AgriBank, FCB	**$ 827,842**	$ 728,516
Accrued interest payable	**8,001**	6,633
Deferred tax liabilities, net	**158**	159
Patronage distribution payable	**4,500**	8,750
Other liabilities	**2,578**	3,805
Total liabilities	**843,079**	747,863
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**1,652**	1,651
Unallocated surplus	**216,540**	206,027
Accumulated other comprehensive income	**29**	30
Total members' equity	**218,221**	207,708
Total liabilities and members' equity	**$ 1,061,300**	$ 955,571

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Southeast Missouri, ACA

(in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30,	**2024**	2023	**2024**	2023
Interest income	**$ 15,208**	$ 14,336	**$ 41,623**	$ 37,459
Interest expense	**8,000**	6,933	**20,812**	17,018
Net interest income	**7,208**	7,403	**20,811**	20,441
Provision for credit losses	**12**	110	**48**	(41)
Net interest income after provision for credit losses	**7,196**	7,293	**20,763**	20,482
Non-interest income				
Patronage income	**1,275**	1,337	**3,638**	3,641
Financially related services income	**405**	505	**509**	592
Fee income	**60**	40	**223**	72
Other non-interest income	**5**	3	**256**	53
Total non-interest income	**1,745**	1,885	**4,626**	4,358
Non-interest expense				
Salaries and employee benefits	**1,955**	1,884	**5,409**	5,176
Other operating expense	**1,697**	1,716	**4,905**	4,759
Other non-interest expense	**28**	--	**59**	--
Total non-interest expense	**3,680**	3,600	**10,373**	9,935
Income before income taxes	**5,261**	5,578	**15,016**	14,905
(Benefit from) provision for income taxes	**(43)**	(67)	**--**	5
Net income	**$ 5,304**	$ 5,645	**$ 15,016**	$ 14,900
Other comprehensive loss				
Employee benefit plans activity	**$ --**	$ --	**$ (1)**	$ --
Total other comprehensive loss	**--**	--	**(1)**	--
Comprehensive income	**$ 5,304**	$ 5,645	**$ 15,015**	$ 14,900

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2022	$ 1,643	$ 194,247	$ 27	$ 195,917
Cumulative effect of change in accounting principle	--	167	--	167
Net income	--	14,900	--	14,900
Unallocated surplus designated for patronage distributions	--	(4,501)	--	(4,501)
Capital stock and participation certificates issued	78	--	--	78
Capital stock and participation certificates retired	(89)	--	--	(89)
Balance at September 30, 2023	$ 1,632	$ 204,813	$ 27	$ 206,472
Balance at December 31, 2023	$ 1,651	$ 206,027	$ 30	$ 207,708
Net income	**--**	**15,016**	**--**	**15,016**
Other comprehensive loss	**--**	**--**	**(1)**	**(1)**
Unallocated surplus designated for patronage distributions	**--**	**(4,503)**	**--**	**(4,503)**
Capital stock and participation certificates issued	**70**	**--**	**--**	**70**
Capital stock and participation certificates retired	**(69)**	**--**	**--**	**(69)**
Balance at September 30, 2024	**$ 1,652**	**$ 216,540**	**$ 29**	**$ 218,221**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Southeast Missouri, ACA and its subsidiaries Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

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

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Throughout Note 2 accrued interest receivable on loans of $28.8 million at September 30, 2024, and $22.6 million at December 31, 2023, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Loans by Type

(dollars in thousands)

As of:	**September 30, 2024**		December 31, 2023	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 551,897**	**57.8%**	$ 529,655	62.1%
Production and intermediate-term	**343,979**	**36.0%**	273,886	32.1%
Agribusiness	**38,370**	**4.0%**	24,034	2.8%
Other	**20,160**	**2.2%**	25,908	3.0%
Total	**$ 954,406**	**100.0%**	$ 853,483	100.0%

The other category is composed of certain assets characterized as mission related investments, as well as rural residential real estate related loans.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **As of September 30, 2024**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 104**	**$ --**	**$ 104**	**$ 551,793**	**$ 551,897**	**$ --**
Production and intermediate-term	**300**	**169**	**469**	**343,510**	**343,979**	**--**
Agribusiness	**--**	**--**	**--**	**38,370**	**38,370**	**--**
Other	**2,035**	**336**	**2,371**	**17,789**	**20,160**	**336**
Total	**$ 2,439**	**$ 505**	**$ 2,944**	**$ 951,462**	**$ 954,406**	**$ 336**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ --	$ --	$ --	$ 529,655	$ 529,655	$ --
Production and intermediate-term	160	465	625	273,261	273,886	--
Agribusiness	--	--	--	24,034	24,034	--
Other	2,918	918	3,836	22,072	25,908	918
Total	$ 3,078	$ 1,383	$ 4,461	$ 849,022	$ 853,483	$ 918

Nonaccrual Loans

Nonaccrual Loans Information

(in thousands)	As of September 30, 2024 Amortized Cost	As of September 30, 2024 Amortized Cost Without Allowance	For the Nine Months Ended September 30, 2024 Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	**$ --**	**$ --**	**$ 108**
Production and intermediate-term	**168**	**--**	**340**
Total	**$ 168**	**$ --**	**$ 448**

	As of December 31, 2023 Amortized Cost	As of December 31, 2023 Amortized Cost Without Allowance	For the Nine Months Ended September 30, 2023 Interest Income (Reversed) Recognized
Nonaccrual loans:			
Real estate mortgage	$ 775	$ 775	$ (1)
Production and intermediate-term	1,530	1,040	16
Total	$ 2,305	$ 1,815	$ 15

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

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one of or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months.

Loan Modifications at Amortized Cost[1]

(dollars in thousands) **For the nine months ended September 30, 2024**	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Production and intermediate-term	**$ 1,502**	**$ --**	**$ --**	**$ 1,502**	**0.2%**
Total	**$ 1,502**	**$ --**	**$ --**	**$ 1,502**	**0.2%**

For the nine months ended September 30, 2023	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	$ --	$ 850	$ --	$ 850	0.1%
Production and intermediate-term	--	1,131	13	1,144	0.1%
Total	$ --	$ 1,981	$ 13	$ 1,994	0.2%
Loan modifications granted as a percentage of total loans	--	0.2%	0.0%	0.2%	

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Financial Effect of Loan Modifications

For the nine months ended September 30, 2024	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)
Production and intermediate-term		
Term extension	**58**	

For the nine months ended September 30, 2023	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)
Real estate mortgage		
Payment deferral		11
Production and intermediate-term		
Payment deferral		10
Combination - term extension and payment deferral	6	6

There were no loans to borrowers experiencing financial difficulty that defaulted during the nine months ended September 30, 2024, or 2023, in which the modifications were within twelve months preceding the default.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications[1]

(in thousands) **As of September 30, 2024**	Not Past Due or Less Than 30 Days Past Due
Production and intermediate-term	**$ 1,502**
Total	**$ 1,502**

As of September 30, 2023	Not Past Due or Less Than 30 Days Past Due
Real estate mortgage	$ 850
Production and intermediate-term	1,144
Total	$ 1,994

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at September 30, 2024. There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty at September 30, 2023.

Additional commitments were $698 thousand at September 30, 2024, to lend to borrowers experiencing financial difficulty whose loans were modified during the nine months ended September 30, 2024. There were no commitments at December 31, 2023, to lend to borrowers experiencing financial difficulty whose loans have been modified during the year ended December 31, 2023.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) Nine months ended September 30,		**2024**		2023
Allowance for Credit Losses on Loans				
Balance at beginning of period	**$**	**748**	$	1,009
Cumulative effect of change in accounting principle		**--**		(159)
Provision for credit losses on loans		**48**		(31)
Loan recoveries		**94**		17
Loan charge-offs		**(22)**		(77)
Balance at end of period	**$**	**868**	$	759
Allowance for Credit Losses on Unfunded Commitments				
Balance at beginning of period	**$**	**20**	$	120
Cumulative effect of change in accounting principle		**--**		(90)
Provision for credit losses on unfunded commitments		**--**		(10)
Balance at end of period	**$**	**20**	$	20
Total allowance for credit losses	**$**	**888**	$	779

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by an increase to the general allowance slightly offset by a decrease in specific reserves.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $27.2 million at September 30, 2024, and $30.9 million at December 31, 2023. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

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

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $396 thousand at September 30, 2024, and $438 thousand at December 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $1.3 million and $1.0 million for the nine months ended September 30, 2024, and 2023, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2024**		Amortized Cost
One to five years	**$**	**344**
Five to ten years		**11,131**
More than ten years		**15,729**
Total	**$**	**27,204**

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of September 30, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 1**	**$ 1**
Other property owned	**--**	**--**	**80**	**80**

As of December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 253	$ 253
Other property owned	--	--	--	--

Valuation Techniques

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

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 7, 2024, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.