AgSouth Farm Credit, ACA

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly report of AgSouth Farm Credit, 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/ Vance C. Dalton, Jr.
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

/s/ H. Frank Ables, Jr.
Chairman of the Board

May 9, 2025

AgSouth Farm Credit, 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 affected 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 March 31, 2025. 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 March 31, 2025, 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 March 31, 2025.

/s/ Vance C. Dalton, Jr.
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

May 9, 2025

AgSouth Farm Credit, 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 AgSouth Farm Credit, ACA (Association) for the period ended March 31, 2025, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2024 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

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 wide range of agricultural commodities produced in our region, including timber, poultry (broilers, turkeys and eggs), sod, nursery and horticulture, cotton, feed grains, soybeans and hay, beef cattle, pastures, horses, peanuts, blueberries, fruits, and nuts. Loans to producers of these commodities total $3,351,744 or 72.04 percent of the Association's portfolio. Farm size varies, and many of the Association's customers have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, reduce to some degree the level of income dependency on any given commodity.

The total loan volume of the Association as of March 31, 2025, was $4,652,459, an increase of $92,782 as compared to $4,559,677 at December 31, 2024. The increase in loan volume during the reporting period is attributed to the funding of operating lines of credit and term loans during this quarter. Advances on most operating lines are now funded and anticipated additional growth by the sales team is being realized. Competition for good quality loans remains strong from some commercial banks, but the Association has remained competitive in a difficult rate environment.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from $20,163 at December 31, 2024, to $33,604 at March 31, 2025. As a percent of total loans, nonaccrual loans were less than one percent at March 31, 2025 and December 31, 2024, respectively.

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 March 31, 2025, was $24,600 or less than one percent of total loans compared to $23,100 or less than one percent of total loans at December 31, 2024, 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 significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

For the three months ended March 31, 2025

Net income for the three months ended March 31, 2025, was $22,613, a decrease of $3,548 as compared to net income of $26,161 for the same period ended in 2024. The decrease is tied to the decrease in noninterest income in conjunction with the increase in interest and noninterest expenses.

For the three months ended March 31, 2025, net interest income was $41,385, an increase of $9, and the net interest margin was 3.70 percent, a decrease of 36 basis points as compared to the same period ended in 2024. The increase in net interest income is attributable to the higher balance in loan volume for the period.

The provision for credit losses for the three months ended March 31, 2025, was $1,872, an increase of $775 from the provision for credit losses of $1,097 for the same period ended during the prior year. The Asset/Liability Committee increased the provision for credit losses to ensure adequate coverage for potential losses based on Association growth and credit quality.

Noninterest income decreased $1,279 to $10,870 during the first three months of 2025 compared with the first three months of 2024 primarily due to the change in the construction to permanent product offered by the Association's home loan department. This change has extended the time in which these loans are sold in the secondary markets therefore delaying the time in which the Association recognizes a gain on sales of rural home loans.

For the three months ended March 31, 2025, noninterest expense increased $1,503 to $27,770 compared with the first three months of 2024 primarily due to the increase in cost of core services provided to the Association by AgFirst Farm Credit Bank.

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 March 31, 2025, was $3,910,652 as compared to $3,832,367 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was $812,735 a decrease of $3,875 from a total of $816,610 at December 31, 2024. The decrease is due to the revolvement of the 2019 allocated surplus offset by the year-to-date earnings retained. Total capital stock and participation certificates were $23,209 on March 31, 2025, compared to $22,853 on December 31, 2024. The increase is attributed to the purchase of new stock and participation certificates for new borrowing entities offset by the retirement of stock and participation certificates on loans liquidated in the normal 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*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	16.02%	16.29%	17.84%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	14.84%	14.97%	15.73%
Tier 1 Capital Ratio	8.50%	14.84%	14.97%	15.73%
Total Regulatory Capital Ratio	10.50%	16.22%	16.76%	18.02%
Tier 1 Leverage Ratio**	5.00%	14.98%	15.02%	15.67%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	14.48%	14.52%	15.14%

**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 November 29, 2024, the Farm Credit Administration (FCA) published a proposed rule on internal control over financial reporting (ICFR) in the Federal Register. The proposed rule would amend the financial reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR (also known as integrated audit). Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its' District Bank's direct loans to Associations or if the FCA's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period ended on March 31, 2025.

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) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weightings and the federal banking regulators, with deviations as appropriate to accommodate the different regulatory, operational and credit considerations of the System. 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 for 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 FCA 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 necessary 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 institution board reporting requirements. The final rule became 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 1-800-633-9091, ext. 2674, writing Bo Fennell, CFO, AgSouth Farm Credit, ACA, P.O. Box 718, Statesboro, GA 30459, or accessing the Association's website ***www.agsouthfc.com***. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual report to Shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the 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.

Reports of suspected or actual wrongdoings involving the Association, its employees and/or Directors, can be made anonymously and confidentially through the Association's Whistleblower Hotline (NAVEX Global) at 1-833-220-9744 or ***www.agsouth.ethicspoint.com***.

AgSouth Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2025 *(unaudited)*	December 31, 2024 *(audited)*
Assets		
Cash	**$ 209**	$ 91
Investments in debt securities:		
Held to maturity	**610**	617
Loans	**4,652,459**	4,559,677
Allowance for credit losses on loans	**(24,600)**	(23,100)
Net loans	**4,627,859**	4,536,577
Loans held for sale	**80**	2,339
Other investments	**1,631**	1,117
Accrued interest receivable	**43,855**	44,184
Equity investments in other Farm Credit institutions	**77,328**	77,269
Premises and equipment, net	**43,931**	43,275
Other property owned	**120**	120
Accounts receivable	**7,372**	33,028
Other assets	**10,185**	9,246
Total assets	**$ 4,813,180**	$ 4,747,863
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 3,910,652**	$ 3,832,367
Accrued interest payable	**14,697**	14,204
Patronage refunds payable	**1,484**	35,509
Accounts payable	**2,668**	5,428
Other liabilities	**70,944**	43,745
Total liabilities	**4,000,445**	3,931,253
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**23,209**	22,853
Additional paid-in-capital	**96,458**	96,458
Retained earnings		
Allocated	**27,956**	54,814
Unallocated	**665,065**	642,452
Accumulated other comprehensive income	**47**	33
Total members' equity	**812,735**	816,610
Total liabilities and members' equity	**$ 4,813,180**	$ 4,747,863

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

AgSouth Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2025	2024
Interest Income		
Loans	**$ 86,903**	$ 79,682
Investments	**9**	9
Total interest income	**86,912**	79,691
Interest Expense	**45,527**	38,315
Net interest income	**41,385**	41,376
Provision for credit losses	**1,872**	1,097
Net interest income after provision for credit losses	**39,513**	40,279
Noninterest Income		
Loan fees	**2,441**	1,897
Fees for financially related services	**432**	634
Patronage refunds from other Farm Credit institutions	**7,007**	7,950
Gains (losses) on sales of rural home loans, net	**63**	955
Gains (losses) on sales of premises and equipment, net	**85**	291
Gains (losses) on other transactions	**(43)**	233
Insurance Fund refunds	**726**	—
Other noninterest income	**159**	189
Total noninterest income	**10,870**	12,149
Noninterest Expense		
Salaries and employee benefits	**16,133**	16,560
Occupancy and equipment	**1,248**	1,152
Insurance Fund premiums	**952**	837
Purchased services	**5,411**	3,900
Data processing	**315**	432
Other operating expenses	**3,705**	3,386
(Gains) losses on other property owned, net	**6**	—
Total noninterest expense	**27,770**	26,267
Net income	**$ 22,613**	$ 26,161
Other comprehensive income net of tax		
Employee benefit plans adjustments	**14**	15
Comprehensive income	**$ 22,627**	$ 26,176

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

AgSouth Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	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, 2023	$ 22,602	$ 96,458	$ 78,658	$ 601,081	$ (135)	$ 798,664
Comprehensive income				26,161	15	26,176
Capital stock/participation certificates issued/(retired), net	254					254
Patronage distribution adjustment			(2)	1		(1)
Balance at March 31, 2024	$ 22,856	$ 96,458	$ 78,656	$ 627,243	$ (120)	$ 825,093
Balance at December 31, 2024	**$ 22,853**	**$ 96,458**	**$ 54,814**	**$ 642,452**	**$ 33**	**$ 816,610**
Comprehensive income				**22,613**	**14**	**22,627**
Capital stock/participation certificates issued/(retired), net	**356**					**356**
Retained earnings retired			**(26,860)**			**(26,860)**
Patronage distribution adjustment			**2**			**2**
Balance at March 31, 2025	**$ 23,209**	**$ 96,458**	**$ 27,956**	**$ 665,065**	**$ 47**	**$ 812,735**

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

AgSouth Farm Credit, 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 AgSouth Farm Credit, 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, 2024, are contained in the 2024 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 US 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. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. 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:

	March 31, 2025	December 31, 2024
Real estate mortgage	$ 3,187,399	$ 3,144,328
Production and intermediate-term	817,708	794,146
Agribusiness:		
Loans to cooperatives	11,496	6,572
Processing and marketing	311,840	297,433
Farm-related business	50,247	51,757
Rural infrastructure:		
Communication	29,960	29,343
Power and water/waste disposal	29,854	28,734
Rural residential real estate	201,756	194,659
Other:		
International	12,077	12,580
Other (including Mission Related)	122	125
Total loans	$ 4,652,459	$ 4,559,677

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:

	March 31, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	97.92%	98.15%
OAEM	1.15	1.10
Substandard/doubtful/loss	0.93	0.75
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.06%	94.86%
OAEM	2.90	3.04
Substandard/doubtful/loss	2.04	2.10
	100.00%	100.00%
Agribusiness:		
Acceptable	94.03%	93.90%
OAEM	3.92	3.92
Substandard/doubtful/loss	2.05	2.18
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	97.83%	98.13%
OAEM	1.32	1.18
Substandard/doubtful/loss	0.85	0.69
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	97.13%	97.28%
OAEM	1.67	1.64
Substandard/doubtful/loss	1.20	1.08
	100.00%	100.00%

Accrued interest receivable on loans of $43,852 and $44,180 at March 31, 2025 and December 31, 2024, 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:

	March 31, 2025					
	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	$ 23,060	$ 10,012	$ 33,072	$ 3,154,327	$ 3,187,399	$ –
Production and intermediate-term	6,776	4,577	11,353	806,355	817,708	–
Agribusiness	1,849	785	2,634	370,949	373,583	–
Rural infrastructure	–	–	–	59,814	59,814	–
Rural residential real estate	2,531	795	3,326	198,430	201,756	–
Other	–	–	–	12,199	12,199	–
Total	$ 34,216	$ 16,169	$ 50,385	$ 4,602,074	$ 4,652,459	$ –

	December 31, 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	$ 18,184	$ 9,089	$ 27,273	$ 3,117,055	$ 3,144,328	$ –
Production and intermediate-term	4,319	4,233	8,552	785,594	794,146	–
Agribusiness	397	462	859	354,903	355,762	–
Rural infrastructure	–	–	–	58,077	58,077	–
Rural residential real estate	1,944	612	2,556	192,103	194,659	–
Other	–	–	–	12,705	12,705	–
Total	$ 24,844	$ 14,396	$ 39,240	$ 4,520,437	$ 4,559,677	$ –

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

	March 31, 2025		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ 1,676	$ 16,969	$ 18,645
Production and intermediate-term	2,765	3,432	6,197
Agribusiness	184	7,460	7,644
Rural residential real estate	25	1,093	1,118
Total	$ 4,650	$ 28,954	$ 33,604

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ 1,836	$ 11,761	$ 13,597
Production and intermediate-term	2,319	2,923	5,242
Agribusiness	182	303	485
Rural residential real estate	–	839	839
Total	$ 4,337	$ 15,826	$ 20,163

The Association recognized $572 and $177 of interest income on nonaccrual loans during the three months ended March 31, 2025 and March 31, 2024, respectively.

Reversals of interest income on loans that moved to nonaccrual status were not material for the three months ended March 31, 2025 and 2024.

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

	Three Months Ended March 31,	
	2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	$ 23,100	$ 15,598
Charge-offs	(30)	(81)
Recoveries	58	34
Provision for credit losses on loans	1,472	962
Balance at end of period	$ 24,600	$ 16,513
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 1,800	$ 2,117
Provision for unfunded commitments	400	135
Balance at end of period	$ 2,200	$ 2,252
Total allowance for credit losses	$ 26,800	$ 18,765

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 months ended March 31, 2025 and 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 2025 and 2024. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Loans held for sale were $80 and $2,339 at March 31, 2025 and December 31, 2024, 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 primarily 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 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 March 31, 2025, 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:

	March 31, 2025	December 31, 2024
	Amortized Cost	
RABs	$ 610	$ 617

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

	Amortized Cost
In one year or less	$ –
After one year through five years	–
After five years through ten years	–
After ten years	610
Total	$ 610

For the securities listed above, expected maturities 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 March 31, 2025 and December 31, 2024, the Association does not consider any unrealized losses to be credit-related and an allowance for credit losses 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 12.80% of the issued stock and allocated retained earnings of the Bank as of March 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled $47.1 billion and shareholders' equity totaled $1.9 billion. The Bank's earnings were $66 million for the first three months of 2025. In addition, the Association held investments of $5,614 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 March 31,	
	2025	2024
Employee Benefit Plans:		
Balance at beginning of period	$ 33	$ (135)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	14	15
Net current period other comprehensive income	14	15
Balance at end of period	$ 47	$ (120)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	Three Months Ended March 31,		
	2025	2024	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ (14)	$ (15)	Salaries and employee benefits
Net amounts reclassified	$ (14)	$ (15)	

(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.

	March 31, 2025			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 7,667	$ –	$ –	$ 7,667
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 2,948	$ 2,948
Other property owned	$ –	$ –	$ 273	$ 273

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 7,829	$ –	$ –	$ 7,829
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 2,669	$ 2,669
Other property owned	$ –	$ –	$ 273	$ 273

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
For certain loans evaluated for credit loss under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

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

Note 6 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for monetary 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 not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 7 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2025, which was the date the financial statements were issued.