AgSouth Farm Credit

2024 FARM CREDIT ANNUAL REPORT

Photo submitted by Robin McGuirt in the 2024 AgSouth Photo Calendar Contest

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A MESSAGE FROM YOUR CEO

Vance C. Dalton, Jr.
Chief Executive Officer

Thank you for choosing AgSouth Farm Credit as your lender! 2024 proved to be a challenging year for those in agriculture. Many areas within our territory experienced drought conditions and then our entire three-state footprint experienced the horrific effects of Hurricane Helene. Many of you experienced catastrophic damage on your farms and homes. When the storm subsided, people in agriculture did what they do...they went to work helping those in their communities and beyond. It was the farmers who were first out clearing roadways. It was the farmers who started hauling hay to those who lost theirs in the flood. It was the farmers who came to help people cut trees off homes and structures and it was the farmers who showed up to help rebuild fences. Other relief organizations quickly moved in, but it was the people of agriculture who were there first. I am so blessed to be part of an industry of people where serving others is hardcoded into their DNA.

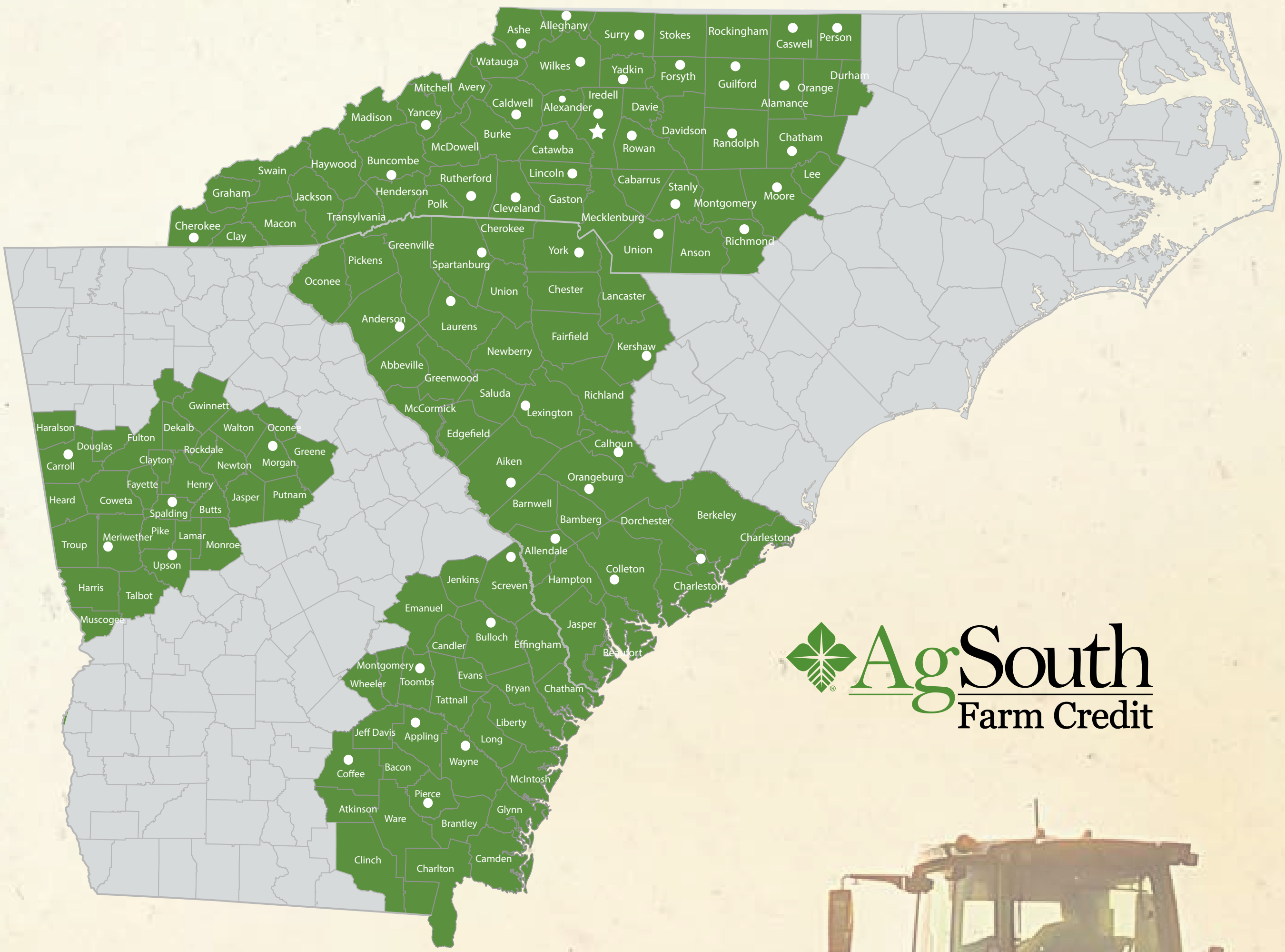
Despite the challenges of 2024, AgSouth Farm Credit has been blessed with a successful year. On behalf of the Board of Directors and staff, I would like to thank you for the contributions you have made to our success. I am pleased to report our final net earnings as of December 31, 2024, were $106.5 million. These earnings generated a strong return on assets of 2.36%. Our assets, which are primarily loans to our stockholders, grew to $4.7 billion. Credit quality remained strong, and we achieved good quality growth in loan volume. Capital remains strong, which positions the Association for future growth and to be a stable source of credit for your operations in the years to come.

Operating as a cooperative allows us to share our success with you. The Board of Directors approved an early patronage/cash dividend of $30 million that was paid in October to provide capital to our members during a time of recovery from the hurricane. The Board of Directors has also approved a patronage/cash dividend based on 2024 earnings to be paid by April 2025.

This will be the 37th consecutive year that we have returned interest back to our borrowers through our patronage program. This program allows our profits to be reinvested back into the farming operations and local communities where we work and live.

This annual report contains the details of our 2024 financial performance. You will note that the Association experienced strong financial performance and is well positioned to grow and meet the financing needs of the future. Thank you for your business! It is a privilege to support you and we look forward to a successful 2025.

AGSOUTH BRANCH LOCATIONS



Please scan the QR Code for a list of our Branch Locations!

YOUR LEADERSHIP TEAM

AgSouth has a team of experienced and knowledgeable staff dedicated to making sure agriculture and the rural communities we serve thrive. Our Association is led by a team of management and directors with a passion for agriculture and 230 years of financial and agricultural expertise among them. At the direction of our Executive Leadership Team and Directors, it is our employees who find and serve our members. Nearly half of our staff have lived or worked on a farm. Most have a degree in agriculture or finance, and about 25 percent farm part-time. The average employee has more than 13 years of service to the Association and, subsequently, to the people we serve.

EXECUTIVE LEADERSHIP

VANCE C. DALTON, JR.
Chief Executive Officer

JENNIFER DOUGLAS
Chief Information and Strategic Initiatives Officer

BO FENNELL
Chief Financial Officer

SHARMEQUA FRANKLIN
Chief Learning Officer

STEVE LEONARD
Chief Credit Officer

BOB MIKELL
General Counsel

LARRY PRITCHETT
Chief Risk Officer

CHAD PURYEAR
Chief Lending Officer

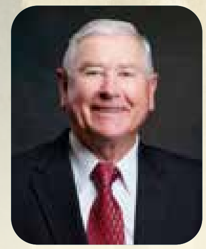
SARAH RACHELS
Chief Administrative Officer

BOARD OF DIRECTORS

H. FRANK ABLES, JR.
Chair

D. KALEB RATHBONE
Vice-Chair

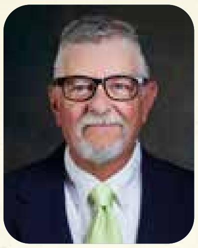
JOHN M. BARNARD



W. REX BELL

K. NEAL BENNETT

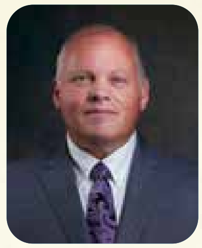
ARTHUR Q. BLACK



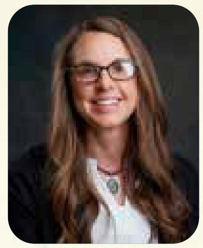
MARK A. BRAY

ANDREW W. BURLESON

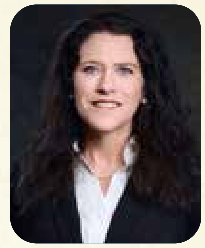
DAVID V. CANTLEY



DAVID M. COLTRANE



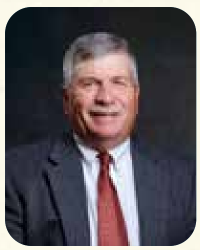
TARA H. GREEN



TINA T. GROSS

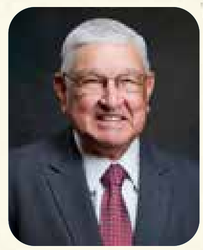
WESLEY C. HAM

DAN A. HUNSUCKER

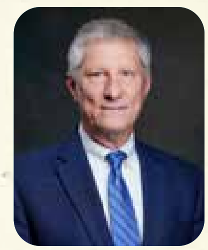


JOSEPH A. LAIL

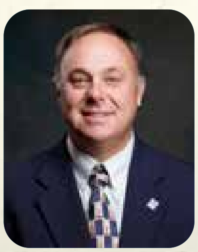
SEAN F. LENNON



CLARK M. NEWLIN



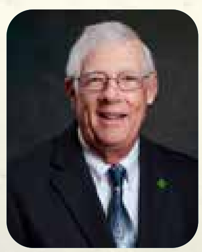
J. JAY PEAY



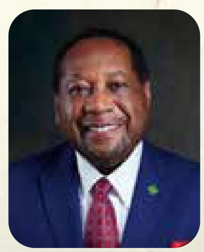
WILLIAM T. ROBINSON

VICKIE N. SMITHERMAN

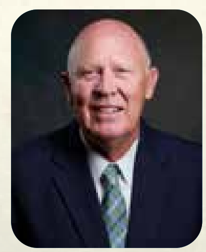
LESLIE G. SPARKS, DVM



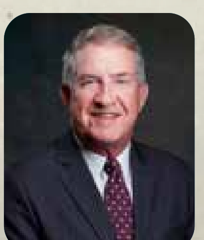
L. KIM STARNES



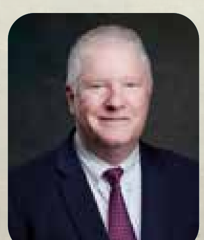
DR. ALTON THOMPSON



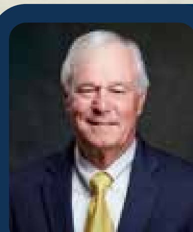
PETE WALL



HUGH E. WEATHERS



DAVID H. WOMACK



LEE H. DELOACH

We would like to extend our thanks to Lee H. DeLoach who retired from the Board in 2024. Mr. DeLoach provided 22 years of service to the Association. We appreciate his dedication and contributions to AgSouth and its members.

AGSOUTH HURRICANE RELIEF EFFORTS

EARLY PAYMENTS OF 2024 PATRONAGE FUNDS TO STOCKHOLDERS TOTALING

$30 MILLION

DONATED A COMBINED

$250,000

TO HURRICANE RELIEF EFFORTS

DIRECT FARMER ASSISTANCE PROGRAMS

$50,000
WNC Communities Foundation

$50,000
SC Advocates for Agriculture

$50,000
Weathered but Strong GA Hurricane Relief Fund

ORGANIZATIONS PROVIDING DIRECT ASSISTANCE TO IMPACTED AREAS

$50,000
Baptists on Mission

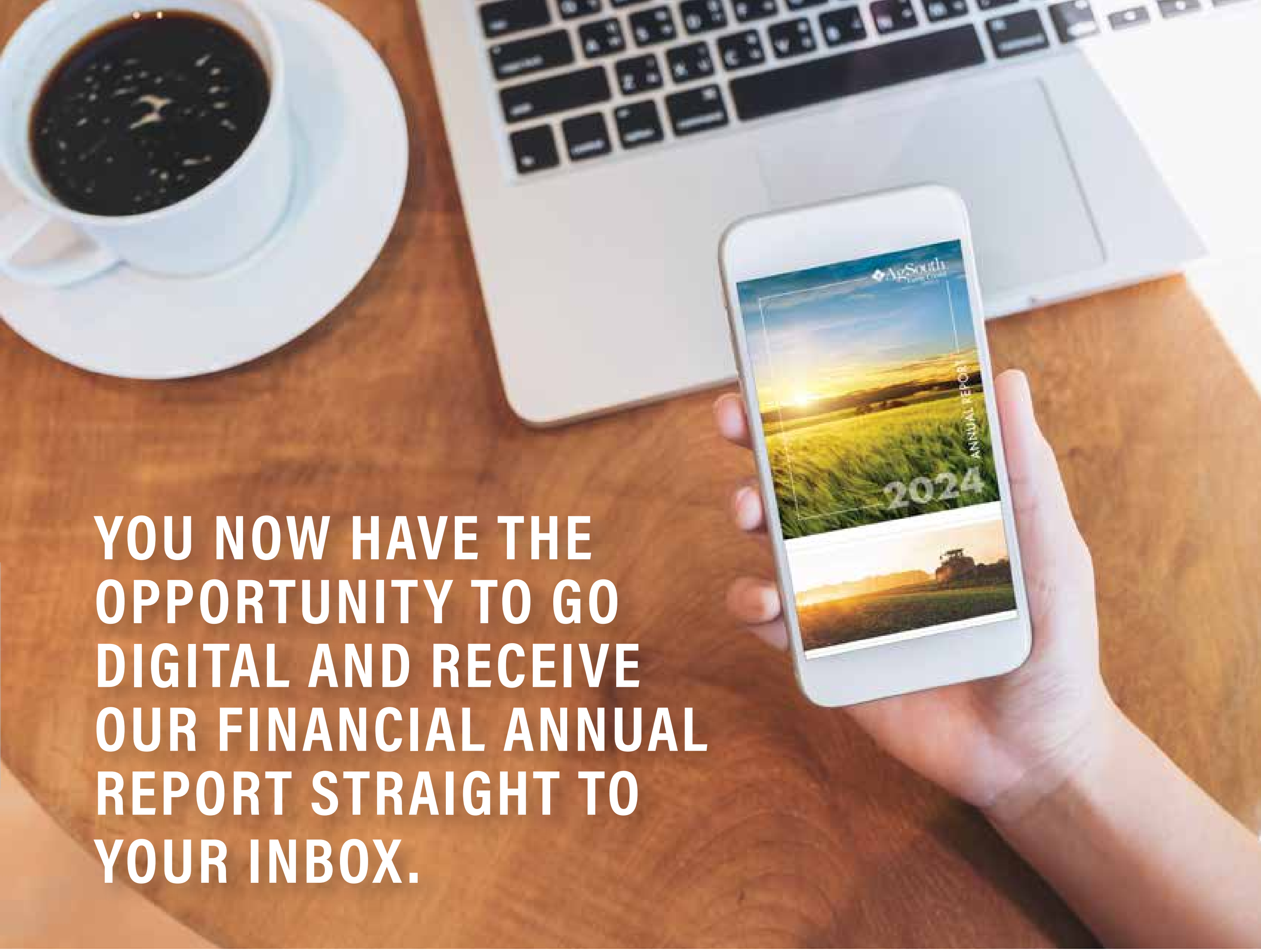
$50,000
Samaritan's Purse

Several AgSouth team members traveled to Swannanoa, NC to volunteer for Hearts with Hands, a Christian, nondenominational, humanitarian non-profit. The AgSouth team sorted donations and gathered items on wish lists for those in need from the recent devastation of Hurricane Helene.

AgSouth Farm Credit, along with the Whoville Christmas Classic Livestock Show, held a toy drive for kids impacted by Hurricane Helene in Western NC during the month of November. Recently, AgSouth team members from across our territory took part in a 4-day volunteer effort to organize and distribute toys to the children and families in need.

Statesboro branch staff were happy to "Feed the Linemen" hot meals who were heroically servicing power outages due to the hurricane across our territory.

AgSouth loan officers volunteered at Carolina Native Nursery in Burnsville, NC. The devastation of Hurricane Helene left the nursery in need of a clean up, and our team was happy to lend a helping hand.



YOU NOW HAVE THE OPPORTUNITY TO GO DIGITAL AND RECEIVE OUR FINANCIAL ANNUAL REPORT STRAIGHT TO YOUR INBOX.

THE PROCESS IS EASY:

1. Scan the QR code below.
2. Fill out and submit the form to go paperless.
3. In March of each year, be on the look out for our financial Annual Report that will come straight to your inbox!

BOOST YOUR FARM PRODUCTIVITY WITH OPERATING LINES OF CREDIT

Stacy Nobles, an AgSouth lending manager and Allen Daley, an AgSouth lender have a combined 43 years experience in helping farmers tailor operating lines of credit that best fit their businesses.

WHAT IS AN OPERATING LINE OF CREDIT AND HOW DOES IT DIFFER FROM A LOAN?

"An operating line of credit is going to finance the inputs or the upfront costs to produce a product, whether it's for a crop or for cattle," says Allen. "It is different from a loan for land or equipment in that it is used to finance variable costs throughout the season. It is basically anything that is needed to produce a crop. This may include seed, fertilizer, chemicals, feed, vet bills, or land rent, and it is always paid within one year, typically from the sale of the crop.

WHY IS AN OPERATING LINE OF CREDIT AN IMPORTANT PART OF A SUCCESSFUL OPERATION? THERE ARE TWO MAJOR BENEFITS:

"It provides the liquidity that farmers need to continue their operations," says Stacy. "We're able to loan them the money for the expenses that may go into a crop or other aspect of their operation. Therefore, they don't have to tie up their money for the expenses, which could severely limit them and the size of their operation if they had to rely 100 percent on their own cash. If we're able to loan part of that money, that allows them to reinvest their cash into other aspects of their farm operation."

The other benefit, somewhat intangible but no less important, is that it allows the farmer to develop a deeper relationship with a lender. When a lender and farmer work together to set up an operating line of credit, that usually leads to conversations about the total farm operation and how the money will be used to create a profit. "It's a pretty detailed and deep relationship and I believe the farmer benefits because the lender is another trusted advisor in their circle or network that they can get advice from."

HOW ARE OPERATING LINES OF CREDIT STRUCTURED?

Another attractive feature for farmers is the ability to tailor an operating line or note to their business. When farmers work with AgSouth Farm Credit, they have access to lenders with backgrounds and experience in the world of agriculture. That knowledge and expertise along with a farmer's balance sheet and business plan helps the AgSouth lender to structure operating lines of credit to best meet the needs of the farmer. In this case, that typically falls into one of two options.

1) REVOLVING OPERATING LINE OF CREDIT

"Revolving is the key word," says Allen. "If you pull money out, it needs to be paid back within one year. As long as it is paid back within one year, we can keep renewing it. There also can be multiple draws." Take, for example, a $50,000 operating line. You may pull out different amounts and can have multiple draws over the course of a year. Say $5,000 for one draw and $25,000 for another. Interest accrues only on the amount you pull out, in this case $30,000, and you would need to pay back the draw plus interest within one year. If you do that, the operating line can continue to be renewed. There can be a balance from year to year so, in that sense, it keeps revolving.

For some farmers, revolving lines can be useful at the end of the year to manage tax liability, either for the existing year or for the upcoming year. "That revolving line can be used instead of having to go get a whole new loan," says Stacy.

2) NONREVOLVING OPERATING LINE OF CREDIT

Some farmers prefer a nonrevolving line. Row crop farmers, for example, know their variable costs when it comes to expenses per acre, and most prefer to pay off the operating line of credit as soon as the crop is harvested and sold.

However, neither structure is restricted to only one type of farming operation, explains Stacy. It really depends on the needs of the farmer and the comfort level. In some instances, some farmers have both revolving and nonrevolving lines.

WHAT SIZE FARMING OPERATION QUALIFIES?

“Operating lines of credit are advantageous for any size business, and they really help boost farm productivity by providing important operating capital, no matter the size,” says Stacy.

To determine the amount of each operating line, the lender and farmer sit down together and go over the operation’s balance sheet, making sure it is updated. They will go over current assets such as cash, accounts receivable, inventory of crops, for example, and cash investments for the current year. They will also look at yields, acres, money made, and expenses incurred, along with a projection for the coming year. Other factors may include crop insurance guarantees and other collateral. All this helps provide a picture of the farm’s profitability.

DO YOUNG, BEGINNING, AND SMALL FARMERS BENEFIT?

Absolutely. “When just getting started in farming, they don’t have a lot of liquid assets,” says Stacy. “This is a way to help them fund their farming operation, fund their future growth, and not tax all of their liquid assets. In addition, it allows young farmers to start developing those deep relationships with people they trust and people that can advise them throughout their career.”

Often, AgSouth Farm Credit can tap into government programs such as the Farm Service Agency (FSA) to help provide collateral guarantees that may make a loan or operating line of credit possible. AgSouth is a preferred lender for FSA.

It’s helpful to keep good financial records and take them to the meeting with you. “That not only helps you make good decisions for your farm, but it also helps the lender,” says Allen “It makes it easier to give quicker and better service.” If you’re just getting started with recordkeeping, AgSouth has resources to help you get on track.

DO OPERATING LINES OF CREDIT QUALIFY FOR THE FARM CREDIT PATRONAGE PROGRAM?

Yes, with any loan or operating line of credit, a farmer buys stock in AgSouth, and that makes them eligible for the patronage benefit. “I don’t know of other lenders that are willing to share their profits with their customers,” says Stacy. “It is a huge selling point for us. It creates a lot of loyalty, and it creates a lot of depth in our relationships.”

SCAN HERE TO ACCESS RESOURCES TO HELP MANAGE YOUR FARM FINANCES.

2024 FINANCIAL RESULTS

Photo submitted by Tyler Denkins in the 2024 AgSouth Photo Calendar Contest.

AgSouth Farm Credit, ACA

2024 ANNUAL REPORT

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Report of Management

The accompanying Consolidated Financial Statements and related financial information appearing throughout this annual report have been prepared by management of AgSouth Farm Credit, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the Consolidated Financial Statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The Consolidated Financial Statements have been audited by independent auditors, whose report appears within this annual report. The Association is also subject to examination by the Farm Credit Administration.

The Consolidated Financial Statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2024 Annual 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/ H. Frank Ables, Jr.
Chair of the Board 2024

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

/s/ Bo Fennell
Chief Financial Officer

March 11, 2025

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, to provide 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 and 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 December 31, 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 December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

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

/s/ Bo Fennell
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	2024	2023	December 31, 2022	2021	2020
Balance Sheet Data					
Cash	**$ 91**	$ 140	$ 665	$ 689	$ 133
Investments in debt securities	**617**	642	3,548	3,756	3,950
Loans	**4,559,677**	4,120,272	2,082,158	2,031,671	1,921,622
Allowance for credit losses on loans	**(23,100)**	(15,598)	(14,280)	(17,712)	(17,357)
Net loans	**4,536,577**	4,104,674	2,067,878	2,013,959	1,904,265
Equity investments in other Farm Credit institutions	**77,269**	71,205	29,476	20,688	22,469
Other property owned	**120**	—	—	215	1,170
Other assets	**133,189**	122,361	56,407	80,166	75,844
Total assets	**$ 4,747,863**	$4,299,022	$2,157,974	$2,119,473	$2,007,831
Notes payable to AgFirst Farm Credit Bank*	**$ 3,832,367**	$3,385,232	$1,643,799	$1,617,876	$1,538,795
Accrued interest payable and other liabilities with maturities of less than one year	**98,886**	115,126	55,931	54,093	32,535
Total liabilities	**3,931,253**	3,500,358	1,699,730	1,671,969	1,571,330
Capital stock and participation certificates	**22,853**	22,602	11,243	11,107	10,626
Additional paid-in-capital	**96,458**	96,458	—	—	—
Retained earnings					
Allocated	**54,814**	78,658	101,191	121,081	139,757
Unallocated	**642,452**	601,081	346,152	317,250	286,811
Accumulated other comprehensive income (loss)	**33**	(135)	(342)	(1,934)	(693)
Total members' equity	**816,610**	798,664	458,244	447,504	436,501
Total liabilities and members' equity	**$ 4,747,863**	$4,299,022	$2,157,974	$2,119,473	$2,007,831
Statement of Income Data					
Net interest income	**$ 168,494**	$ 131,449	$ 69,086	$ 67,635	$ 64,886
Provision for (reversal of) allowance for credit losses	**7,999**	7,889	(3,788)	771	1,687
Noninterest income (expense), net	**(54,024)**	(41,361)	(10,971)	5,387	3,755
Net income	**$ 106,471**	$ 82,199	$ 61,903	$ 72,251	$ 66,954
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.36%**	2.27%	2.94%	3.56%	3.47%
Total members' equity	**12.81%**	11.32%	13.57%	16.41%	16.29%
Net interest income as a percentage of average earning assets	**3.87%**	3.77%	3.37%	3.42%	3.47%
Net (chargeoffs) recoveries to average loans	**(0.019)%**	(0.072)%	0.017%	(0.021)%	(0.037)%
Total members' equity to total assets	**17.20%**	18.58%	21.23%	21.11%	21.74%
Debt to members' equity (:1)	**4.81**	4.38	3.71	3.74	3.60
Allowance for credit losses to loans	**0.51%**	0.38%	0.69%	0.87%	0.90%
Permanent capital ratio	**16.29%**	18.31%	21.46%	21.19%	21.03%
Common equity tier 1 capital ratio	**14.97%**	16.33%	16.38%	14.90%	14.49%
Tier 1 capital ratio	**14.97%**	16.33%	16.38%	14.90%	14.49%
Total regulatory capital ratio	**16.76%**	18.67%	22.07%	21.93%	21.81%
Tier 1 leverage ratio**	**15.02%**	16.16%	16.01%	14.36%	13.90%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**14.52%**	15.62%	15.48%	14.12%	13.76%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 65,100**	$ 56,000	$ 33,000	$ 42,062	$ 20,000
Nonqualified allocated retained earnings	**—**	—	—	—	28,001

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2025.*

*** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.*

Management's Discussion & Analysis of Financial Condition & Results of Operations

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of AgSouth Farm Credit, ACA, (Association) for the year ended December 31, 2024 with comparisons to the years ended December 31, 2023 and December 31, 2022. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other sections in this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" reflected in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration, (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of Georgia, North Carolina, and South Carolina. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, *www.agfirst.com,* or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, *www.agsouthfc.com,* or by calling 1-912-489-4842, extension 2674, or writing Bo Fennell, CFO, P.O. Box 718, Statesboro, GA 30459. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and ad hoc aid), interest rates, input costs and various other factors that affect supply and demand.

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information or data for the Association.

The USDA's February 2025 forecast estimates net farm income (income after expenses from production; a broader measure of profits) for 2024 at $139.1 billion, a $8.2 billion decrease from 2023, but $34.0 billion above the 10-year average. The forecasted decrease in net farm income for 2024, as compared with 2023, is primarily due to decreases in cash receipts for crops of $22.2 billion to $245.2 billion and direct government payments of $2.9 billion to $9.3 billion, partially offset by an increase in cash receipts for animal products of $22.0 billion to $271.6 billion and a decrease in cash expenses of $7.2 billion to $418.9 billion.

The USDA's outlook projects net farm income for 2025 at $180.1 billion, a $41.0 billion or 29.5 percent increase from 2024, but $75.0 billion above the 10-year average in nominal dollars. The forecasted increase in net farm income for 2025 is primarily due to expected increases in direct government payments of $33.1 billion and cash receipts for animals and animal products of $3.8 billion as well as a decrease in cash expenses of $3.2 billion, partially offset by a decrease in cash receipts for crops of $5.6 billion. The overall incline in direct government payments reflects higher anticipated payments from supplemental ad hoc disaster assistance, mainly from the funding authorized in the Disaster Relief Supplemental Appropriations Act, 2025 contained in the American Relief Act, 2025. This aid is primarily targeted to specific regions impacted by the disaster. The increase in cash receipts for animals and animal products are predicted for hogs, broilers, and milk, while receipts for cattle and eggs are expected to decline modestly. The expected decline in the cash receipts for crops is primarily driven by decreases in corn and soybean prices, while receipts for vegetables and melons are expected to increase. Many production expenses are expected to continue to decrease from 2024 levels, representing the projected second year of decline and falling to their lowest level in real terms since 2021.

Working capital, a measure of liquidity, (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to decrease $8.9 billion or 6.7 percent in 2024 to $123.8 billion from $132.7 billion in 2023.

The value of farm real estate is an important measure of the farm sector's financial performance, considering that farm real estate comprises a substantial share of farm sector assets. Farm real estate accounted for roughly 83 percent of the total value of the U.S. farm sector assets for 2024 and 2023 according to the USDA in its February 2025 forecast. Consequently, changes in farmland values also affect the financial strength of agricultural producers because farm real estate serves as the principal source of collateral for farm loans.

USDA's forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 5.2 percent in 2024 to $3.7 trillion. Farm real estate value is expected to increase 3.1 percent and non-real estate farm assets are expected to increase 4.4 percent, while farm sector debt is forecasted to increase 4.4 percent in 2024. Farm real estate debt as a share of total debt has been rising since 2014 at about the same rate as the value of farm real estate and is expected to account for 66.5 percent of total farm debt in 2024, as compared with 66.4 percent in 2023.

Farm sector solvency ratios, a measure of a farm to satisfy its debt obligations when due and for which lower values for ratios is preferred, is forecasted by the USDA. The USDA is forecasting the debt-to-equity ratio to improve slightly from 14.9 percent in 2023 to 14.7 percent in 2024 and for the debt-to-asset ratio to decline modestly from 12.9 percent in 2023 to 12.8 percent in 2024. These ratios are well below their peak of 28.5 percent and 22.2 percent, respectively, in 1985.

Expected agricultural commodity prices can influence the production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields. Continuing outbreaks of high path avian influenza (HPAI) have negatively impacted egg layer productions, reducing egg supply, and causing a spike in egg prices. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions, government actions (including tariffs) and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the U.S. dollar and domestic government support for agriculture.

The following table sets forth the commodity prices per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2021 to December 31, 2024:

Commodity	12/31/24	12/31/23	12/31/22	12/31/21
Hogs	$ 62.30	$ 53.30	$ 62.50	$ 56.50
Milk	$ 23.30	$ 20.40	$ 24.50	$ 21.70
Broilers	$ 0.75	$ 0.72	$ 0.73	$ 0.74
Turkeys	$ 051	$ 0.47	$ 1.22	$ 0.84
Corn	$ 4.23	$ 4.80	$ 6.58	$ 5.47
Soybeans	$ 9.79	$ 13.10	$ 14.40	$ 12.50
Wheat	$ 5.49	$ 6.79	$ 8.97	$ 8.59
Beef Cattle	$ 190.00	$ 172.00	$ 154.00	$ 137.00

Geographic and commodity diversification across the District coupled with existing government safety net programs, ad hoc support programs and additional government disaster aid payment for many borrowers help to mitigate the impact of challenging agricultural conditions. The District's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2024. Additionally, while the District benefits overall from diversification, individual District entities may have higher geographic, commodity, and borrower concentrations which may accentuate the negative impact on those entities' financial performance and credit quality. Non-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on non-farm income sources may be more adversely impacted by a weakened general economy.

ECONOMIC CONDITIONS

A large portion of the Association's portfolio is heavily influenced by the general economy. Economic conditions, including inflation rates, interest rates, and overall economic growth, play a significant role in the performance of agricultural commodities and the repayment capacity of borrowers. Forecasts and projections indicated below are based on estimates that may not be finalized until after publication of this report.

Georgia - Georgia's real Gross State Product (GSP) is projected to increase by 1.1 percent in 2024. The state's economic sectors are expected to experience moderate growth, with the strongest performance in professional, scientific, and technical services, health care and social assistance, and accommodation and food services. As of December 31, 2024, Georgia's unemployment rate stood at 3.7 percent, unchanged from the previous year. This steady rate suggests a stable labor market, despite the challenges faced by various industries. Non-farm employment in Georgia is expected to grow by 0.7 percent in 2024, reflecting a slowdown compared to previous years but still indicating positive job growth. The total non-farm employment is projected to reach approximately 4.94 million jobs. Personal income in Georgia is forecasted to increase by 4.3 percent in 2024, continuing the trend of rising incomes in the state. However, the number of housing permits issued in Georgia is expected to decline by 10.1 percent in 2024, following a significant increase in previous years. The solid performance and favorable outlook of the part-time segment is due to significant repayment-source diversification. Additionally, the industries that support the non-farm repayment have seen relatively fewer job losses.

North Carolina - North Carolina's real GSP is projected to increase by 3.5 percent in 2024. This growth is expected to be broad-based, with twelve of the state's fifteen economic sectors anticipated to experience output increases during the year. Among these sectors, agriculture is projected to have one of the strongest growth rates, reflecting its significant role in the state's economy. Non-farm employment is projected to grow by 1.7 percent, adding approximately 85,000 jobs to the state's economy. This job growth is expected to be driven by gains in sectors such as education and health services and leisure and hospitality. Personal income in North Carolina is forecasted to increase by 4.5 percent in 2024, continuing the trend of rising incomes in the state. This increase in personal income is expected to support consumer spending and contribute to overall economic growth. The Association's part-time farm segment, which is heavily dependent on non-farm employment, is the largest loan portfolio concentration at over 50.0 percent of total loans. The main risks to North Carolina's economic growth include potential disruptions in the global supply chain, changes in federal monetary policy, and fluctuations in energy prices.

South Carolina - South Carolina's real GSP is projected to increase by 2.8 percent in 2024. The state's economic sectors are expected to experience varied growth, with the strongest performance in construction, professional and business services, and education and health services. As of December 2024, South Carolina's unemployment rate was 4.7 percent, reflecting a slight increase from earlier in the year. The labor market remains strong, with non-farm employment growing by 2.8 percent, adding approximately 67,000 jobs to the state's economy. Personal income in South Carolina is forecasted to increase by 4.2 percent in 2024, continuing the trend of rising incomes in the state. This increase in personal income is expected to support consumer spending and contribute to overall economic growth. The number of housing permits issued is projected to decline by 7.0 percent in 2024, following a period of significant growth in previous years.

Poultry - Poultry constitutes as one of the largest agricultural commodities in the loan portfolio. Overall, 2024 was a good year for poultry producers in the region as demand for chicken, both domestic and exported, remained relatively strong. The poultry industry in Georgia, North Carolina, and South Carolina saw robust performance, driven by steady consumer demand and competitive pricing compared to other protein sources. However, the industry faced challenges related to environmental impacts and community health concerns, particularly in areas with high concentrations of poultry farms. Additionally, the region experienced some losses due to Highly Pathogenic Avian Influenza (HPAI), with outbreaks affecting commercial and backyard flocks. Looking ahead to 2025, expansion in most areas of the Association's footprint is expected to continue to slow, with relatively modest increases in the number of new growers and houses. Despite these challenges, the poultry industry in Georgia, North Carolina, and South Carolina is expected to remain resilient.

Other Segments - While the Association's primary portfolio segments performed well in 2024, other segments faced challenges. Increased input costs and/or adverse weather conditions were obstacles for some commodities. Prices in some commodities did not offset the negative impacts.

Hurricane Helene - Hurricane Helene had a significant impact on agricultural producers in Georgia, North Carolina, and South Carolina. The storm caused extensive damage across these states, affecting various crops and livestock. Georgia experienced severe damage, with an estimated economic impact of $6.46 billion. In North Carolina, heavy rainfall and flooding damaged crops such as corn, tomatoes, and apples. South Carolina's cotton, soybean, and corn crops were also hit hard, with cotton fields suffering quality degradation due to exposure. The storm affected a wide range of commodities, including cotton, pecans, poultry, and timber. Overall, Hurricane Helene has left a lasting impact on the agricultural communities in the region, with ongoing recovery efforts to rebuild operations and mitigate future risks.

Land value trend studies completed by Association staff indicate stable real estate values across all types of real property within the territory.

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 through numerous product types.

The Association's loan volume by type for each of the past three years ended December 31 is shown below.

Loan Type	December 31, 2024		2023		2022	
	(dollars in thousands)					
Real estate mortgage	$ 3,144,328	68.96%	$ 2,907,710	70.57%	$ 1,637,408	78.64%
Production and intermediate-term	794,146	17.42	734,375	17.82	296,885	14.26
Agribusiness:						
Loans to Cooperatives	6,572	0.14	12,205	0.30	–	–
Processing and marketing	297,433	6.52	165,722	4.02	21,079	1.01
Farm-related business	51,757	1.14	44,513	1.08	21,789	1.04
Rural infrastructure:						
Communication	29,343	0.64	21,116	0.51	–	–
Power and water/waste disposal	28,734	0.63	22,494	0.55	–	–
Rural residential real estate	194,659	4.27	200,451	4.86	104,842	5.04
Other:						
International	12,580	0.28	11,425	0.28	–	–
Other (including Mission Related)	125	–	261	0.01	155	0.01
Total	$ 4,559,677	100.00%	$ 4,120,272	100.00%	$ 2,082,158	100.00%

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified.

The geographic distribution of the loan volume by branch for the past three years ended December 31 is as follows:

Region	December 31, 2024	2023	2022
Georgia	21.48%	23.41%	48.64%
North Carolina	36.86	41.19	–
South Carolina	21.17	25.55	49.86
Agribusiness	11.70	3.06	1.04
Home Loans	0.03	–	–
Participations	7.82	6.14	–
Special Assets Management	0.94	0.65	0.46
	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association's loan portfolio are shown below. The predominant commodities are timber; poultry; cotton; beef cattle, pasture; feed grains, soybeans and hay; equestrian; blueberries, fruits and nuts; sod, nursery and horticulture; and peanuts which constitute 76 percent of the entire portfolio at December 31, 2024.

	December 31,					
Commodity Group	**2024**		**2023**		**2022**	
	(dollars in thousands)					
Sawmill/Forestry	$ 1,448,234	32 %	$ 1,264,098	31 %	$ 903,840	42 %
Poultry	580,726	13	607,872	15	234,460	11
Beef Cattle, Pasture	365,005	8	307,315	7	120,354	6
Other	364,385	8	260,937	6	91,561	4
Other Feed, Grains, & Hay	296,425	7	272,527	7	114,476	6
Rural Home	206,904	5	213,112	5	104,180	5
Equestrian	149,290	3	145,811	4	71,510	3
Cotton	137,113	3	131,947	3	135,341	7
Other Livestock	122,526	3	110,079	3	35,638	2
Sod, Nursery, & Horticulture	118,263	3	103,542	3	33,093	2
Vegetables & Tomatoes	115,683	3	112,896	3	35,147	2
Other Farm Related Business	97,003	2	79,964	2	21,030	1
Corn	81,260	2	77,763	2	33,473	2
Soybeans	76,671	2	70,570	2	7,318	–
Fruits & Nuts	74,235	2	65,740	2	27,015	1
Peanuts	70,107	2	55,057	1	32,521	2
Tobacco	58,605	1	55,446	1	3,438	–
Blueberries	45,466	1	43,349	1	38,655	2
Dairy	41,223	–	45,952	1	9,207	1
Christmas Tree	39,922	–	40,772	1	412	–
Onions	23,185	–	19,383	–	14,775	1
Hogs	17,712	–	13,213	–	2,822	–
Apples	12,017	–	8,895	–	496	–
Peaches	7,791	–	8,106	–	5,761	–
Strawberries	7,058	–	2,763	–	1,682	–
Aquatic Products & Catfish	1,783	–	1,343	–	906	–
Part-Time Farmer	725	–	1,372	–	2,560	–
Purchase Money Mortgage	153	–	213	–	195	–
Timber Processing & Harvesting	151	–	155	–	292	–
Livestock	39	–	58	–	–	–
Hemp	17	–	22	–	–	–
Total	$ 4,559,677	100 %	$ 4,120,272	100 %	$ 2,082,158	100 %

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers.

During 2024, the Association remained 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.

During 2024, the Association activity in the purchasing of loan participations outside the System increased, as well as, purchases within the System. The purchase of participation loans increased between the periods ended December 31, 2023 and December 31, 2024 by 60.49 percent or $146,224. This includes purchases from both Farm Credit System (FCS) Institutions and Non-FCS Institutions. The increase is attributed to active purchasing activity by the Association's Capital Markets group.

Loans sold decreased 9.83 percent or $51,018 from $518,973 to $467,955 between the periods ended December 31, 2023 and December 31, 2024. The decrease in sold loans is tied to the Association's decision to hold more larger credits within the loan portfolio. Selling participations in larger credits provides a means for the Association to mitigate credit risk, concentration risk and realize interest and fee income, which may strengthen the capital position. Between the same periods in 2022 and 2023, loans sold increased 48.52 percent. This increase was a result of the merger with Carolina Farm Credit in 2023.

	December 31,		
Loan Participations	**2024**	**2023**	**2022**
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 348,139	$ 236,610	$ 20,554
Participations Purchased – Non-FCS Institutions	39,835	5,140	3,584
Participations Sold	(467,955)	(518,973)	(349,442)
Total	$ (79,981)	$ (277,223)	$ (325,304)

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2024.

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2024, 2023, and 2022, the Association originated loans for resale totaling $391,085, $253,488, and $250,841, respectively, which were subsequently sold into the secondary market. At December 31, 2024 there was $2,339 classified as loans held on the Association's balance sheet.

The Association also participates in the Farmer Mac Long Term Stand-By program. Farmer Mac was established by Congress to provide liquidity to agricultural lenders. At December 31, 2024, 2023, and 2022, the balance of these loans was $210, $581, and $1,103, respectively.

MISSION RELATED INVESTMENTS

During 2005, the FCA initiated an investment program to stimulate economic growth and development in rural areas. The FCA outlined a program to allow System institutions to hold such investments, subject to approval by the FCA on a case-by-case basis. FCA approved the Rural America Bonds pilot program under the Mission Related Investments umbrella, as described below.

In October 2005, the FCA authorized AgFirst and the Association to make investments in Rural America Bonds under a three-year pilot period. Rural America Bonds may include debt obligations issued by public and private enterprises, corporations, cooperatives, other financing institutions, or rural lenders where the proceeds would be used to support agriculture, agribusiness, rural housing, or economic development, infrastructure, or community development and revitalization projects in rural areas. Examples include investments that fund value-added food and fiber processors and marketers, agribusinesses, commercial enterprises that create and maintain employment opportunities in rural areas, community services, such as schools, hospitals, and government facilities, and other activities that sustain or revitalize rural communities and their economies. The objective of this pilot program was to help meet the growing and diverse financing needs of agricultural enterprises, agribusinesses, and rural communities by providing a flexible flow of money to rural areas through bond financing.

These bonds are classified as Investments on the Consolidated Balance Sheets depending on the nature of the investment. As of December 31, 2024, 2023, and 2022, the Association had $617, $642, and $3,548, respectively, in Rural America Bonds classified.

Effective December 31, 2014, the FCA concluded each pilot program approved as part of the Investment in Rural America program. Each institution participating in such programs may continue to hold its investment through the maturity dates for the investments, provided the institution continues to meet all approval conditions. Although the pilot programs have concluded, the FCA can consider future requests on a case-by-case basis.

Refer to Note 4, *Investments*, of the Notes to the Consolidated Financial Statements for additional information regarding the Association's Mission Related Investments.

INVESTMENT SECURITIES

As permitted under FCA regulations, the Association is authorized to hold eligible investments for the purposes of reducing interest rate risk and managing surplus short-term funds. The Bank is responsible for approving the investment policies and activities of the Association. The Bank annually reviews the investment portfolio of every Association that it funds. The Association's investments consist primarily of Rural Business Investment Companies. As of December 31, 2024, 2023, and 2022 the Association had $1,117, $375, and $0, respectively, in Rural Business Investment Companies.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. As part of the process to evaluate the success of a loan, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction to loan officers. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment
- Capital – ability of the operation to survive unanticipated risks
- Conditions – intended use of the loan funds

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loan originations of more than $250. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

The Association reviews the credit quality of the loan portfolio on an ongoing basis as part of its risk management practices. Each loan is classified according to the Combined System Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans at December 31:

Credit Quality	2024	2023	2022
Acceptable & OAEM	98.92%	99.27%	98.99%
Substandard/Doubtful/Loss	1.08%	0.73%	1.01%
Total	100.00%	100.00%	100.00%

The decrease in Acceptable and OAEM percentage of volume can be linked to the increase in the amount of loans that have become distressed. Workouts can include payments and paydowns that result in moving the asset back to an acceptable quality or restructuring of the credit. The Association recognizes that there may be situations where borrowers need to sell assets to repay debt. While the underlying collateral may not be the sole repayment source, in some cases, borrowers have been attempting to sell collateral in order to pay down or liquidate their debt to the Association.

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. A Special Assets Management Department is responsible for servicing loans classified as high-risk. Prior to the adoption of Financial Accounting Standards Board guidance entitled "Measurement of Credit Losses on Financial Instruments" (CECL) on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest. High-risk assets at December 31, are detailed in the following table:

	Year Ended December 31,		
Nonperforming Assets	2024	2023	2022
	(dollars in thousands)		
Nonaccrual loans	$ 20,163	$ 15,509	$ 14,323
Accruing Restructured loans	–	–	6,800
Total nonperforming loans	20,163	15,509	21,123
Other property owned	120	–	–
Total nonperforming assets	$ 20,283	$ 15,509	$ 21,123
Ratios			
Nonaccrual loans to total loans	0.44%	0.38%	0.69%
Nonperforming assets as a percentage of total loans and other property owned	0.45%	0.38%	1.01%

**Prior to the adoption of CECL on January 1, 2023, accruing restructured loans were considered high-risk loans.*

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans at December 31, 2024 were $20,163 compared to $15,509 and $14,323 at December 31, 2023 and 2022, respectively. Nonaccrual loans increased $4,654 or 30.01 percent during 2024 due to loans moving through the distressed collection process. Of the $20,163 in nonaccrual volume at December 31, 2024, $5,212 or 25.85 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to $4,941 or 31.86 percent and $5,079 or 35.59 percent at December 31, 2023 and 2022, respectively.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss 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. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was $23,100, $15,598, and $14,280 at December 31, 2024, 2023, and 2022, respectively.

The following table presents the activity in the allowance for credit losses for the most recent three years at December 31:

	December 31,		
Allowance for Credit Losses Activity	**2024**	**2023**	**2022**
Allowance for credit losses on loans – beginning balance	$ 15,598	$ 14,280	$ 17,712
Cumulative effect of a change in accounting principle			
Charge-offs:			
Real estate mortgage	(28)	(12)	(25)
Production and intermediate-term	(1,020)	(2,818)	(128)
Agribusiness	(2)	–	–
Rural residential real estate	(66)	(7)	(15)
Total charge-offs	(1,116)	(2,837)	(168)
Recoveries:			
Real estate mortgage	140	74	102
Production and intermediate-term	145	142	406
Agribusiness	8	104	2
Rural residential real estate	9	8	14
Total recoveries	302	328	524
Net (charge-offs) recoveries	(814)	(2,509)	356
Provision for (reversal of) credit losses on loans	8,316	3,827	(3,788)
Allowance for credit losses on loans – ending balance	$ 23,100	$ 15,598	$ 14,280
Allowance for unfunded commitments – beginning balance	$ 2,117	$ 240	$ 538
Cumulative effect of a change in accounting principle	–	(28)	–
Provision for (reversal of) unfunded commitments*	(317)	1,905	(298)
Allowance for unfunded commitments – ending balance	$ 1,800	$ 2,117	$ 240
Total allowance for credit losses	$ 24,900	$ 17,715	$ 14,520

**Prior to the adoption of CECL, provision for (reversal of) unfunded commitments was recorded in losses/gains on other transactions.*

The allowance for credit losses as a percentage of loans outstanding and certain other credit quality indicators, at December 31, is shown below:

	December 31,		
	2024	**2023**	**2022**
Allowance for credit losses on loans to loans	0.51%	0.38%	0.69%
Allowance for credit losses on loans to nonaccrual loans	114.57%	100.57%	99.70%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.019)%	(0.072)%	0.017%

The net loan charge-offs and recoveries were associated with real estate mortgage, production and intermediate term, agribusiness, and rural residential real estate loans. There was no specific trend in the charge-offs or recoveries recognized.

The reversal of unfunded commitments decreased the Allowance for Credit Losses account by $317 during 2024. Analysis of the Allowance account is completed on a quarterly basis and reviewed by the Association's Asset/Liability Committee which is comprised of members of Executive Management and other selected staff members.

Periods of uncertainty in the general economic environment create the potential for prospective risks in the loan portfolio. See Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled $106,471 for the year ended December 31, 2024, an increase of $24,272 from 2023. Net income of $82,199 for the year ended December 31, 2023 was an increase of $20,296 from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

	Year Ended December 31,	
Net Income	**2024**	**2023**
Net income (for prior year)	$ 82,199	$ 61,903
Increase (decrease) due to:		
Total interest income	339,012	259,408
Total interest expense	(170,518)	(127,959)
Net interest income	168,494	131,449
Provision for credit losses	(7,999)	(7,889)
Noninterest income	54,041	42,594
Noninterest expense	(108,065)	(83,942)
Provision for income taxes	–	(13)
Total increase (decrease)in net income	24,272	20,296
Net income	$ 106,471	$ 82,199

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and 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 reclassified 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 $9,974 for the year ended December 31, 2023.

Net Interest Income

Net interest income was $168,494, $131,449, and $69,086 in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:

	Volume*	Rate	Total
	(dollars in thousands)		
12/31/24 - 12/31/23			
Interest income	$ 63,916	$ 15,689	$ 79,605
Interest expense	35,192	7,367	42,559
Change in net interest income	$ 28,724	$ 8,322	$ 37,046
12/31/23 - 12/31/22			
Interest income	$ 80,749	$ 63,341	$ 144,090
Interest expense	34,925	46,802	81,727
Change in net interest income	$ 45,824	$ 16,539	$ 62,363

* *Volume variances can be the result of increases/decreases in loan volume or from changes in the percentage composition of assets and liabilities between periods.*

The decrease in interest expense is primarily due to the change in Direct Note rate discussed above.

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended December 31, 2024	2023	2022	Percentage Increase/(Decrease) 2024-2023	2023-2022
	(dollars in thousands)				
Loan fees	$ 8,578	$ 6,647	$ 4,244	29.05 %	56.62 %
Fees for financially related services	4,729	4,394	4,003	7.62	9.77
Patronage refund from other Farm Credit Institutions	32,774	27,348	25,248	19.84	8.32
Gains (losses) on sales of rural home loans, net	4,458	3,140	2,797	41.97	12.26
Gains (losses) on sales of premises and equipment, net	1,028	835	306	23.11	172.88
Gains (losses) on other transactions	773	(401)	(1,514)	(292.77)	(73.51)
Insurance Fund refunds	1,098	–	–	100.00	–
Other noninterest income	603	631	586	(4.44)	7.68
Total noninterest income	$ 54,041	$ 42,594	$ 35,670	26.87 %	19.41 %

Loan fees increased $1,931 or 29.05 percent when comparing the reporting periods 2024 to 2023. The increase is the result of loan growth and an increase in originations for loans sold in the secondary market. Loan fees increased $2,403 or 56.62 percent between the periods ending December 31, 2023 and December 31, 2022.

Fees for financially related services increased $335 or 7.62 percent from December 31, 2023 to December 31, 2024. Fees from financially related services include fees from leasing, appraisal services, crop insurance, and life insurance. Between the reporting periods ended December 31, 2022 and December 31, 2023, fees for financially related services increased by $391 to $4,394 from $4,003.

There was a $5,426 or 19.84 percent increase in patronage refund from other Farm Credit Institutions between the periods ended December 31, 2023 and December 31, 2024. In 2024, the Association earned $32,298 in patronage refund from AgFirst. In 2023, the Association earned $27,015 in a patronage refund including $665 in special distribution. In 2022, the Association earned $15,130 in patronage refund and $9,104 in a special distribution in the form of allocated surplus. The amount of patronage refund is based upon the notes payable balance with AgFirst. The amount of the special distribution, if any, is determined by the AgFirst Farm Credit Bank Board of Directors and may or may not reoccur in future years.

For the period ended December 31, 2024, the Association earned $363 in patronage refund from other Farm Credit Institutions other than AgFirst. This compares to $311 and $355 for the periods ended December 31, 2023 and December 31, 2022, respectively. The increase in patronage from other Farm Credit Institutions is attributable to higher average balances with loans participated with district Associations.

Gains on the sales of rural home loans in the secondary market totaled $4,458 for the period ended December 31, 2024. This was an increase of $1,318 or 41.97 percent from the period ended December 31, 2023. The increase is the result of the increase in originations between the two reporting periods. For the periods ended December 31, 2023 and December 31, 2022, gains totaled $3,140 and $2,797, respectively.

Gains on the sales of premises and equipment increased $193 or 23.11 percent between December 31, 2023 and December 31, 2024. Net gains on the sales of premises and equipment totaled $306 for the period ending December 31, 2022.

There was a $1,174 or 292.77 percent increase on Gains on other transactions between the periods ended December 31, 2023 and December 31, 2024. For the period ended December 31, 2022 losses totaled $1,514. Gains on other transactions include gains on Rabbi Trust plans held for certain retirees. Between December 31, 2022 and December 31, 2023, losses on other transactions decreased 73.51 percent from a loss of $1,514 to a loss of $401.

Insurance Fund refunds totaled $1,098 for the period ended December 31, 2024. For periods ending December 31, 2023 and December 31, 2022, there were no refunds recorded.

Other noninterest income decreased $28 from $631 at December 31, 2023 to $603 at December 31, 2024. This line item includes recovery amounts from allocated surplus for some borrowers in default, payments received regarding settlement agreements, and volume incentives earned from AgFirst for secondary market loans sold. Other noninterest income increased from $586 in 2022 to $631 in 2023.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31, 2024	2023	2022	Percentage Increase/(Decrease) 2024-2023	2023-2022
	(dollars in thousands)				
Salaries and employee benefits	$ 64,003	$ 56,845	$ 31,654	12.59 %	79.58 %
Occupancy and equipment	5,147	4,195	2,054	22.69	104.24
Insurance Fund premiums	3,561	4,949	2,971	(28.05)	66.58
Purchased services	18,154	3,689	2,585	392.11	42.71
Data processing	1,341	1,096	497	22.35	120.52
Other operating expenses	15,942	13,271	6,911	20.13	92.03
(Gains) losses on other property owned, net	(83)	(103)	(23)	(19.42)	347.83
Total noninterest expense	$ 108,065	$ 83,942	$ 46,649	28.74 %	79.94 %

Salaries and employee benefits increased $7,158 or 12.59 percent in 2024, as compared with 2023, and increased $25,191 or 79.58 percent when comparing 2023 to 2022. The increase between the 2024 and 2023 reporting periods was due to higher salaries and incentive expenses.

Occupancy and equipment expense increased $952 between the reporting periods ended December 31, 2024 and December 31, 2023. The increase of 22.69 percent is primarily due to the construction of a new branch location and remodeling of our headquarters location. Between December 31, 2022 and December 31, 2023 there was an increase of $2,141 in the occupancy and equipment expense.

Insurance Fund premiums decreased $1,388 or 28.05 percent for the twelve months ended December 31, 2024, compared to the same period of 2023. Between 2022 and 2023, the Insurance Fund premium increased 66.58 percent or $1,978. The Farm Credit System Insurance Corporation (FCSIC) sets the premium annually and the Association's increase in loan volume and a decrease in the premium resulted in a net decrease in the insurance expense for the 2024 reporting period. Nonaccrual loans and other-than-temporary impaired investments are assessed a higher premium rate.

Purchased services increased $14,465 or 392.11 percent for the twelve months ended December 31, 2024, compared to the same period of 2023. This significant increase is due to AgFirst reclassifying technology and software costs paid to the Bank from interest expense to noninterest expense. This compares to an increase of $1,104 between December 31, 2022 and December 31, 2023.

Data processing for the year ended December 31, 2024 totaled $1,341. This is a $245 or 22.35 percent increase over year ended December 31, 2023. This increase is due to increased cost in services from AgFirst. For the period ended December 31, 2022, data processing totaled $497.

Other operating expenses increased $2,671 between December 31, 2023 and December 31, 2024. Other operating expenses includes travel, training, advertising, public and member relations, communications, directors, supervisory and examination, and all other expenses not detailed above that were necessary to operate the Association. Comparing other operating expenses for the period ended December 31, 2023 to December 31, 2022, other operating expenses increased $6,360 or 92.03 percent.

The Association took in two pieces of other property owned and disposed of one piece of other property owned in 2024. Subsequently, the Association recorded $83 in net gains on other property owned. This compares to gains of $103 and $23 for the period ended December 31, 2023 and December 31, 2022, respectively. Gains and losses recorded on transactions regarding other property owned are related to changes in asset valuations to correspond to more recent appraisals or the sale of other property owned.

Income Taxes

The Association recorded no provision for the year ended December 31, 2024, as compared to a provision of $13 for 2023 and a benefit of $8 for 2022. Refer to Note 2, Summary of Significant Accounting Policies, Income Taxes, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/24	12/31/23	12/31/22
Return on average assets	2.36%	2.27%	2.94%
Return on average members' equity	12.81%	11.32%	13.57%
Net interest income as a percentage of average earning assets	3.87%	3.77%	3.37%
Net (charge-offs) recoveries to average loans	(0.019)%	(0.072)%	0.017%

The return on average assets and return on members' equity increased in 2024 when compared to 2023. The increase in earnings proportional to the increase in average assets and average equity created slightly higher returns on average assets and average equity. The slight increase in the percentage of net interest income to average earning assets is due to expected variances in net interest income and average earning assets between the two reporting periods. Average earning assets increased from $3,490,820 to $4,350,925 between 2023 and 2024 as a result of growth in the portfolio and the merger in 2023.

The percentage of net charge-offs and recoveries to average loans was less than one percent in the 2024 reporting period. The decision to take a charge-off for financial purposes is made by tenured staff that specializes in handling distressed loan situations.

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. To meet this goal, the agricultural economy must continue the improvement shown in recent years and the Association must meet certain objectives. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA 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 the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. 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. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2024, was $3,832,367 as compared to $3,385,232 at December 31, 2023 and $1,643,799 at December 31, 2022. The increase of $447,135 or 13.21 percent compared to December 31, 2023 was primarily attributable to loan growth within the portfolio. The increase of $1,741,433 or 105.94 percent compared to December 31, 2022 was primarily attributable to higher outstanding loan balance from organic growth and the merger with Carolina Farm Credit in 2023. The average volume of outstanding notes payable to the Bank was $3,612,977, $2,833,643, and $1,614,222 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's participation in Farmer Mac, investments, and other secondary market programs provides additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association. The Association had no lines of credit from third party financial institutions as of December 31, 2024, 2023, and 2022.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify, and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's ability to access capital of the Association is discussed in Note 4, *Investments, Equity Investments in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding" section of this Management's Discussion and Analysis and in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, included in this Annual Report.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association's Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2024 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2024, was $816,610, an increase of $17,946 or 2.25 percent from a total of $798,664 at December 31, 2023. The increase is attributed to the Association's decision to retain a portion of 2024 earnings. At December 31, 2023, total members' equity increased $340,420 or 74.29 percent from $458,244 at December 31, 2022. This significant increase was primarily attributed to the merger with Carolina Farm Credit on April 1,2023 along with the decision to retain some of 2023 earnings.

Total capital stock and participation certificates were $22,853 on December 31, 2024, compared to $22,602 on December 31, 2023 and $11,243 on December 31, 2022. The increase was attributed to purchases of stock associated with new borrowing entities exceeding the liquidation of stock 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:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	14.97%	16.33%	16.38%
Tier 1 Capital	6.00%	2.50%	8.50%	14.97%	16.33%	16.38%
Total Regulatory Capital	8.00%	2.50%	10.50%	16.76%	18.67%	22.07%
Permanent Capital	7.00%	–%	7.00%	16.29%	18.31%	21.46%
Non-risk-adjusted:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	15.02%	16.16%	16.01%
UREE Leverage	1.50%	–%	1.50%	14.52%	15.62%	15.48%

* *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.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of $65,100 in 2024, $56,000 in 2023, and $33,000 in 2022.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning**, and Small*** farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. The following chart reflects the Association's goals and progress toward those goals in each category.

Total Portfolio Goals and Progress
December 31, 2024

	Number of Loans 2024 Goal	Number of Loans 2024 Actual	Amount of Loans 2024 Goal	Amount of Loans 2024 Actual
Young	7,928	7,749	$742,216	$843,005
Beginning	16,217	15,848	$1,790,051	$2,024,369
Small	27,029	25,473	$2,270,309	$2,514,962

New Loan Goals and Progress
December 31, 2024

	Number of New Loans	Number of New Loans	Amount of New Loans	Amount of New Loans
	2024 Goal	2024 Actual	2024 Goal	2024 Actual
Young	1,927	1,816	$216,873	$261,346
Beginning	3,771	3,361	$462,662	$607,205
Small	5,446	5,922	$534,953	$735,806

Note: For purposes of the above tables, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2017 USDA Ag Census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory there were 34,360 farms. Farms with young operators were 3,519, farms with beginning operators were 11,277, and small farms were 32,052. Comparatively, as of December 31, 2024 the demographics of the Association's portfolio contained 36,038 loans of which by definition 7,749 were Young, 15,848 were Beginning, and 25,473 were Small.

In 2024, the Association's Director of Marketing and Communications was responsible for the Young, Beginning, and Small farmer program. It is an integral part of the Association's business plan. The following strategies have helped the Association work toward its goals and objectives relative to Young, Beginning, and Small farmer programs:

- Provide current and pertinent farm management and financial training to YBS customers and prospects in group settings through AGAware® program and one-on-one
- Encourage young people to choose agriculture as a profession by supporting 4-H and Future Farmers of America (FFA)
- Encourage use of Student Agricultural Project loan program by visiting with 4-H representatives and FFA chapters in the service area
- Support Young Farmer Groups in the service area and at the state level
- Make customers and prospects aware of farm related services and encourage them to take advantage of beneficial programs through advertising and public relations
- Closely work with Farm Service Agency (FSA) personnel to meet the needs of YBS customers and prospects

Specific YBS activities in fiscal year 2024 include the following:

Speaking Engagements

- AgBiz networking conference with AgCarolina Farm Credit, Colonial Farm Credit, and Farm Credit of the Virginias
- AgLeadership Institute 3-day borrower and prospect event
- AGAware® workshop at T&S Farm in Batesburg-Leesville, South Carolina
- AGAware® workshop with Team Agriculture Georgia (TAG) in Metter, Georgia
- AGAware® workshop at Union County AG Center in Monroe, North Carolina
- Business Planning Session during Small Farms Week at North Carolina Agricultural & Technical (A&T) State University in Greensboro, North Carolina
- Executive Farm Management ag education series
- Will Peeler, Learning and Development Coach, presented on Balance Sheets to Clemson Extension's South Carolina New, Beginning, Young Farmer Program (SCNBFP)
- Denna Rentz, Regional Credit Administrator, presented on Business Plans to Clemson Extension's South Carolina New, Beginning, Young Farmer Program (SCNBFP)
- Clark David, Regional Lending Manager, presented to The Conservation Fund Farm Financing Field Day in Atlanta, GA
- Will Peeler, Learning and Development Coach, presented to Spartanburg Community College's Farm to Market class
- Heather Brannen, Marketing Manager, presenting networking session to GA FFA Student Ambassadors at the GA State FFA Convention

Sponsorships

Georgia

- Georgia Organics Conference
- Georgia FFA Blue and Gold Gala
- Georgia Agribusiness Council Harvest Celebration
- Georgia Poultry Federation Night of Nights
- Southeast Regional Fruit and Vegetable Conference
- Georgia 4-H Gala
- Georgia Cattlemen's Association
- Georgia Forestry Association
- Georgia Junior Livestock Association
- Sunbelt Ag Expo
- Georgia Peanut Farm Show
- Georgia Grown/Agritourism Conference
- Georgia Cotton Commission Annual Meetings
- Georgia Farm Bureau Women in Ag Conference
- Georgia Milk Producers Conference
- Georgia Pecan Growers
- Georgia Citrus Association

North Carolina

- North Carolina Commodities conference
- Green & Growin'
- Southeastern Apple Growers Annual Meeting
- North Carolina Sweet Potato Commission Annual Meeting
- North Carolina Junior Hereford Association Judging
- North Carolina Veterans Lunch event
- North Carolina Foundation for Soil & Water Conservation
- North Carolina Dairy Youth Foundation
- North Carolina Ag Partnership Dinner and Ag Development Forum
- Exhibited at the Southern Farm Show
- ASAP Business of Farming Conference
- North Carolina Agritourism Farm Tour and Conference
- North Carolina Tomato Growers Association
- North Carolina Christmas Tree Association
- North Carolina Rural Summit

- National Alpha Zeta Summit and Conclave
- Three Rivers Land Trust Habitat Summit
- WNC Communities Programs Awards Sponsor
- Carolina Stewards (Organic Commodities Conference + Sustainable Ag Conference)
- North Carolina Greenhouse Vegetable Growers Association Conference
- North Carolina Poultry Federation

South Carolina
- Minority Resource Panel
- Sponsored and presented at South Carolina Farm Bureau Ag in the Classroom
- Annie's Project, a farm management training for women in South Carolina
- The South Carolina Commissioner's School of Agriculture
- South Carolina Governor's School for Agriculture at John de la Howe
- South Carolina Forestry Teachers Tour
- South Carolina Corn and Soybean Meeting
- South Carolina Cotton Meeting
- South Carolina Peanut Meeting
- South Carolina Goat Producers Association
- South Carolina Women in Ag Conference
- Carolina Farm Trust
- Palmetto Agribusiness Council
- South Carolina Black Farmer Coalition
- South Carolina Center for Heirs Property
- South Carolina Cattlemen's Association
- South Carolina Forestry Association
- Center for Heirs Properties in South Carolina
- Partnered with South Carolina Department of Agriculture on an Organic Certification Cost Reimbursement Grant

All States
- Georgia, North Carolina and South Carolina Watermelon Conventions
- Farmer of the Year Awards in Georgia and South Carolina
- Young Farmer Conferences in Georgia, North Carolina, and South Carolina
- Sponsored multiple FFA and 4-H competitions, fundraising events and livestock shows in Georgia, North Carolina, and South Carolina
- Attended, sponsored, and presented, upon request, at numerous county Young Farmer and Extension meetings throughout the Association's territory
- Sponsored and participated in multiple sporting clays tournament fundraisers for 4-H and FFA in Georgia and South Carolina
- Sponsored and participated in many Farm Days at local elementary schools
- Sponsored numerous local 4-H and FFA events, programs, and trips across Georgia, North Carolina, and South Carolina
- Sponsored several Junior Livestock Shows across the Association's territory
- Georgia, North Carolina and South Carolina Organics Conferences
- Sponsored multiple farm tours across the Association's territory

Board Memberships
- Sponsored the University of Georgia's Advancing Georgia's Leaders in Agriculture program where Vance Dalton, Chief Executive Officer, sits on Advisory Council Board
- Leadership Southeast Georgia
- Christy Smith, Director of Marketing and Communications, is an active member of Ogeechee Technical College's Agribusiness Program's Advisory Board
- Christy Smith, Director of Marketing and Communications, is an active member of the Georgia Future Farmers of America Foundation Board
- Active member of Team Agriculture Georgia (USDA underserved farmer association), where Christy Smith, Director of Marketing and Communications, serves as Vice-Chair
- Christy Smith and Heather Brannen serve on the South Carolina New Beginning Farmer Program Advisory Committee

Advertising & Promotion
- Organize and conduct Pull for Youth, AgSouth Sporting Clays tournament in North Carolina to raise money for 4-H and FFA programs
- Sponsored and promoted Clemson Extension's SCNBFP workshop series
- Promoted and shared events, resources, and information to help educate and support young, beginning, and small farmers on the Association's blog, social media outlets, email newsletters and member publication
- Advertised in multiple YBS publications in Georgia, North Carolina and South Carolina
- Advertised in and sponsored local Ag Centers across Georgia, North Carolina, and South Carolina

Grants and Scholarships
- Awarded 42 grants for nearly $200,000 to nonprofits in rural communities
- Provided scholarships at Clemson University, University of Georgia, North Carolina State University, North Carolina Agriculture & Technical University, South Carolina State University, Fort Valley State University, Abraham Baldwin Agricultural College, and Ogeechee Technical College

The Association is committed to the future success of young, beginning and small farmers.

*Young farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.
**Beginning farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.
***Small farmers are defined as those farmers, ranchers, producers, or harvesters of aquatic products who normally generate less than $350 in annual gross cash farm income of agricultural or aquatic products at the date the loan is originally made.

Additionally, the Census data is based upon number of farms; whereas, the Association's data is based on number of loans.

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the 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. 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 Farm Credit Administration's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends 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 percent risk-weighting to such exposures, instead of the current 100 percent. The rule would further align the FCA's risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. 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. 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 became effective on January 1, 2025.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this Annual Report.

The Association distributes its earnings in a Patronage program as described in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this Annual Report. During 2024, there were no significant changes to existing patronage policies and practices.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity:

Location	Description	Form of Ownership
146 Victory Lane Statesville, NC	Headquarters	Owned
371 Old Salisbury-Concord Road Concord, NC	Outpost	Owned
415 East Main Street Franklin, NC	Outpost	Leased*
1401 Sunset Drive Greensboro, NC	Business Center	Owned
1884 Joe S. Jeffords Highway Orangeburg, SC	Outpost	Owned
26 South Main Street Statesboro, GA	Administrative	Owned
20 East Vine Street Statesboro, GA	Operations Center	Owned
951 East Pine Log Road Aiken, SC	Branch	Owned
620 North First Street Albemarle, NC	Branch	Owned
4930 Burtons Ferry Highway Allendale, SC	Branch	Owned
1325 Pearman Dairy Road Anderson, SC	Branch	Owned
251 Rock Crusher Road Asheboro, NC	Branch	Owned
109 East Church Street Batesburg-Leesville, SC	Branch	Owned
2215 Hatch Parkway South Baxley, GA	Branch	Owned
111 Carter Avenue Blackshear, GA	Branch	Owned
4960 Oldway Road Browns Summit, NC	Branch	Owned
502 West Main Street Burnsville, NC	Branch	Owned
2520 Highway 27 South Carrollton, GA	Branch	Owned
4444 US Highway 15-501 Carthage, NC	Branch	Owned
1109 Conover Boulevard East Conover, NC	Branch	Owned
204 Bowens Mill Road Douglas, GA	Branch	Owned
2186 US Highway 220 North Ellerbe, NC	Branch	Owned
783 New Airport Road Fletcher, NC	Branch	Owned**
225 North Main Street Graham, NC	Branch	Owned
596 South Talbotton Street Greenville, GA	Branch	Owned
1298 Enterprise Way Griffin, GA	Branch	Owned
545 East Main Street Jefferson, NC	Branch	Owned
855 Odum Highway Jesup, GA	Branch	Owned
306 Hillcrest Drive Laurens, SC	Branch	Owned
332 Morganton Boulevard Southwest Lenoir, NC	Branch	Owned
813 West Highway 150 Lincolnton, NC	Branch	Owned
951 Highway 1 South Lugoff, SC	Branch	Owned
1691 Lions Club Road Madison, GA	Branch	Owned
2351 Concord Avenue Monroe, NC	Branch	Owned
105 Hiwassee Street Murphy, NC	Branch	Owned
1880 Joe S. Jeffords Highway Orangeburg, SC	Branch	Owned
698 South Key Street Pilot Mountain, NC	Branch	Owned
1321 Springdale Road Rock Hill, SC	Branch	Owned
607 Leasburg Road Roxboro, NC	Branch	Owned
340 Bethania – Rural Hall Road Rural Hall, NC	Branch	Owned
2630 Colonel Thomson Highway St. Matthews, SC	Branch	Owned
2810 Statesville Boulevard Salisbury, NC	Branch	Owned
1216 Fallston Road Shelby, NC	Branch	Owned

Location	Description	Form of Ownership
110 East Beaver Street Siler City, NC	Branch	Owned
282 North Main Street Sparta, NC	Branch	Owned
101 North Town Drive Spartanburg, SC	Branch	Owned
405 Oak Street Spindale, NC	Branch	Owned
40 South Main Street Statesboro, GA	Branch	Owned
1704 Wilkesboro Road Statesville, NC	Branch	Owned
702 Kate Lane Summerville, SC	Branch	Owned
302 Mims Road Sylvania, GA	Branch	Owned
1218 NC Highway 90 West Taylorsville, NC	Branch	Owned
620 North Church Street Thomaston, GA	Branch	Owned
314 Commerce Way Vidalia, GA	Branch	Owned
529 Bells Highway Walterboro, SC	Branch	Owned
902 Curtis Bridge Road Wilkesboro, NC	Branch	Owned
2006 Agricultural Way Yadkinville, NC	Branch	Owned
1159 NC 86 North Yanceyville, NC	Branch	Owned

* *Lease payments are currently $800 per month*
** *The Association currently pays a land lease in the amount of $4,250 per month*

The Association currently owns a 2 acre lot on Fairfax Highway in Allendale, South Carolina.

**At the time of this report, the Walterboro office is undergoing a rebuild project. Walterboro staff have been relocated to the Orangeburg, SC location during this time.*

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 11 of the Consolidated Financial Statements included in this Annual Report.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association as of December 31, 2024:

Name	Current Position	Date Started in Current Position	Previous Position(s) During Last Five Years
Vance C. Dalton, Jr.*	Chief Executive Officer	April 2023	Chief Executive Officer Carolina Farm Credit *Served in this position starting in 2014*
Jennifer Douglas	Chief Information & Strategic Initiatives Officer	April 2023	Chief Administrative & Technology Officer Chief Information Officer
Bo Fennell	Chief Financial Officer	January 2018	
Sharmequa Franklin	Chief Learning Officer	April 2023	Chief Human Resources Officer
Steve Leonard*	Chief Credit Officer	April 2023	Chief Credit Officer Carolina Farm Credit *Served in this position starting in 2020* Portfolio Risk Manager AgFirst Farm Credit Bank
Bob Mikell	General Counsel	July 2019	Attorney Brown Rountree PC Senior Attorney
Larry Pritchett*	Chief Risk Officer	April 2023	Chief Risk Officer Risk Manager Risk Administrator Carolina Farm Credit *Served in these positions starting in 2017*
Chad Puryear*	Chief Lending Officer	April 2023	Chief Lending Officer Carolina Farm Credit *Served in this position starting in 2015*

Name	Current Position	Date Started in Current Position	Previous Position(s) During Last Five Years
Sarah Rachels*	Chief Administrative Officer	April 2023	Chief Administrative Officer Chief Human Resources Officer Carolina Farm Credit *Served in these positions starting in 2017*

** Former Carolina Farm Credit Executives who retained their same positions with the merger on April 1, 2023.*

The majority business experience for the past five years for the senior officers is with the Farm Credit System. Other business or organizational interests are as follows:

- **Vance C. Dalton, Jr.** serves as a board member for Farm Credit Council Services, North Carolina 4-H Development Fund, North Carolina Agribusiness Council (promotes agriculture), Palmetto Agribusiness Council (promotes agriculture), University of Georgia-Advancing Georgia's Leaders in Agriculture & Forestry (leadership training program), Appalachian State University-Hickory Campus Advisory Committee (promotes education), and Charlotte Regional Business Alliance (promotes economic development). Mr. Dalton serves on the AgFirst Plan Sponsor Committee (benefits).

- **Jennifer Douglas** serves on the Farm Credit Council Services Captive Insurance Board of Governors, as the Race Committee Chair for Open Hearts Community Mission (charity), is a committee member for Rockin' Out Alzheimer's Foundation (charity), and is a board member of the Georgia Southern Alumni Board (promotes education).

- **Sharmequa Franklin** is the Owner of The Artsy Girl, LLC (art and handmade jewelry).

- **Bob Mikell** serves on the advisory board for the Statesboro Family YMCA (non-profit) and is a board member for the Georgia Southern University Housing Foundation (non-profit). Mr. Mikell also serves as the Chair of the Finance Committee for Pittman Park United Methodist Church (religious).

- **Chad Puryear** serves as an advisory board member for the North Carolina Agriculture & Technical State University, College of Agricultural and Environmental Sciences (promotes education). He also serves as board member of the North Carolina Foundation for Soil & Water Conservation (promotes conservation).

- **Sarah Rachels** serves on the Advisory Board for the North Carolina Cooperative Extension Agricultural Programs Foundation (promotes education). She is a board member of the North Carolina State University Office of Student Mentoring (promotes education). Mrs. Rachels serves as a board member of Friendz of Kenz (non-profit) and the YMCA of Northwest North Carolina (non-profit).

The total amount of compensation earned by all senior officers and other highly compensated employees as a group during the years ended December 31, 2024, 2023 and 2022, is as follows:

Individual or Number in Group	Year	Annual Salary	Annual Bonus	Deferred Compensation	Change in Pension Value(a)	Perq./ Other(b)	Total
CEO							
Vance C. Dalton, Jr.	2024	$ 600,000	$ 240,000	$ –	$ 236,790	$ 50,200	$ 1,126,990
Vance C. Dalton, Jr.	2023	$ 420,000	$ 216,549	$ –	$ 595,398	$ 34,495	$ 1,266,442
Pat Calhoun	2023	$ 118,750	$ 52,865	$ –	$ –	$ 498,794	$ 670,409
Pat Calhoun	2022	$ 426,200	$ 142,777	$ 8,586	$ (315,287)	$ 15,928	$ 278,204
9	2024	$ 1,883,680	$ 1,164,358	$ –	$ 387,604	$ 213,340	$ 3,648,982
13	2023	$ 1,715,821	$ 1,150,108	$ –	$ 1,048,480	$ 410,732	$ 4,325,141
11	2022	$ 1,457,519	$ 1,623,992	$ –	$ (810,570)	$ 125,745	$ 2,396,686

(a) The changes in pension values as reflected in the table above resulted primarily from changes in the actuarial assumptions for mortality and discount rate. See further discussion in Note 9, Employee Benefit Plans, of the Financial Statements.

(b) The Perquisites/Other amount disclosed in the above chart can include, but is not limited to: club memberships, automobile allowance, relocation assistance, spousal expenses, payout of accrued annual leave, employer-match/employer-paid 401(k) contributions, life insurance, severance, and tuition reimbursement.

The disclosure of information on the total compensation paid during 2024 to any senior officer or to any other employee included in the aggregate group total as reported in the table above is available and will be disclosed to the shareholders of the Association upon request.

All employees including the CEO and senior officers have defined duty statements and standards of performance. These standards are reviewed at least annually and graded on a one to five scale, with five indicating "Performance over a sustained period consistently far exceeds standards and expectations for all position responsibilities." Annually, supervisors evaluate performance and a merit increase is rewarded, if performance score warrants.

In addition to a base salary, deferred compensation and perquisites/other, senior officers earn additional compensation under an annual incentive plan as indicated in the "Bonus" column in the chart above. The Association's annual incentive plan is designed to motivate employees to exceed the business plan goals during the fiscal year. These goals include Association income, credit quality, credit administration, loan volume, delinquencies, and other key success measurements. Income to pay the incentive payments is derived from profits over and above those budgeted in the board-approved business plan for 2024. Full-time employees are covered by the annual incentive plan which runs for the full calendar year and employees can earn between 0 and 30 percent of base salary. An estimated incentive was accrued monthly prior to December 31, 2024 and final calculations and payments were made in January 2025. Employees that are not eligible for merit increases based upon individual performance are not eligible for incentive. A copy of the incentive plan is available to stockholders upon request.

Certain additional bonuses have been approved by the Board based on either the overall performance of the Association, or particular ideas or performance leading to sustained increases in profits to the stockholders. Bonuses are shown in the year earned, which may be different than the year of payment.

Selected staff members participate in a long-term incentive program. The long-term incentive program was established by the Board in fiscal year 2006 and measures performance at the end of each three (3) year period. Goals are set annually by the Compensation Committee. Payments under the long-term incentive program can range from 0 to 15 percent. Goals include reaching key financial ratios and building and maintaining the Association's patronage program. Estimated long-term incentive payments were accrued monthly. The final calculations and payments were made in January 2025. The purpose of the long-term incentive program is to retain key staff and reward them for reaching established goals.

Selected staff members may also participate in a defined contribution benefit plan separate from the Association's existing 401(k) plan. The defined contribution plan has requirements for vesting and is reflected in the Deferred Compensation column above.

The overall compensation program of the Association is designed to reward performance that exceeds expectations set by both managers and by the Board of Directors. The results outlined in the compensation table reflect the success the Association had in 2024 in increasing loan volume, generating significant earnings and maintaining a strong, consistent patronage program.

The chart below details the value of accumulated benefits on a present value basis for the CEO and senior officers and other highly compensated employees under the two retirement plans offered by the Association. Reference Note 2, *Summary of Significant Accounting Policies,* for additional information about these multiemployer pension plans.

Pension Benefits Table
As of December 31, 2024

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
Vance C. Dalton, Jr.	2024	AgFirst Retirement Plan	33.00	$ 2,753,388	$ –
	2024	Supplemental Executive Retirement Plan		1,980,032	–
				$ 4,733,420	$ –
Senior Officers and Highly Compensated Employees:					
4 Officers, Excluding CEO*	2024	AgFirst Retirement Plan	27.85*	$ 4,833,543	$ –
				$ 4,833,543	$ –

**Represents the number and the average years of credited service for those eligible to participate in the AgFirst Retirement Plan.*

The present value of pension benefits is the value at a specific date of the expected future benefit payment stream based on actuarial assumptions, chiefly the discount rate. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values.

The discount rate, which is derived using an AA corporate bond yield curve, is updated every year based on the interest rate environment at December 31. A decrease in the discount rate will normally increase the present values and vice versa.

The life expectancy actuarial assumption was updated at December 31, 2024 to reflect recent mortality studies indicating longer life spans. This change further increased pension values as the benefit payments are expected to be made for a longer time span.

There was a decrease in the discount rate between December 31, 2023 to December 31, 2024. Variances from the previous year are due to the impact of the discount rate on the plan. Other actuarial assumptions are updated periodically. At December 31, 2024, the mortality and mortality improvement assumptions were updated to reflect recent mortality studies. These changes resulted in an increase in the Retirement Plan present values.

All employees are eligible to receive awards based on years of service on five year, or multiple of five year anniversaries. A copy of this plan is available to stockholders upon request.

Directors

Directors and senior officers are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include internet access, transportation, lodging, meals, tips, tolls, parking, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to stockholders upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $495,846 for 2024, $345,949 for 2023, and $197,678 for 2022.

The Association provides iPads to directors for data and information access to Association financial reports and other material through a secure portal. The expense for the iPads and network access is included in the other related expenses amount above.

Subject to approval by the board, the Association may allow directors honoraria of $800 for attendance at meetings, committee meetings, or special assignments. In cases when a video or teleconference is held in lieu of an onsite meeting to take up the regularly scheduled business of a committee, an honoraria of $800 will be paid. Directors are also allowed travel honoraria of $400 depending upon meeting location relative to their headquarters. Directors are paid a monthly retainer fee of $1,000 each. The retainer for the Chair of the Board and Chair of the Audit Committee was $1,200 per month. The retainer of the Vice-Chair of the Board was $1,150 per month.

There was no noncash compensation paid to directors in 2024.

The following chart details the year the director began serving on the board and the current term expiration.

Director	Current Term Expiration	Days in Board Meetings	Comp. for Board Meetings & Retainer	Days in Committee Meetings	Days in Other Activities	Comp. for Committee and other Activities	Total All Compensation
H. Frank Ables, Jr.	2028	9	$18,800	11	16	$20,800	$39,600
John M. Barnard*	2027	9	18,800	10	10	15,200	34,000
W. Rex Bell	2025	9	16,400	5	8	12,800	29,200
Neal K. Bennett	2029	1	800	0	1	800	1,600
Arthur Q. Black	2025	8	15,600	8	7	12,400	28,000
Mark A. Bray	2026	8	15,600	8	5	10,000	25,600
Andrew W. Burleson	2026	8	15,600	4	9	12,400	28,000
David V. Cantley	2028	9	16,400	5	10	12,800	29,200
David M. Coltrane	2027	8	15,600	6	10	14,000	29,600
Lee H. DeLoach**	2024	7	12,800	5	6	10,400	23,200
Tara H. Green	2026	9	16,400	9	6	11,200	27,600
Tina T. Gross	2029	2	4,600	1	1	1,600	6,200
Wesley C. Ham	2025	9	16,400	10	6	12,000	28,400
Dan A. Hunsucker	2025	9	16,400	5	9	14,000	30,400
Joseph A. Lail	2028	8	15,600	4	4	9,200	24,800
Sean F. Lennon	2025	9	16,400	6	16	21,600	38,000
Jonathan L. Mann**	2024	8	15,600	5	9	14,000	29,600
J. Eric McPherson**	2024	7	12,800	5	9	12,800	25,600
Clark M. Newlin	2026	9	17,200	6	10	15,600	32,800
J. Jay Peay	2028	9	16,400	5	9	13,200	29,600
D. Kaleb Rathbone	2027	7	16,300	5	10	14,000	30,300
William T. Robinson	2029	9	16,400	8	12	16,400	32,800
Vickie N. Smitherman	2027	9	17,900	8	7	13,600	31,500
Leslie G. Sparks, DVM	2029	9	17,200	7	12	16,400	33,600
L. Kim Starnes	2025	8	15,600	9	10	14,800	30,400
Dr. Alton Thompson*	2025	8	15,600	6	8	12,400	28,000
Pete Wall	2026	9	16,400	6	13	18,400	34,800
Hugh E. Weathers	2027	8	16,400	6	9	14,400	30,800
David H. Womack*	2028	9	16,400	10	10	15,600	32,000
TOTAL COMPENSATION			$442,400			$382,800	$825,200

**Serves as Outside Director*
***No longer serves on the Board as of December 31, 2024*

Days in Board Meetings and Days in Committee meetings may include participation in conference calls.

Days in Other Activities includes days spent attending other Farm Credit related functions or special assignments.

The following represents certain information regarding the directors of the Association. Unless specifically listed, the principal occupation of the board member for the past five years has been as a self-employed farmer.

H. Frank Ables, Jr., Chair is a poultry, cattle, corn, wheat, and soybean producer. He is the Owner and Operator of Chikamoo Farms and Majority Partner of Chikamoo, LLC (real estate holdings). Mr. Ables serves as Vice-Chair of the Executive Committee and as an ad hoc member of all other Board Committees at AgSouth Farm Credit.

D. Kaleb Rathbone, Vice Chair is a beef cattle and hay farmer. He is a Partner in Rathbone Farms. He serves the state of North Carolina as the Assistant Commissioner of the North Carolina Department of Agriculture and Consumer Services. Mr. Rathbone previously served as Research Stations Division Director for the North Carolina Department of Agriculture and Consumer Services. He serves as a director on the Haywood County Cattlemen's Association Board (agriculture), Haywood Advancement Foundation (economic development), and WNC Communities (non-profit). He is a Trustee for Haywood Community College (education). Mr. Rathbone is Chair of the Executive Committee and serves as an ad hoc member of all other Board Committees at AgSouth Farm Credit.

John M. Barnard is a Certified Public Accountant and is the Owner and President of John M. Barnard, CPA, PA (accounting firm). He is Co-Owner of LKE Properties, LLC (commercial real estate). Mr. Barnard is an Outside Director and serves as the Chair of the Audit Committee and is a member of the Executive Committee.

W. Rex Bell is a corn, soybean, grain, and hay farmer. He is the Owner and Operator of Joli-Bell Farm. Mr. Bell serves as a Deacon and Sunday School Teacher at Oakdale Baptist Church (religious). He serves on the Risk Management Committee.

K. Neal Bennett is a beef cattle, row crop, pecan, and hay farmer. Mr. Bennett serves as the Chair of the Pierce County Board of Commissioners (government), serves on the Seven Rivers RC&D (conservation & development), and is the Vice-Chair of the Executive Committee for the Southern Georgia Regional Commission (government). Mr. Bennett serves on the Risk Management Committee.

Arthur Q. Black is a peach, strawberry, tomato, gourd, pumpkin, and hay producer and owns and operates Black's Peaches (farming and agritourism). He serves on the boards of the York County Farm Bureau (agricultural organization) and the South Carolina Farm Bureau (agricultural organization). Mr. Black also serves on the board of Farmers Mutual Insurance (insurance) and is a member of the York Investment Association (investment club). He is a Trustee at First Presbyterian Church (religious) in York, South Carolina. Mr. Black serves on the Compensation Committee.

Mark A. Bray is a beef cattle, stocker/feeder calf, poultry, and dairy farmer. He is the Owner and Operator of Ridgecrest Farm and the Co-Owner of Bray Family Farms. He also operates a receiving station for livestock markets. He serves on the Lawsonville Volunteer Fire Department Board (fire and rescue). Mr. Bray serves on the Audit Committee.

Andrew W. Burleson is a cotton, corn, soybean, wheat, and beef cattle farmer. Mr. Burleson is the Owner of Rolling Hills Gin (cotton gin), Owner and Partner of General Fertilizer Equipment (equipment), and Partner of Thurman Burleson & Sons Farm. He serves on the National Cotton Council (agriculture), Southern Cotton Growers Board (agriculture) where he serves on the Executive Committee, North Carolina Cotton Producers Association Board (agriculture), and as treasurer of the Stanly County Farm Bureau Board (insurance). Mr. Burleson serves on the Risk Management Committee.

David V. Cantley is a corn, cotton, cattle, and hay farmer. Mr. Cantley is the Owner of David Cantley Farms. He is the Co-Owner and Manager of Holly Hill Farm Center, Inc. (agriculture supplies). He is the Co-Owner of Southern Crop Solutions (agricultural services) and C&H Farms. Mr. Cantley serves as a board member for First National Bank of South Carolina (banking) where he serves on the Audit Committee. He serves on the board for Holly Hill United Methodist Church (religious). He serves as the Association representative to the AgFirst Farm Credit Bank (agricultural lending) Nominating Committee. Mr. Cantley serves as the Vice-Chair of the Risk Management Committee.

David M. Coltrane is a dairy farmer. He is the Owner and Vice-President of Coltrane Dairy, LLC (dairy) and Coltrane Family Properties, LLC (real estate). Mr. Coltrane is the Owner and President of Grand Arbor Farm (agritourism). He serves on the Southern States Cooperative Board (commodity). Mr. Coltrane serves as the Chair of the Compensation Committee and is a member of the Executive Committee.

Lee H. DeLoach is a retired Probate Court Judge for Bulloch County, Georgia, a timber farmer, beef cattle and hay producer, and landlord. Mr. DeLoach served on the Governance & Ethics Committee. He retired from the Board on October 22, 2024.

Tara H. Green is a Licensed Veterinary Technician and Co-Owner of The Flower Shack (agritourism) and S&T Green Gate Farm, LLC a poultry, beef, flower, hay, and agritourism operation. Mrs. Green is also the Secretary of Green Tree Service, LLC (tree care service). Mrs. Green previously worked as a Veterinary Technician at Southside Animal Hospital. Mrs. Green is a director for the Mid-Georgia Cattlemen's Association (promotion of agriculture) and a member of Perdue Farmer Council (promotes food and agriculture). Mrs. Green also serves as an advisor for the University of Georgia Cooperative Extension Service (agricultural education). She serves on the Audit Committee.

Tina T. Gross is a row crop and agritourism farmer. She is the Co-Owner of Gross Farms. Mrs. Gross serves on the Executive Committee of the Sanford Area Growth Alliance (economic development), and serves on the boards of the North Carolina Foundation for Soil and Water Conservation (conservation) and the Sanford Tourism Development Authority (economic development). Mrs. Gross serves on the Governance & Ethics Committee.

Wesley C. Ham is the Owner and President of W.C. Ham Inc., which is a contract poultry producer, alligator producer, and provides custom hire farm services including spreading, drilling, and equipment rental to local businesses and individuals. Mr. Ham was previously the Part Owner and Managing Partner of GA-IA Marketing Group, LLC (cattle analytics). He also previously worked as the Manager of Sleepy Creek Farms. He serves as the Chairman of the Young Farmer Committee for the Monroe County Farm Bureau (insurance). Mr. Ham serves on the Audit Committee.

Dan A. Hunsucker is a beef cattle and row crop farmer. He is the Owner, Operator, and Manager of Dan Hunsucker Farms, LLC. Mr. Hunsucker serves on the North Carolina Farm Bureau Board (insurance), Catawba County Farm Bureau Board (insurance), and St. John's Lutheran Church Council as Treasurer and Board Member (religious). Mr. Hunsucker serves as an alternate member of the AgFirst Legislative Advisory Committee (legislative support for agriculture). He serves on the Governance & Ethics Committee.

Joseph A. Lail is a producer of corn, wheat, soybeans, and beef cattle. He is the Owner and Operator of Joe Lail Farm. He serves on the Cleveland County Farm Bureau Board (insurance) and Cleveland County Agricultural Advisory Board (agricultural). Mr. Lail serves on the Risk Management Committee.

Sean F. Lennon is a fruit farmer, landlord, and is the President of Fitzgerald Fruit Farms, LLC (fruit farm), Fitzgerald Packing & Storage, LLC (commercial fruit packing), Fitzgerald Fruit Sourcing, LLC (produce sourcing), I'll Never Get to Sea, LLC (investment company), Southern Tides on the Cape, LLC (investment company), Sailor's Landing, LLC (investment company), Salt Water Breeze on the Cape, LLC (investment company), Lennon Real Properties, LLC (land and assets), Lennon Business Holdings, LLC (land and assets), The Shed at Fitzgerald Farms, LLC (agritourism and retail sales), Warm Springs Winery, LLC (wine), and Turkey Creek Tents and Events, LLC (events). Mr. Lennon is also Past President of the National Peach Council (agricultural organization) and is on the board of the Meriwether County Farm Bureau (agricultural organization). He also serves as a board member for the Georgia Peach Council (agricultural organization). Mr. Lennon is a member of the Georgia Agribusiness Council (agricultural organization), Georgia Grown (agricultural organization), Georgia Farm Bureau Certified Farm Markets (agricultural organization), and the Georgia Fruit & Vegetable Growers Association (agricultural organization). He is a member on the AgFirst District Advisory Committee (agricultural organization). Mr. Lennon serves as the Chair of the Risk Management Committee and is a member of the Executive Committee.

Jonathan L. Mann is a row crop and poultry farmer. He is the Owner and Operator of Jonathan Mann Farms. He is the Pastor of Surrency Baptist Church (religious) and is a licensed Georgia Real Estate Agent. Mr. Mann is the Owner and Partner of Elm South, LLC (real estate holding). He served as a member of the AgFirst Legislative Advisory Committee (legislative support for agriculture). Mr. Mann served on the Compensation Committee. Mr. Mann's term ended December 10, 2024.

J. Eric McPherson is a poultry and cattle farmer. He is the Owner and President of Mac Tire, Inc (tire sales and service). He serves on the Alamance County Farm Bureau Board (insurance), Snow Camp Volunteer Fire Department (fire and rescue), and serves as Supervisor on the Alamance County Soil and Water Conservation District Board (agriculture). Mr. McPherson served as the Chair of the Compensation Committee and as a member of the Executive Committee. Mr. McPherson's term ended October 22, 2024.

Clark M. Newlin is a producer of grain, hay, and beef. He serves as Owner and President of Newlin Dairy Farm, Inc. He serves as an alternate member of the AgFirst District Advisory Committee (agricultural organization). Mr. Newlin serves on the Compensation Committee.

J. Jay Peay is a Certified Public Accountant, Registered Investment Advisor, and leader of tax and consulting at Savant Capital, LLC (wealth management firm). Mr. Peay is the President and majority owner of Peay & Associates, LLC (accounting firm) and President and Owner of SwaimBrown Wealth Management, LLC (investment consulting and advising). Mr. Peay manages personal and family property that primarily produces timber. He is a founding member of the Laurens County Cancer Association (non-profit organization) where he serves as Treasurer and serves as a Trustee and on the Finance Committee for Broad Street United Methodist Church (religious). Mr. Peay serves on the Governance & Ethics Committee.

William T. Robinson is a row crop, hay, cattle, and timber farmer. Mr. Robinson is the Owner and Operator of J&P Farm Management and Whistlin' Pines, LLC (farming). He is the Owner of MMR Consultants, LLC (consulting). Prior to starting MMR Consultants, LLC, Mr. Robinson was employed by The SEFA Group (engineering and construction) as the Executive Director. He is retired from Santee Cooper, a state owned electric and water utility. He serves on the Tri-County Electric Cooperative Board (utility provider). Mr. Robinson serves as the Chair of the Board of Directors of the AgFirst Farm Credit Bank (agricultural lending). He serves on the Farm Credit System Audit Committee, which was established by the Federal Farm Credit Banks Funding Corporation. Mr. Robinson serves as the Chair of the Governance & Ethics Committee and is a member of the Executive Committee.

Dr. Leslie G. Sparks is a veterinarian and the owner of Tarheel Mobile Veterinary Services. She is a producer of beef cattle, dairy cattle, and swine. She is the owner and operator of Sparks Hill Farm. Mrs. Sparks serves on the Governance & Ethics Committee.

L. Kim Starnes is a row crop, poultry, and beef cattle farmer. He is the Owner of Four S Farms, LLC. He is Treasurer of the Miller Ferry Volunteer Fire Department (fire and rescue). Mr. Starnes serves on the Rowan County Agriculture Advisory Board (agriculture) as the Chairman, Treasurer and Director of the North Carolina Angus Association, and Director on the Capstone Recovery Center Board (outreach). He serves as Deacon and Sunday School Director at Trading Ford Baptist Church (religious). He serves as an alternate member of the AgFirst Farm Credit Bank (agricultural lending) Nominating Committee. Mr. Starnes serves on the Audit Committee.

Dr. Alton Thompson is the Executive Director of the Association of 1890 Research Directors (food and agricultural research). He serves on the Boards of the North Carolina Agriculture Hall of Fame (agriculture), Professional Agricultural Workers Conference (agriculture), Food Systems Leadership Institute (agriculture), Foundation for Food and Agriculture Research (agriculture), National Association of University Forest Resources Program (agriculture), North Carolina Foundation for Soil and Water Conservation (service organization), 1890 Universities Foundation (education), Socially Disadvantaged Farmers & Ranchers and Ranch Research, and LEAD-21 (agriculture). Mr. Thompson serves as an Outside Director and is the Vice-Chair of the Governance & Ethics Committee.

Vickie N. Smitherman is a dairy producer. She serves on the Board of Shady Grove Dairy, Inc. (farming) as Secretary/Treasurer. She is also a Partner in Shady Grove Dairy, Inc. Mrs. Smitherman serves on the Compensation Committee.

Pete Wall is a beef and sheep farmer. He is the Owner of Pete Wall Family Farm. He is Vice-President of Southeast Georgia Cattle Marketing (agriculture). Mr. Wall is also an evangelist. He serves on the Compensation Committee.

Hugh E. Weathers is a row crop farmer, a farm property landlord, and serves the state of South Carolina as Commissioner of Agriculture. Mr. Weathers is the Owner of Weathers Farms, Inc. (row crops and farm property landlord), Partner in Circle W Farms (row crops), and a Member of WB Bowman, LLC (land holdings). He serves on the boards of Southern United States Trade Association (agricultural exporting), South Carolina Poultry Federation (promotes poultry industry), the Southern Association of State Departments of Agriculture (agricultural organization), Catch the Vision Ministry (foreign ministry organization), and the South Carolina Department of Commerce Coordinating Council (economic development). Mr. Weathers serves as the Vice-Chair of the Compensation Committee and is a member of the Executive Committee.

David H. Womack is a Certified Public Accountant and President of the firm, David H. Womack & Company, PC, CPAs (accounting firm). Mr. Womack serves as Vice-President of the Board of Trustees for Brewton Cemetery, Inc. (perpetual care, non-profit), and as Finance Chair for Claxton First Church (religious). Mr. Womack is an Outside Director serving as the Vice-Chair of the Audit Committee.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report. There have been no transactions between the Association and senior officers or directors which require reporting per FCA regulations except those discussed in Note 10, *Related Party Transactions*.

Involvement in Certain Legal Proceedings

From time to time, the Association 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, the Association is not aware of any such actions that would have a material impact on our financial condition and there were no matters which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees paid by the Association for services rendered by its independent auditors for the year ended December 31, 2024 were as follows:

Independent Auditors	2024
PricewaterhouseCoopers, LLP	
Audit services	$ 113,450
Merger related expenses	150,000
Total	$ 263,450

Audit services were for the annual audit of the Consolidated Financial Statements. Merger Related Expenses are non-recurring expenses approved by the Board of Directors that occurred in 2023 and not expensed until 2024.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers, LLP dated March 11, 2025 and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited quarterly reports are available upon request free of charge by calling 1-912-489-4842, ext. 2674, or writing Bo Fennell, AgSouth Farm Credit, ACA, P.O. Box 718, Statesboro, GA 30459 or accessing the website, *www.agsouthfc.com*. The Association prepares an electronic version of the Annual Report which is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Reports 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.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensure that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section included in this Annual Report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank'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 by going to AgFirst's website at *www.agfirst.com*. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

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 at *www.agsouth.ethicspoint.com.*

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of AgSouth Farm Credit, ACA (Association), and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*. The Committee discussed with PwC its independence from AgSouth Farm Credit, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2024. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ John M. Barnard, CPA
Chair of the Audit Committee

Members of Audit Committee

Mark A. Bray
Tara H. Green
Wesley C. Ham
L. Kim Starnes
David H. Womack, CPA

March 11, 2025

Report of Independent Auditors

To the Management and Board of Directors of AgSouth Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of AgSouth Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2024, 2023, and 2022, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2024 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Cash	**$ 91**	$ 140	$ 665
Investments in debt securities:			
Held to maturity	**617**	642	3,548
Loans	**4,559,677**	4,120,272	2,082,158
Allowance for credit losses on loans	**(23,100)**	(15,598)	(14,280)
Net loans	**4,536,577**	4,104,674	2,067,878
Loans held for sale	**2,339**	4,046	815
Other investments	**1,117**	375	—
Accrued interest receivable	**44,184**	39,595	17,902
Equity investments in other Farm Credit institutions	**77,269**	71,205	29,476
Premises and equipment, net	**43,275**	39,990	19,757
Other property owned	**120**	—	—
Accounts receivable	**33,028**	30,666	15,715
Other assets	**9,246**	7,689	2,218
Total assets	**$ 4,747,863**	$ 4,299,022	$ 2,157,974
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 3,832,367**	$ 3,385,232	$ 1,643,799
Accrued interest payable	**14,204**	12,401	4,593
Patronage refunds payable	**35,509**	56,601	33,187
Accounts payable	**5,428**	8,009	3,941
Other liabilities	**43,745**	38,115	14,210
Total liabilities	**3,931,253**	3,500,358	1,699,730
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**22,853**	22,602	11,243
Additional paid-in-capital	**96,458**	96,458	—
Retained earnings			
Allocated	**54,814**	78,658	101,191
Unallocated	**642,452**	601,081	346,152
Accumulated other comprehensive income (loss)	**33**	(135)	(342)
Total members' equity	**816,610**	798,664	458,244
Total liabilities and members' equity	**$ 4,747,863**	$ 4,299,022	$ 2,157,974

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Interest Income			
Loans	**$ 338,975**	$ 259,200	$ 115,066
Investments	**37**	208	252
Total interest income	**339,012**	259,408	115,318
Interest Expense	**170,518**	127,959	46,232
Net interest income	**168,494**	131,449	69,086
Provision for (reversal of) allowance for credit losses	**7,999**	7,889	(3,788)
Net interest income after provision for (reversal of) allowance for credit losses	**160,495**	123,560	72,874
Noninterest Income			
Loan fees	**8,578**	6,647	4,244
Fees for financially related services	**4,729**	4,394	4,003
Patronage refunds from other Farm Credit institutions	**32,774**	27,348	25,248
Gains (losses) on sales of rural home loans, net	**4,458**	3,140	2,797
Gains (losses) on sales of premises and equipment, net	**1,028**	835	306
Gains (losses) on other transactions	**773**	(401)	(1,514)
Insurance Fund refunds	**1,098**	—	—
Other noninterest income	**603**	631	586
Total noninterest income	**54,041**	42,594	35,670
Noninterest Expense			
Salaries and employee benefits	**64,003**	56,845	31,654
Occupancy and equipment	**5,147**	4,195	2,054
Insurance Fund premiums	**3,561**	4,949	2,971
Purchased services	**18,154**	3,689	2,585
Data processing	**1,341**	1,096	497
Other operating expenses	**15,942**	13,271	6,911
(Gains) losses on other property owned, net	**(83)**	(103)	(23)
Total noninterest expense	**108,065**	83,942	46,649
Income before income taxes	**106,471**	82,212	61,895
Provision (benefit) for income taxes	**—**	13	(8)
Net income	**$ 106,471**	$ 82,199	$ 61,903
Other comprehensive income net of tax			
Employee benefit plans adjustments	**168**	7	1,592
Comprehensive income	**$ 106,639**	$ 82,206	$ 63,495

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

Consolidated Statements of Changes in Members' Equity

(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, 2021	$ 11,107	$ —	$ 121,081	$ 317,250	$ (1,934)	$ 447,504
Comprehensive income				61,903	1,592	63,495
Capital stock/participation certificates issued/(retired), net	136					136
Patronage distribution						
Cash				(33,000)		(33,000)
Retained earnings retired			(19,890)			(19,890)
Patronage distribution adjustment				(1)		(1)
Balance at December 31, 2022	$ 11,243	$ —	$ 101,191	$ 346,152	$ (342)	$ 458,244
Cumulative effect of change in accounting principle				2,185		2,185
Comprehensive income				82,199	7	82,206
Capital stock/participation certificates issued/(retired), net	845					845
Patronage distribution						
Cash				(56,000)		(56,000)
Retained earnings retired			(22,541)			(22,541)
Reclassification of allocated retained earnings			(226,545)	226,545		—
Equity re-characterized due to merger	10,514	96,458	226,545		200	333,717
Patronage distribution adjustment			8			8
Balance at December 31, 2023	$ 22,602	$ 96,458	$ 78,658	$ 601,081	$ (135)	$ 798,664
Comprehensive income				**106,471**	**168**	**106,639**
Capital stock/participation certificates issued/(retired), net	**251**					**251**
Patronage distribution						
Cash				**(65,100)**		**(65,100)**
Retained earnings retired			**(23,820)**			**(23,820)**
Patronage distribution adjustment			**(24)**			**(24)**
Balance at December 31, 2024	**$ 22,853**	**$ 96,458**	**$ 54,814**	**$ 642,452**	**$ 33**	**$ 816,610**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 106,471**	$ 82,199	$ 61,903
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**3,269**	2,828	1,615
Amortization (accretion) of net deferred loan costs (fees)	**(981)**	(726)	661
Premium amortization (discount accretion) on investments in debt securities	**—**	(16)	(1)
Amortization (accretion) of yield mark resulting from merger	**(14,883)**	(12,347)	—
Provision for (reversal of) allowance for credit losses	**7,999**	7,889	(3,788)
(Gains) losses on other property owned	**(91)**	(103)	(47)
(Gains) losses on sales of premises and equipment, net	**(1,028)**	(835)	(306)
(Gains) losses on loans held for sale, net	**(4,276)**	(3,140)	(2,797)
(Gains) losses on other transactions	**(773)**	401	1,514
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(391,085)**	(253,488)	(250,841)
Proceeds from sales of loans held for sale, net	**397,069**	253,194	257,059
(Increase) decrease in accrued interest receivable	**(4,589)**	(4,220)	(2,347)
(Increase) decrease in accounts receivable	**(2,362)**	(11,722)	21,232
(Increase) decrease in other assets	**(1,557)**	118	493
Increase (decrease) in accrued interest payable	**1,803**	3,401	1,222
Increase (decrease) in accounts payable	**(2,581)**	2,696	874
Increase (decrease) in other liabilities	**6,898**	(19,025)	(936)
Total adjustments	**(7,168)**	(35,095)	23,607
Net cash provided by (used in) operating activities	**99,303**	47,104	85,510
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**25**	3,582	209
Net (increase) decrease in loans	**(407,590)**	(276,570)	(50,722)
(Increase) decrease in equity investments in other Farm Credit institutions	**(6,064)**	(17,127)	(8,788)
Purchases of other investments	**(742)**	(285)	—
Net cash acquired in business combination	**—**	36	—
Purchases of premises and equipment	**(6,794)**	(5,688)	(671)
Proceeds from sales of premises and equipment	**1,268**	989	322
Proceeds from sales of other property owned	**91**	1,119	192
Net cash provided by (used in) investing activities	**(419,806)**	(293,944)	(59,458)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**430,251**	307,988	25,923
Net increase (decrease) in advanced conditional payments	**(12)**	—	—
Capital stock and participation certificates issued/(retired), net	**251**	845	136
Patronage refunds and dividends paid	**(86,216)**	(39,977)	(32,245)
Retained earnings retired	**(23,820)**	(22,541)	(19,890)
Net cash provided by (used in) financing activities	**320,454**	246,315	(26,076)
Net increase (decrease) in cash	**(49)**	(525)	(24)
Cash, beginning of period	**140**	665	689
Cash, end of period	**$ 91**	$ 140	$ 665
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ 11**	$ —	$ 148
Receipt of property in settlement of loans	**131**	—	78
Estimated cash dividends or patronage distributions declared or payable	**65,100**	56,000	33,000
Cumulative effect of change in accounting principle	**—**	2,185	—
Employee benefit plans adjustments (Note 9)	**(168)**	(7)	(1,592)
Acquisition-related transactions:			
Assets acquired	**—**	(1,803,177)	—
Liabilities assumed	**—**	1,469,460	—
Equity re-characterized due to merger	**—**	333,717	—
Supplemental information:			
Interest paid	**$ 151,831**	$ 102,126	$ 45,010

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** AgSouth Farm Credit, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the states of Georgia, North Carolina, and South Carolina in the following counties:

Georgia: Counties of Appling, Atkinson, Bacon, Brantley, Bryan, Bulloch, Butts, Camden, Candler, Carroll, Charlton, Chatham, Clayton, Clinch, Coffee, Coweta, DeKalb, Douglas, Effingham, Emanuel, Evans, Fayette, Fulton, Glynn, Greene, Gwinnett, Haralson, Harris, Heard, Henry, Jasper, Jeff Davis, Jenkins, Lamar, Liberty, Long, McIntosh, Meriwether, Monroe, Montgomery, Morgan, Muscogee, Newton, Oconee, Pierce, Pike, Putnam, Rockdale, Screven, Spalding, Talbot, Tattnall, Toombs, Troup, Upson, Walton, Ware, Wayne, and Wheeler.

North Carolina: Counties of Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Buncombe, Burke, Cabarrus, Caldwell, Caswell, Catawba, Chatham, Cherokee, Clay, Cleveland, Davidson, Davie, Durham, Forsyth, Gaston, Graham, Guilford, Haywood, Henderson, Iredell, Jackson, Lee, Lincoln, Macon, Madison, McDowell, Mecklenburg, Mitchell, Montgomery, Moore, Orange, Person, Polk, Randolph, Richmond, Rockingham, Rowan, Rutherford, Stanly, Stokes, Surry, Swain, Transylvania, Union, Watauga, Wilkes, Yadkin, and Yancey.

South Carolina: Counties of Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Cherokee, Chester, Colleton, Dorchester, Edgefield, Fairfield, Greenville, Greenwood, Hampton, Jasper, Kershaw, Lancaster, Laurens, Lexington, McCormick, Newberry, Oconee, Orangeburg, Pickens, Richland, Saluda, Spartanburg, Union, and York.

Effective April 1, 2023, the Association merged with Carolina Farm Credit, ACA. See Note 14, *Merger Activity*, for further information.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of associations within their districts. AgFirst (Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year-end, the District consisted of the Bank and sixteen District Associations. All sixteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of collectible insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. Prior to January 1, 2024, the costs of these support services were primarily included in the interest expense of the Direct Note. After January 1, 2024, the fees charged by the Bank for these support services are included in the Association's noninterest expense or in some cases billed directly to certain Associations that use a specific service.

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

The Association may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of farm or aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

A. **Accounting Standard Updates (ASUs) Effective During the Period:** 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 but will impact the income tax disclosures.

B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.

C. **Loans and Allowance for Credit Losses (ACL):** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the ACL (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable
The Association adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. An entity is required to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, the Association adopted the fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses
The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance was applied on a modified retrospective basis. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Consolidated Balance Sheets
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other Liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Consolidated Balance Sheets.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans
The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value accounting adjustments.

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the ACL.

In estimating the component of the ACLL that relates to loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The credit risk rating methodology is a key component of the Association's ACLL evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

The components of the ACLL that share common risk characteristics also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Allowance for Credit Losses on Unfunded Commitments
The Association evaluates the need for an ACL on unfunded commitments and, if required, an amount is recognized and included in Other Liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the ACLL. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

F. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

G. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions
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.

Investments in Debt Securities
The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Consolidated Balance Sheets as securities on the trade date.

Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost. Investment securities classified as available-for-sale (AFS) are carried at fair value with net unrealized gains and losses included as a component of Other Comprehensive Income (OCI). Premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method. The amortization of premiums on certain purchased callable debt securities that have explicit, noncontingent call features and that are callable at fixed prices on preset dates are amortized to the earliest call date.

Other Equity Investments
Any equity securities with a readily determinable fair value are carried at fair value with unrealized gains and losses included in earnings. Equity securities without a readily determinable fair value are carried at cost less any impairment.

Other Investments
As discussed in Note 8, *Fair Value Measurement*, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within other noninterest income on the Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

Allowance for Credit Losses on Investments
Investments held-to-maturity are presented net of an allowance for credit losses on investments. Impairment requiring an allowance for credit losses on investments may result from credit deterioration of the issuer or collateral underlying the security.

For all periods presented, the Association determined that no ACL on investments was necessary. The Association will continue to evaluate the need for an ACL on investments on an ongoing basis.

Investment Income
Upon adoption of the CECL standard on January 1, 2023, investments held-to-maturity are presented net of an allowance for credit losses on investments. Impairment requiring an allowance for credit losses on investments may result from credit deterioration of the issuer or collateral underlying the security. The Association's portfolio is evaluated quarterly for credit deterioration, and based on that evaluation, determined credit losses to be immaterial for all periods presented. Therefore, no ACL is recorded on the Association's investment portfolio.

H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

I. **Employee Benefit Plans:** The Association participates in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans
Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9, *Employee Benefit Plans*.

Multiemployer Defined Benefit Plans
Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-district sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to employees, their beneficiaries and covered dependents during the years the employees render service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9, *Employee Benefit Plans* and in the Notes to the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plan
The Association also sponsors a single employer defined benefit supplemental retirement plan for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. See Note 9, *Employee Benefit Plans* for additional information.

J. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to Federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state and certain other income taxes.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

K. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.

L. **Valuation Methodologies:** FASB guidance defines fair value 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. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It prescribes three levels of inputs that may be used to measure fair value.

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

Level 2 inputs to the valuation methodology 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 to the valuation methodology 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 a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, and certain derivatives, investment securities and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations. Additional information may be found in Note 8, *Fair Value Measurement*.

M. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's credit worthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

N. **Acquisition Accounting:** Mergers are accounted for under the acquisition method of accounting. Purchased assets, including identifiable intangibles, and assumed liabilities are recorded at their respective acquisition date fair values. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for credit losses on loans.

Additional information may be found in Note 14, *Merger Activity*.

O. **Revenue Recognition:** The Association generates income from multiple sources.

Financial Instruments
The largest source of revenue for the Association is interest income. Interest Income is recognized on an accrual basis driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers
The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The

Association also does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets
Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

P. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee
Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor
The Association may act as lessor in certain contractual arrangements which relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and nonlease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Other Noninterest Income in the Consolidated Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for credit losses on loans, see Note 2 subsection C above.

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.

- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31, 2024	2023	2022
Real estate mortgage	$ 3,144,328	$ 2,907,710	$ 1,637,408
Production and intermediate-term	794,146	734,375	296,885
Agribusiness:			
Loans to cooperatives	6,572	12,205	–
Processing and marketing	297,433	165,722	21,079
Farm-related business	51,757	44,513	21,789
Rural infrastructure:			
Communication	29,343	21,116	–
Power and water/waste disposal	28,734	22,494	–
Rural residential real estate	194,659	200,451	104,842
Other:			
International	12,580	11,425	–
Other (including Mission Related)	125	261	155
Total loans	$ 4,559,677	$ 4,120,272	$ 2,082,158

A substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as, receivables. Long-term real estate loans are collateralized by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

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 tables present the principal balance of participation loans at periods ended:

	December 31, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 19,459	$ 146,818	$ 2,851	$ –	$ 22,310	$ 146,818
Production and intermediate-term	49,313	163,753	1,585	–	50,898	163,753
Agribusiness	208,203	157,384	35,399	–	243,602	157,384
Rural infrastructure	58,371	–	–	–	58,371	–
Other	12,793	–	–	–	12,793	–
Total	$ 348,139	$ 467,955	$ 39,835	$ –	$ 387,974	$ 467,955

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 21,591	$ 152,118	$ 2,894	$ –	$ 24,485	$ 152,118
Production and intermediate-term	39,132	226,758	2,246	–	41,378	226,758
Agribusiness	120,207	140,097	–	–	120,207	140,097
Rural infrastructure	43,923	–	–	–	43,923	–
Other	11,757	–	–	–	11,757	–
Total	$ 236,610	$ 518,973	$ 5,140	$ –	$ 241,750	$ 518,973

	December 31, 2022					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,977	$ 131,525	$ –	$ –	$ 9,977	$ 131,525
Production and intermediate-term	5,868	75,886	3,584	–	9,452	75,886
Agribusiness	4,709	142,031	–	–	4,709	142,031
Total	$ 20,554	$ 349,442	$ 3,584	$ –	$ 24,138	$ 349,442

Loan Quality

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral). See further discussion in Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

Each of the ratings carries a distinct percentage of default probability. The 14-point scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off. These categories are defined as follows:

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- Other assets especially mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	December 31,		
	2024	2023	2022*
Real estate mortgage:			
Acceptable	98.15%	98.72%	98.28%
OAEM	1.10	0.72	0.86
Substandard/doubtful/loss	0.75	0.56	0.86
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	94.86%	97.18%	97.43%
OAEM	3.04	1.18	0.59
Substandard/doubtful/loss	2.10	1.64	1.98
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	93.90%	98.53%	97.13%
OAEM	3.92	1.16	1.68
Substandard/doubtful/loss	2.18	0.31	1.19
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	97.52%	–%
OAEM	–	2.48	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	–%
Rural residential real estate:			
Acceptable	98.13%	98.57%	98.80%
OAEM	1.18	0.93	0.68
Substandard/doubtful/loss	0.69	0.50	0.52
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	97.28%	98.42%	98.16%
OAEM	1.64	0.85	0.83
Substandard/doubtful/loss	1.08	0.73	1.01
	100.00%	100.00%	100.00%

**Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.*

Accrued interest receivable on loans of $44,180, $39,592, and $17,881 at December 31, 2024, 2023, and 2022, 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:

	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
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

	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
Real estate mortgage	$ 32,583	$ 3,541	$ 36,124	$ 2,871,586	$ 2,907,710
Production and intermediate-term	9,383	3,832	13,215	721,160	734,375
Agribusiness	992	542	1,534	220,906	222,440
Rural infrastructure	–	–	–	43,610	43,610
Rural residential real estate	4,874	391	5,265	195,186	200,451
Other	–	–	–	11,686	11,686
Total	$ 47,832	$ 8,306	$ 56,138	$ 4,064,134	$ 4,120,272

Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

	December 31, 2022				
	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
Real estate mortgage	$ 9,475	$ 5,982	$ 15,457	$ 1,633,946	$ 1,649,403
Production and intermediate-term	955	1,747	2,702	299,343	302,045
Agribusiness	229	333	562	42,679	43,241
Rural residential real estate	1,700	49	1,749	103,446	105,195
Other	–	–	–	155	155
Total	$ 12,359	$ 8,111	$ 20,470	$ 2,079,569	$ 2,100,039

There were no accruing loans greater than 90 days past due as of December 31, 2024, 2023 and 2022.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as, interest income recognized on nonaccrual loans during the period ended December 31, 2024 and 2023:

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Real estate mortgage	$ 1,836	$ 11,761	$ 13,597	$ 2,123
Production and intermediate-term	2,319	2,923	5,242	818
Agribusiness	182	303	485	76
Rural residential real estate	–	839	839	131
Total	$ 4,337	$ 15,826	$ 20,163	$ 3,148

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	$ 840	$ 8,175	$ 9,015	$ 733
Production and intermediate-term	2,219	3,186	5,405	440
Agribusiness	135	449	584	47
Rural residential real estate	69	436	505	41
Total	$ 3,263	$ 12,246	$ 15,509	$ 1,261

Prior to the adoption of CECL on January 1, 2023, the following disclosures of impaired loans were required. Within the below table, impaired loans included nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due and the amounts included accrued interest. See previously required disclosures of impaired loans in the following table:

	December 31, 2022			Year Ended December 31, 2022	
Impaired Loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	3,268	3,330	1,150	2,749	248
Agribusiness	135	312	75	114	10
Rural residential real estate	–	–	–	–	–
Total	$ 3,403	$ 3,642	$ 1,225	$ 2,863	$ 258
With no related allowance for credit losses:					
Real estate mortgage	$ 14,023	$ 16,166	$ –	$ 11,797	$ 1,064
Production and intermediate-term	3,110	4,316	–	2,617	236
Agribusiness	447	838	–	376	34
Rural residential real estate	140	146	–	117	10
Total	$ 17,720	$ 21,466	$ –	$ 14,907	$ 1,344
Total:					
Real estate mortgage	$ 14,023	$ 16,166	$ –	$ 11,797	$ 1,064
Production and intermediate-term	6,378	7,646	1,150	5,366	484
Agribusiness	582	1,150	75	490	44
Rural residential real estate	140	146	–	117	10
Total	$ 21,123	$ 25,108	$ 1,225	$ 17,770	$ 1,602

Additionally, total nonaccruals by loan type, including accrued interest, as of December 31, 2022, are included in the table below:

	Total Nonaccrual
Real estate mortgage	$ 8,622
Production and intermediate-term	5,087
Agribusiness	491
Rural residential real estate	123
Total	$ 14,323

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	$ 10,526	$ 3,548	$ 863	$ 46	$ 609	$ 6	$ 15,598
Charge-offs	(28)	(1,020)	(2)	–	(66)	–	(1,116)
Recoveries	140	145	8	–	9	–	302
Provision for credit losses on loans	3,430	3,892	746	71	172	5	8,316
Balance at December 31, 2024	$ 14,068	$ 6,565	$ 1,615	$ 117	$ 724	$ 11	$ 23,100
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	$ 1,238	$ 472	$ 342	$ 2	$ 54	$ 9	$ 2,117
Provision for unfunded commitments	(1,187)	66	218	2	(54)	638	(317)
Balance at December 31, 2024	$ 51	$ 538	$ 560	$ 4	$ –	$ 647	$ 1,800
Total allowance for credit losses	$ 14,119	$ 7,103	$ 2,175	$ 121	$ 724	$ 658	$ 24,900
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	$ 10,254	$ 3,027	$ 344	$ –	$ 654	$ 1	$ 14,280
Cumulative effect of a change in accounting principle	(2,544)	427	105	–	(144)	(1)	(2,157)
Balance at January 1, 2023	$ 7,710	$ 3,454	$ 449	$ –	$ 510	$ –	$ 12,123
Charge-offs	(12)	(2,818)	–	–	(7)	–	(2,837)
Recoveries	74	142	104	–	8	–	328
Provision for credit losses on loans	2,754	2,770	310	46	98	6	5,984
Balance at December 31, 2023	$ 10,526	$ 3,548	$ 863	$ 46	$ 609	$ 6	$ 15,598
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ 2	$ 209	$ 27	$ –	$ 2	$ –	$ 240
Cumulative effect of a change in accounting principle	(1)	(49)	23	–	(1)	–	(28)
Balance at January 1, 2023	$ 1	$ 160	$ 50	$ –	$ 1	$ –	$ 212
Provision for unfunded commitments	1,237	312	292	2	53	9	1,905
Balance at December 31, 2023	$ 1,238	$ 472	$ 342	$ 2	$ 54	$ 9	$ 2,117
Total allowance for credit losses	$ 11,764	$ 4,020	$ 1,205	$ 48	$ 663	$ 15	$ 17,715

At December 31, 2024 the Allowance for credit losses on loans totaled $23,100. This is an increase of $7,502 compared to December 31, 2023. The increase between the two periods is due to Management's decision to increase the Provision for credit losses on loans due to various economic and risk factors that could potentially impact the portfolio.

Prior to the adoption of CECL on January 1, 2023, the allowance for loan losses was based on probable and estimable losses incurred in the loan portfolio. A summary of changes in the allowance for loan losses and period-end loans including accrued interest is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Residential Real Estate	Other	Total
Activity related to the allowance for loan losses:						
Balance at December 31, 2021	$ 13,525	$ 2,923	$ 399	$ 864	$ 1	$ 17,712
Charge-offs	(25)	(128)	–	(15)	–	(168)
Recoveries	102	406	2	14	–	524
Provision for loan losses	(3,348)	(174)	(57)	(209)	–	(3,788)
Balance at December 31, 2022	$ 10,254	$ 3,027	$ 344	$ 654	$ 1	$ 14,280
Allowance on loans evaluated for impairment:						
Individually	$ –	$ 1,150	$ 75	$ –	$ –	$ 1,225
Collectively	10,254	1,877	269	654	1	13,055
Balance at December 31, 2022	$ 10,254	$ 3,027	$ 344	$ 654	$ 1	$ 14,280
Recorded investment in loans evaluated for impairment:						
Individually	$ 14,023	$ 6,378	$ 582	$ 140	$ –	$ 21,123
Collectively	1,635,380	295,667	42,659	105,055	155	2,078,916
Balance at December 31, 2022	$ 1,649,403	$ 302,045	$ 43,241	$ 105,195	$ 155	$ 2,100,039

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain Government-Sponsored Enterprises (GSEs), including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the Association the right to be reimbursed for losses incurred or to sell designated loans to the guarantor in the event of default (typically four months past due), subject to certain conditions. The guaranteed balance of designated loans under these agreements was $206,762, $226,026, and $140,926 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled $75, $64, and $103 for 2024, 2023, and 2022, respectively. These amounts are classified as noninterest expense.

Loans held for sale were $2,339, $4,046, and $815 at December 31, 2024, 2023, and 2022, respectively. Such loans are carried at the lower of cost or fair value.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2024 and 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and 2023. 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.

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program, were borrower-specific, and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

The following table presents additional information regarding troubled debt restructurings that occurred during the period:

	Year Ended December 31, 2022*				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 512	$ –	$ –	$ 512	
Production and intermediate-term	316	145	–	461	
Agribusiness	101	–	–	101	
Rural residential real estate	17	–	–	17	
Total	$ 946	$ 145	$ –	$ 1,091	
Post-modification:					
Real estate mortgage	$ 512	$ –	$ –	$ 512	$ –
Production and intermediate-term	324	153	–	477	–
Agribusiness	105	–	–	105	–
Rural residential real estate	17	–	–	17	–
Total	$ 958	$ 153	$ –	$ 1,111	$ –

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

Defaulted troubled debt restructurings	**Year Ended December 31, 2022***
Production and intermediate-term	$ 1,070
Agribusiness	281
Total	$ 1,351

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table.

	December 31, 2022*	
	Total TDRs	**Nonaccrual TDRs**
Real estate mortgage	$ 8,788	$ 3,387
Production and intermediate-term	1,818	527
Agribusiness	94	3
Rural residential real estate	17	–
Total loans	$ 10,717	$ 3,917
Additional commitments to lend	$ –	

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Note 4 — 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 December 31, 2024, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

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

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 617	$ –	$ (79)	$ 538	5.74 %

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 642	$ –	$ (72)	$ 570	5.75 %

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,548	$ –	$ (196)	$ 3,352	6.64 %

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	December 31, 2024		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	617	538	5.74
Total	$ 617	$ 538	5.74%

All of these investments have 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.

An investment is considered impaired if its fair value is less than its cost. The following table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. Following the adoption of CECL on January 1, 2023, this table is no longer required for held-to-maturity securities. Therefore, there are no tables presented for December 31, 2024 and 2023.

	December 31, 2022			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 3,352	$ (196)	$ –	$ –

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 December 31, 2024, the Association does not consider any unrealized losses to be credit-related and an ACL is not necessary.

The guidance, prior to the adoption of CECL, for other-than-temporary impairment contemplated numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

Prior to the adoption of CECL, the Association performed an evaluation quarterly on a security-by-security basis considering all available information. If the Association intended to sell the security or it was more likely than not that it would be required to sell the security, the impairment loss equaled the full difference between amortized cost and fair value of the security. When the Association did not intend to sell securities in an unrealized loss position, other-than-temporary impairment was considered using various factors, including the length of time and the extent to which the fair value was less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. The Association used estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considered factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The Association did not recognize any credit impairment losses in earnings during the year ended December 31, 2022.

Equity Investments in Other Farm Credit 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.

The Association is required to maintain ownership in 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's investment in the Bank totaled $71,714 for 2024, $65,701 for 2023 and $25,137 for 2022. The Association owned 12.76 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled $47.0 billion and shareholders' equity totaled $1.7 billion. The Bank's earnings were $283 million for 2024. In addition, the Association had investments of $5,555 related to other Farm Credit institutions at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31, 2024	2023	2022
Land	$ 10,216	$ 10,159	$ 6,037
Buildings and improvements	46,906	44,897	21,431
Furniture and equipment	18,392	17,785	7,882
	75,514	72,841	35,350
Less: accumulated depreciation	32,239	32,851	15,593
Total	$ 43,275	$ 39,990	$ 19,757

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank
Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, the Association's notes payable were within the specified limitations.

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan, based on the Bank's marginal cost of funds, capital position, operating costs and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA, which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon an agreement between the Bank and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31, 2024	2023	2022
Line of credit	$ 4,383,000	$ 3,593,000	$ 2,008,000
Outstanding principal under the line of credit	3,832,367	3,385,232	1,643,799
Interest rate	4.72%	4.52%	2.86%

Note 7 — Members' Equity

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

A **Protected Borrower Equity:** Protection of certain borrower equity is provided under the Farm Credit Act which requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities which were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

B. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to the lesser of $1 thousand or 2 percent of the amount of the loan. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

C. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

The capital regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	14.97%	16.33%	16.38%
Tier 1 Capital	6.00%	2.50%	8.50%	14.97%	16.33%	16.38%
Total Regulatory Capital	8.00%	2.50%	10.50%	16.76%	18.67%	22.07%
Permanent Capital	7.00%	0.00%	7.00%	16.29%	18.31%	21.46%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	15.02%	16.16%	16.01%
URE and UREE Leverage	1.50%	0.00%	1.50%	14.52%	15.62%	15.48%

* *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.

D. **Description of Equities:** The Association is authorized to issue or have outstanding Classes A and D Preferred Stock, Classes A, B, and C Common Stock, Classes B and C Participation Certificates, and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

The Association had the following shares outstanding at December 31, 2024:

Class	Protected	Shares Outstanding Number	Aggregate Par Value
C Common/Voting	No	4,054,721	$ 20,273
C Participation Certificates/Nonvoting	No	516,067	2,580
Total Capital Stock and Participation Certificates		4,570,788	$ 22,853

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed. At December 31, 2024, allocated members' equity consisted of $54,814 of nonqualified allocated surplus.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Dividends
The Association may declare noncumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 20 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Classes A and D Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividends paid on Classes A, B, or C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B, or C Common Stock and participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Transfer
Classes A and D Preferred, Classes A, B, and C Common Stock, and Classes B and C Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment
Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Allocated Surplus
2. Class C Common Stock and Class C Participation Certificates
3. Classes A and B Common Stock and Class B Participation Certificates
4. Classes A and D Preferred Stock

Liquidation
In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed to the holders of the outstanding stock and participation certificates in the following order:

1. Classes A and D Preferred Stock
2. Classes A and B Common Stock and Class B Participation Certificates
3. Class C Common Stock and Class C Participation Certificates
4. Allocated Surplus
5. Unallocated Surplus issued after January 1, 1996 shall be distributed to all holders of Class C Common Stock and Class C Participation Certificates from January 1, 1996
6. Remaining Assets shall be distributed ratably to the holders of all classes of Stock and Participation Certificates

E. Accumulated Other Comprehensive Income (AOCI):

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	For the Year Ended December 31,		
	2024	**2023**	**2022**
Employee Benefit Plans:			
Balance at beginning of period	$ (135)	$ (342)	$ (1,934)
Equity re-characterized due to merger	–	200	–
Other comprehensive income before reclassifications	107	(83)	1,071
Amounts reclassified from AOCI	61	90	521
Net current period OCI	168	7	1,592
Balance at end of period	$ 33	$ (135)	$ (342)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	For the Year Ended December 31,			
	2024	**2023**	**2022**	**Income Statement Line Item**
Defined Benefit Pension Plans:				
Periodic pension costs	$ (61)	$ (90)	$ (521)	See Note 9.
Amounts reclassified	$ (61)	$ (90)	$ (521)	

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

Note 8 — 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 also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2, *Summary of Significant Accounting Policies* for a more complete description of the three levels.

The following tables summarize assets measured at fair value at period end:

	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

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 6,057	$ –	$ –	$ 6,057
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 1,655	$ 1,655
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,897	$ –	$ –	$ 1,897
Nonrecurring assets				
Impaired loans*	$ –	$ –	$ 2,178	$ 2,178
Other property owned	$ –	$ –	$ –	$ –

[*] Prior to adoption of CECL on January 1, 2023, the fair value of impaired loans included accruing restructured loans and loans past due 90 days and accruing

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 9 — Employee Benefit Plans

The Association participates in three District sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, the AgFirst Farm Credit Retirement Plan, which is a final average pay plan (FAP Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to the Employee Retirement Income Security Act (ERISA) and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

1. The Employer Identification Number (EIN) and three-digit Pension Plan Number
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
4. The expiration date(s) of collective-bargaining agreement(s).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $3,660 for 2024, $5,951 for 2023, and $2,304 for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP was $9,765, $33,660, and $32,568, respectively. The FAP Plan was 98.52 percent, 95.43 percent, and 95.81 percent funded to the projected benefit obligation as of December 31, 2024, 2023, and 2022, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $2,080 for 2024, $1,758 for 2023, and $882 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,643, $160,980, and $167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $3,140, $2,606, and $1,550 for the years ended December 31, 2024, 2023, and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2024, 2023, and 2022, $168, $7, and $1,592 have been recognized as net credits to AOCI to reflect these elements.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

In addition to the multiemployer plans described above, the Association sponsors nonqualified supplemental retirement and 401(k) plans. The supplemental retirement plan is unfunded and had a projected benefit obligation of $6,700 and a net under-funded status of $6,700 at December 31, 2024. Assumptions used to determine the projected benefit obligation as of December 31, 2024 included a discount rate of 5.65 percent. The expenses of these nonqualified plans included in noninterest expenses were $485, $411, and $675 for 2024, 2023, and 2022, respectively. In addition, during 2023, the Association recorded a termination settlement of $919 for the nonqualified supplemental retirement plan as a result of the merger discussed in Note 14, *Merger Activity*.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with related parties, which include officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2024 amounted to $14,693. During 2024, $7,063 of new loans were made and repayments totaled $9,475. In addition, net loans of $2,468 were newly classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

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 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.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, $620,603 of commitments to extend credit and $418 of commercial letters of credit were outstanding.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled $892 with expiration dates ranging from September 9, 2025 to October 31, 2026. The maximum potential amount of future payments that may be required under these guarantees was $892.

The total amount of reserve for unfunded commitments, which is classified in Other Liabilities in the Consolidated Balance Sheets, was $1,800 at December 31, 2024. During 2024, the Association recorded a reversal of unfunded commitments totaling $317.

Note 12 — Income Taxes

The provision for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ –	$ 11	$ (7)
State	–	2	(1)
		13	(8)
Deferred:			
Federal	–	–	–
State	–	–	–
	–	–	–
Total provision (benefit) for income taxes	$ –	$ 13	$ (8)

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Federal tax at statutory rate	$ 22,359	$ 17,265	$ 12,998
State tax, net	–	2	(1)
Patronage distributions	(13,671)	(6,930)	(8,837)
Tax-exempt FLCA earnings	(9,392)	(11,308)	(4,473)
Change in valuation allowance	427	55	85
Other	277	929	220
Provision (benefit) for income taxes	$ –	$ 13	$ (8)

Deferred tax assets and liabilities are comprised of the following at:

	December 31, 2024	December 31, 2023	December 31, 2022
Deferred income tax assets:			
Allowance for loan losses	$ 953	$ 1,494	$ 599
Nonaccrual loan interest	424	688	298
Pensions and other postretirement benefits	326	320	156
Other reserves and allowances	446	–	–
Loss carryforward	2,738	1,287	908
Gross deferred tax assets	4,887	3,789	1,961
Less: valuation allowance	(3,432)	(1,506)	(1,451)
Gross deferred tax assets, net of valuation allowance	1,455	2,283	510
Deferred income tax liabilities:			
Loan fees	(503)	(345)	(138)
Pensions and other postretirement benefits	–	–	(358)
Special Patronage	(797)	(370)	(14)
Depreciation	(155)	(1,568)	–
Gross deferred tax liability	(1,455)	(2,283)	(510)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately $7,400 of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of $3,432, $1,506, and $1,451 as of December 31, 2024, 2023, and 2022, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2024 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The tax years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

2024	First	Second	Third	Fourth	Total
Net interest income	$ 41,376	$ 41,580	$ 43,147	$ 42,391	$ 168,494
Provision for (reversal of) allowance for credit losses	1,097	864	6,311	(273)	7,999
Noninterest income (expense), net	(14,118)	(11,597)	(14,140)	(14,169)	(54,024)
Net income	$ 26,161	$ 29,119	$ 22,696	$ 28,495	$ 106,471

2023	First	Second	Third	Fourth	Total
Net interest income	$ 18,005	$ 36,764	$ 37,816	$ 38,864	$ 131,449
Provision for (reversal of) allowance for credit losses	2,891	4,298	686	14	7,889
Noninterest income (expense), net	(8,595)	(11,679)	(9,848)	(11,239)	(41,361)
Net income	$ 6,519	$ 20,787	$ 27,282	$ 27,611	$ 82,199

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 17,020	$ 16,967	$ 17,560	$ 17,539	$ 69,086
Provision for (reversal of) allowance for loan losses	(1,051)	(283)	(968)	(1,486)	(3,788)
Noninterest income (expense), net	(4,980)	(6,150)	(5,142)	5,301	(10,971)
Net income	$ 13,091	$ 11,100	$ 13,386	$ 24,326	$ 61,903

Note 14 — Merger Activity

Effective April 1, 2023, Carolina Farm Credit, ACA (Carolina) merged with and into AgSouth Farm Credit, ACA (AgSouth) to form the merged Association. The effects of the merger are included in the Association's results of operations, statement of condition, average balances, and related metrics beginning April 1, 2023.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of December 31, 2024 and 2023. The Consolidated Statements of Income, Members' Equity, and Cash Flows include the merged Association after April 1, 2023 and do not include the results of Carolina prior to April 1, 2023. Information in the Notes to the Consolidated Financial Statements does not include balances and transactional activity for Carolina prior to April 1, 2023.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their borrowers and other customers and not for the benefit of equity investors. As such, their capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the common stock shares of Carolina that were converted in the merger and the common stock shares of AgSouth to which they were converted had identical rights and attributes. For this reason, the conversion of Carolina stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each Carolina share was converted into one share of AgSouth's stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the AgSouth stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, AgSouth undertook a process to identify and estimate the acquisition date fair value of Carolina's equity interests instead of the acquisition date fair value of AgSouth's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from Carolina, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield materially different results. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. In addition, no material amounts of intangible assets were acquired. As a result, management recorded no goodwill. A net increase of $333.7 million was recorded in stockholders' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Carolina's net assets as of the date of acquisition.

	Carolina
Assets:	
Net loans	$ 1,732,955
Accrued interest receivable	17,473
Other assets	52,749
Total assets	$ 1,803,177
Liabilities:	
Notes payable	$ 1,415,420
Accrued interest payable	4,407
Other liabilities	49,633
Total liabilities	$ 1,469,460
Fair value of net assets acquired	$ 333,717

Fair value adjustments to Carolina's assets and liabilities included a $198.7 million decrease to loans and a $142.4 million decrease to notes payable to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences will be accreted or amortized into net interest income over the remaining life of the respective loans and debt instruments on an effective yield basis.

Note 15 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through March 11, 2025, which was the date the financial statements were issued.

AgSouth Farm Credit

146 Victory Lane | Statesville, NC 28625