~ 2025 ~
Annual Report

AgSouth Farm Credit

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A MESSAGE FROM YOUR CEO

Chad Puryear
Chief Executive Officer

On behalf of the Board of Directors and team at AgSouth, I would like to thank you for your support of our organization. I am pleased to report that our cooperative experienced another year of strong growth and financial success. Final net earnings as of December 31, 2025 exceeded **$106.3 million**, resulting in a return on assets of **2.12%**. Net loan volume grew by **12%**, equating to **$571 million** in additional loan portfolio for AgSouth. Our assets, which are primarily loans to our stockholders, grew to **$5.5 billion**. Capital remained strong, which positions the Association well for future growth and to be a stable source of credit for your operations in the years to come. Credit quality remained sound at **98.26%**, as we continued to serve our member-borrowers while appropriately managing risk.

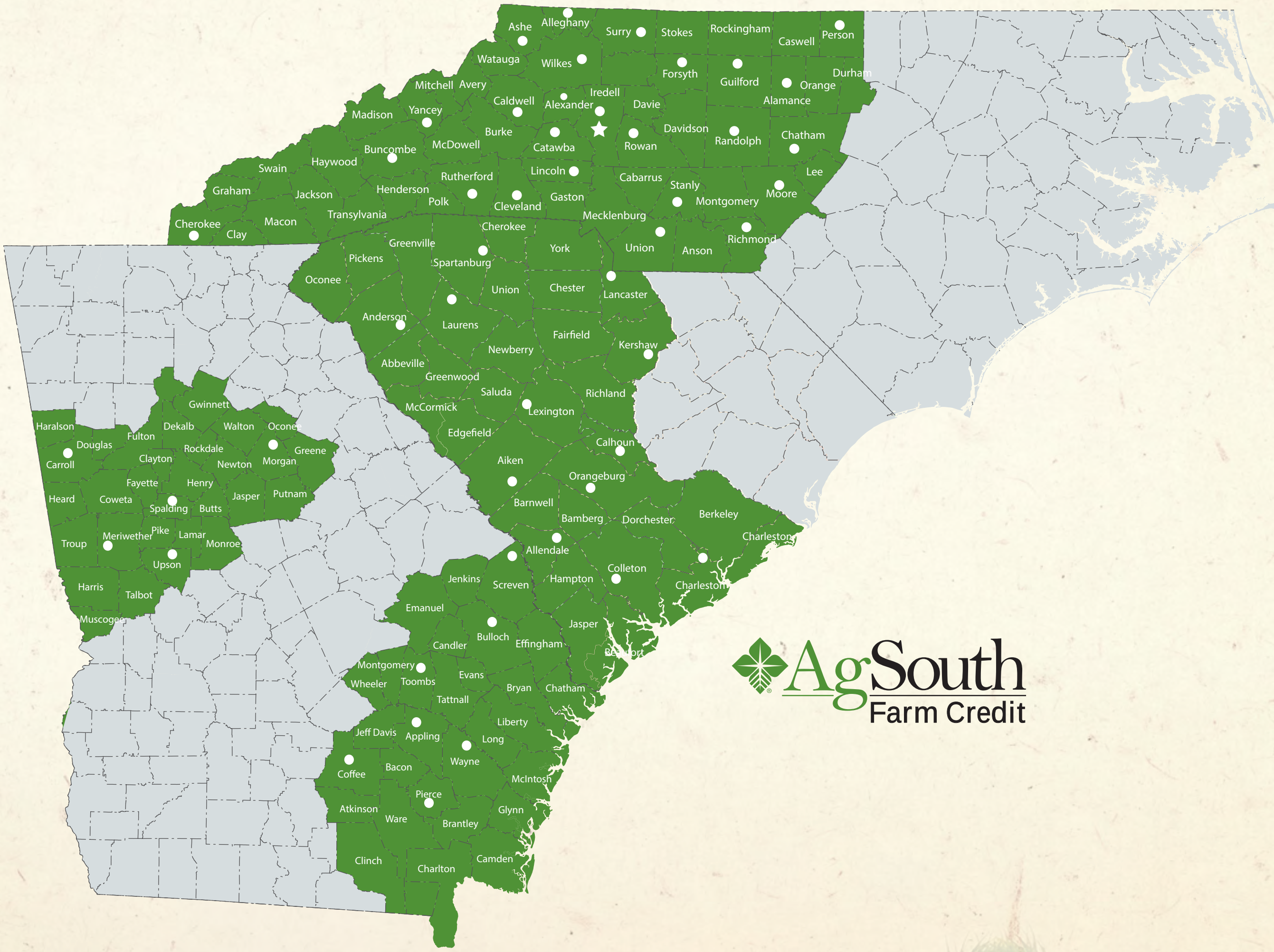
We understand 2025 presented its share of challenges for those in agriculture. The combination of low commodity prices, increasing input costs, inflation, and higher borrowing costs put stress on certain segments of the industry. It is AgSouth's commitment to serve our mission in good times and bad, working with our customers and remaining a reliable source of credit through the full range of economic conditions. This includes supporting young, beginning, and small farmers as they navigate the agricultural cycles.

Operating as a cooperative allows us to share our success with you. Last April, we were able to pay a record patronage cash dividend totaling **$65.1 million**. The Board of Directors has once again approved a patronage cash dividend based on 2025 earnings to be paid in April 2026. This will be the **38th consecutive** year that we have returned interest back to our members 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.

AgSouth Farm Credit's passion is to support our farmers, families and rural communities. This includes serving and investing in the communities that we live. In 2025, across the territory, AgSouth donated over $92,000 to 4-H and FFA programs, $27,500 to non-profit organizations, and over $200,000 in Growing Our Communities Grants. In addition, through the Seeds of Service program, AgSouth collaborated on local community projects while contributing over $15,000 to various groups.

This annual report contains the details of our 2025 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 2026.

AGSOUTH BRANCH LOCATIONS



AgSouth Farm Credit

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. Many have a degree in agriculture or finance, and about 25 percent still 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

CHAD PURYEAR
Chief Executive Officer

BO FENNELL
Chief Financial Officer

STEVE LEONARD
Chief Credit Officer

NICK MARTIN
Chief Lending Officer

BOB MIKELL
General Counsel

LARRY PRITCHETT
Chief Risk Officer

SARAH RACHELS
Chief Administrative Officer

JENNIFER ROBIN
Chief Information and Strategic Initiatives Officer

BEN SKELLEY
EVP Corporate and Partner Lending

BOARD OF DIRECTORS

D. KALEB RATHBONE
Chair

PETE WALL
Vice-Chair

H. FRANK ABLES, JR.

JOHN M. BARNARD

K. NEAL BENNETT

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

CRAIG L. MYERS

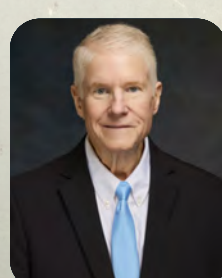
CLARK M. NEWLIN

J. JAY PEAY

WILLIAM T. ROBINSON

LESLIE G. SPARKS, DVM

HUGH E. WEATHERS



DAVID H. WOMACK

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!

AGSOUTH *Serves*

AgSouth not only provides loans for land, farms and homes but also supports local community groups and organizations across our three-state footprint.

AGSOUTH IS PROUD TO SUPPORT 4-H AND FFA AT THE LOCAL AND STATE LEVEL IN GEORGIA, NORTH CAROLINA, AND SOUTH CAROLINA.

In 2025, over **$92,000** was donated to these youth agricultural organizations for various projects and events.

PULL FOR YOUTH EVENT

The Pull for Youth events are another way the Farm Credit Associations of North Carolina are giving back to the future of agriculture throughout North Carolina. Over **$850,000** has been raised through the first nine years of Pull for Youth events for North Carolina 4-H and FFA. These charity shooting events will have a direct impact on youth and agriculture across the state.

AGSOUTH *Serves*

5 BILLION STRONG CELEBRATION

In 2025, AgSouth officially surpassed **$5 billion** in total assets. To celebrate this accomplishment, each AgSouth branch was able to donate $500 to any non-profit organization in their community. Over **$27,500** was donated to various organizations across our footprint.

The Spindale Branch was proud to donate **$500** to ASAP (Adaptive Sports and Adventures Program) through the Atrium Health Foundation. The mission of ASAP is to provide competitive and recreational adaptive sport opportunities for individuals with physical disabilities in local communities.

GROWING OUR COMMUNITIES GRANT

Each year, AgSouth Farm Credit supports non-profit organizations and farmers markets with grants of up to **$5,000** to help in their endeavors and to further the future of agriculture in our region of Georgia, North Carolina, and South Carolina. In 2025, over **$200,000** was delivered to grant recipients. The Orangeburg County Fire Department was granted **$5,000** through the 2024-2025 Growing Our Communities Grant Cycle.

SEEDS OF SERVICE

Seeds of Service is an AgSouth program used to promote teamwork within branches by collaborating on projects that create a lasting impact on the community. Over **$15,000** was donated to various groups across our territory including senior centers, humane societies, food banks, and other local non-profit organizations.

The Laurens branch was proud to support the Laurens County Humane Society by donating supplies, washing towels, food bowls, and spending time walking the dogs. It was a meaningful way to give back to the community and help animals in need.

2025
FINANCIAL RESULTS

AgSouth Farm Credit, ACA

2025 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 2025 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/ Kaleb D. Rathbone
Chair of the Board 2025

/s/ Chad Puryear
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

March 10, 2026

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, 2025. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2025, 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, 2025.

/s/ Chad Puryear
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

March 10, 2026

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	December 31, 2025	2024	2023	2022	2021
Balance Sheet Data					
Cash	**$ 53**	$ 91	$ 140	$ 665	$ 689
Investments in debt securities	**69,594**	617	642	3,548	3,756
Loans	**5,173,285**	4,559,677	4,120,272	2,082,158	2,031,671
Allowance for credit losses on loans	**(21,700)**	(23,100)	(15,598)	(14,280)	(17,712)
Net loans	**5,151,585**	4,536,577	4,104,674	2,067,878	2,013,959
Equity investments in other Farm Credit institutions	**97,292**	77,269	71,205	29,476	20,688
Other property owned	**401**	120	—	—	215
Other assets	**138,068**	133,189	122,361	56,407	80,166
Total assets	**$ 5,456,993**	$4,747,863	$4,299,022	$2,157,974	$2,119,473
Notes payable to AgFirst Farm Credit Bank*	**$ 4,493,428**	$3,832,367	$3,385,232	$1,643,799	$1,617,876
Accrued interest payable and other liabilities with maturities of less than one year	**67,365**	98,886	115,126	55,931	54,093
Total liabilities	**4,560,793**	3,931,253	3,500,358	1,699,730	1,671,969
Capital stock and participation certificates	**24,055**	22,853	22,602	11,243	11,107
Additional paid-in-capital	**96,458**	96,458	96,458	—	—
Retained earnings					
Allocated	**99,453**	54,814	78,658	101,191	121,081
Unallocated	**677,265**	642,452	601,081	346,152	317,250
Accumulated other comprehensive income (loss)	**(1,031)**	33	(135)	(342)	(1,934)
Total members' equity	**896,200**	816,610	798,664	458,244	447,504
Total liabilities and members' equity	**$ 5,456,993**	$4,747,863	$4,299,022	$2,157,974	$2,119,473
Statement of Income Data					
Net interest income	**$ 169,167**	$ 168,494	$ 131,449	$ 69,086	$ 67,635
Provision for (reversal of) allowance for credit losses	**(505)**	7,999	7,889	(3,788)	771
Noninterest income (expense), net	**(63,359)**	(54,024)	(41,361)	(10,971)	5,387
Net income	**$ 106,313**	$ 106,471	$ 82,199	$ 61,903	$ 72,251
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.12%**	2.36%	2.27%	2.94%	3.56%
Total members' equity	**12.58%**	12.81%	11.32%	13.57%	16.41%
Net interest income as a percentage of average earning assets	**3.49%**	3.87%	3.77%	3.37%	3.42%
Net (chargeoffs) recoveries to average loans	**(0.002)%**	(0.019)%	(0.072)%	0.017%	(0.021)%
Total members' equity to total assets	**16.42%**	17.20%	18.58%	21.23%	21.11%
Debt to members' equity (:1)	**5.09**	4.81	4.38	3.71	3.74
Allowance for credit losses to loans	**0.42%**	0.51%	0.38%	0.69%	0.87%
Permanent capital ratio	**14.69%**	16.29%	18.31%	21.46%	21.19%
Common equity tier 1 capital ratio	**13.96%**	14.97%	16.33%	16.38%	14.90%
Tier 1 capital ratio	**13.96%**	14.97%	16.33%	16.38%	14.90%
Total regulatory capital ratio	**15.06%**	16.76%	18.67%	22.07%	21.93%
Tier 1 leverage ratio**	**14.05%**	15.02%	16.16%	16.01%	14.36%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**13.59%**	14.52%	15.62%	15.48%	14.12%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ —**	$ 65,100	$ 56,000	$ 33,000	$ 42,062
Qualified allocated retained earnings	**71,500**	—	—	—	—

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2026.*

*** 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, 2025 with comparisons to the years ended December 31, 2024 and December 31, 2023. 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 many factors, including commodity prices, input costs, weather, government policies (including, among other things, tax, trade, tariffs, immigration, crop insurance and ad hoc aid), interest rates, global agricultural production levels, pathogenic outbreaks in livestock and poultry and various other factors that affect supply and demand.

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

The USDA's February 2026 forecast projects net farm income (income after expenses from production; a broader measure of profits) for 2025 at $154.5 billion, a $27.0 billion increase from 2024, and $45.9 billion above the 10-year average. The forecasted increase in net farm income for 2025, as compared with 2024, is primarily due to increases in cash receipts for animals and animal products of $22.3 billion, direct government payments of $20.5 billion and an upward change in the value of inventory adjustment of $13.0 billion, partially offset by an increase in cash expenses of $19.6 billion and a decrease in cash receipts for crops of $6.9 billion.

The USDA's outlook projects net farm income for 2026 at $153.4 billion, a $1.1 billion or 0.7 percent decrease from 2025 and $44.8 billion above the 10-year average in nominal dollars. The forecasted decrease in net farm income for 2026 is primarily due to an expected decrease in cash receipts for animals and animal products at $17.0 billion, a negative change in the value of inventory adjustment of $5.6 billion and an increase in cash expenses of $4.1 billion, mostly offset by increases in direct government payments of $13.8 billion, cash farm-related income of $9.2 billion and cash receipts for crops of $2.8 billion. The decrease in animals and animal products reflects anticipated falling receipts for eggs and milk due to lower prices, while beef cattle receipts are expected to continue growing in 2026. The overall increase in direct government payments reflects higher anticipated payments from Farm Bill programs that trigger payments when commodity prices fall, while supplemental and ad hoc disaster aid payments are expected to remain high.

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 increase $8.9 billion or 6.1 percent in 2025 to $154.9 billion from $146.0 billion in 2024.

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 US farm sector assets for 2025 and 2024 according to the USDA in its February 2026 forecast. Consequently, changes in farmland values often affect the financial strength of agricultural producers as farm real estate serves as a 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 4.2 percent in 2025 to $3.8 trillion. Farm real estate value is expected to increase 4.0 percent and non-real estate farm assets are expected to increase 5.9 percent, while farm sector debt is forecasted to increase 5.4 percent in 2025. Farm real estate debt accounts for 65.0 percent of total farm debt in 2025, as compared with 65.2 percent in 2024.

Farm sector solvency ratios measure the ability of a farm to satisfy its debt obligations when due and for which lower values for these ratios are preferred. The USDA is forecasting the debt-to-equity ratio to increase slightly from 15.4 percent in 2024 to 15.6 percent in 2025 and for the debt-to-asset ratio to increase slightly from 13.4 percent in 2024 to 13.5 percent in 2025. These ratios are well below their peak of 28.5 percent and 22.2 percent 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.

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. US exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting US agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the US dollar and domestic government support for agriculture.

The following table sets forth the commodity prices as reported by USDA per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2022 to December 31, 2025:

Commodity	12/31/25	12/31/24	12/31/23	12/31/22
Hogs	$ 62.30	$ 62.30	$ 53.30	$ 62.50
Milk	$ 19.00	$ 23.30	$ 20.40	$ 24.50
Broilers	$ 0.64	$ 0.75	$ 0.72	$ 0.73
Turkeys	$ 1.21	$ 0.51	$ 0.47	$ 1.22
Corn	$ 4.10	$ 4.23	$ 4.80	$ 6.58
Soybeans	$ 10.40	$ 9.79	$ 13.10	$ 14.40
Wheat	$ 4.95	$ 5.49	$ 6.79	$ 8.97
Beef Cattle	$ 221.00	$ 190.00	$ 172.00	$ 154.00

The AgFirst District (the District) is chartered to serve eligible borrowers in 15 states and Puerto Rico. The District consists of the AgFirst Farm Credit Bank and 16 Associations. 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 2025. 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.

Georgia - Georgia’s real Gross State Product (GSP) is projected to end around 2.4 percent for 2025, reflecting continued expansion but at a slower pace than in 2024. The state’s major economic sectors are expected to maintain steady performance, with ongoing strength in professional, scientific, and technical services, health care and social assistance, and accommodation and food services. Georgia’s unemployment rate is expected to end with a slight increase to 4.0 percent, up from 3.7 percent. Non-farm employment in Georgia is projected to finish with an increase of approximately 1.0 percent for 2025. While job growth is moderating, the expansion continues to indicate underlying economic stability. Personal income in Georgia is forecasted to finalize around 4.7 percent for 2025. Housing activity is expected to stabilize, with the total number of housing permits in Georgia projected to end with an increase of 4.7 percent for 2025. The strong performance and favorable outlook of the part-time segment continue to be supported by broad repayment source diversification, and industries tied to the non-farm employment base have experienced relatively few job losses, helping maintain stability in those employment categories.

North Carolina - North Carolina’s real GSP is projected to end with an increase of 2.3 percent for 2025. Ten of the state’s fifteen major economic sectors are expected to experience output increases for the year. Among these, agriculture is forecasted to show the strongest growth. Non-farm employment in North Carolina is projected to end with growth of 1.5 percent for 2025. North Carolina’s personal income growth is expected to moderate but remain positive, supported by steady employment gains and expanding population trends. Personal income is expected to end with modest growth faster than inflation for 2025, although at a slower pace compared to 2024. This stabilization in income growth should continue to support household spending across the state. While uncertainty remains, North Carolina’s expanding workforce, strong population dynamics, and resilience in key service sectors provided a solid foundation for continued economic growth for 2025.

South Carolina - South Carolina’s economy continued to expand in 2025, maintaining the steady growth pattern that emerged as the state transitioned away from the post-pandemic economy. South Carolina’s unemployment rate rose to approximately 4.7 percent, up from 3.0 percent in early 2024, yet still well below the historical average unemployment rate. Non-farm employment is expected to continue posting broad gains across most sectors, supported by strong consumer spending, wage growth that is once again outpacing inflation, and a labor force that has expanded significantly in recent years. Personal income growth is projected to indicate a positive trend for 2025. South Carolina households are beginning to regain lost purchasing power, which will help sustain consumer spending. South Carolina’s housing market has stabilized after several years of volatility, and this stability is expected to continue for 2025.

Poultry - Poultry continues to represent the largest agricultural commodity in the loan portfolio, and the industry is expected to remain a major contributor across Georgia, North Carolina, and South Carolina in 2025. Broiler production strength, resilient domestic and export demand, and gradually improving feed cost conditions are setting the stage for another stable year for producers. For 2025, the US poultry sector overall is projected to experience continued production growth, with broiler output increasing by roughly 1.0 to 1.7 percent over 2024. Broiler production is expected to remain elevated for 2025, driven by higher chick placements, strong hatchery numbers, and favorable producer margins. This increase reflects ongoing strength in consumer demand for chicken, especially as beef and pork remain comparatively expensive. However, the sector continues to face notable headwinds. Highly Pathogenic Avian Influenza (HPAI) remains a major operational risk. Nationally, HPAI continues to constrain recovery in egg and turkey production. Although broilers have been less affected than layers or turkeys, the disease remains a persistent threat for commercial and backyard flocks across the Southeast, including the Carolinas and Georgia. Feed costs continued to trend downward for 2025 as corn and soybean meal prices stabilize at levels significantly lower than recent peaks. Expansion across most areas of the Association's territory is expected to slow further, after replacement houses have been completed post Hurricane Helene. This tempered expansion reflects both industry caution and lingering environmental and community concerns in regions with high poultry density. Despite these challenges, the poultry sector in Georgia, North Carolina, and South Carolina is expected to remain fundamentally resilient, supported by strong consumer demand, stable pricing, and improving feed conditions.

Other Segments - While the Association's primary portfolio segments performed well in 2025, 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. Additionally, emerging tariff pressures added another layer of uncertainty, contributing modestly to higher input costs and softer commodity pricing in several markets. Row crops and timber industries continued to show signs of distress in 2025, as Southern row crop producers faced tight margins driven by low commodity prices and elevated input costs, while the timber sector struggled with weakened demand in regions still processing salvaged timber following Hurricane Helene.

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.

	December 31,					
Loan Type	**2025**		**2024**		**2023**	
	(dollars in thousands)					
Real estate mortgage	$ 3,386,694	65.46%	$ 3,144,328	68.96%	$ 2,907,710	70.57%
Production and intermediate-term	947,070	18.31	794,146	17.42	734,375	17.82
Agribusiness:						
Loans to Cooperatives	7,935	0.15	6,572	0.14	12,205	0.30
Processing and marketing	351,725	6.80	297,433	6.52	165,722	4.02
Farm-related business	59,247	1.15	51,757	1.14	44,513	1.08
Rural infrastructure:						
Communication	39,195	0.76	29,343	0.64	21,116	0.51
Power and water/waste disposal	32,091	0.62	28,734	0.63	22,494	0.55
Rural residential real estate	333,585	6.45	194,659	4.27	200,451	4.86
Other:						
International	15,633	0.30	12,580	0.28	11,425	0.28
Other (including Mission Related)	110	–	125	–	261	0.01
Total	$ 5,173,285	100.00%	$ 4,559,677	100.00%	$ 4,120,272	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 region for the past three years ended December 31 is as follows:

	December 31,		
Region	**2025**	**2024**	**2023**
Georgia	20.69%	21.48%	23.41%
North Carolina	33.83	36.86	41.19
South Carolina	20.39	21.17	25.55
Agribusiness	10.96	11.70	3.06
Home Loans	2.74	0.03	–
Participations	9.58	7.82	6.14
Special Assets Management	1.81	0.94	0.65
	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 70 percent of the entire portfolio at December 31, 2025.

Commodity Group	December 31, 2025		2024		2023	
	(dollars in thousands)					
Sawmill/Forestry	$ 1,586,688	31 %	$ 1,448,234	32 %	$ 1,264,098	31 %
Poultry	641,145	12	580,726	13	607,872	15
Other	447,864	9	364,385	8	260,937	6
Beef Cattle, Pasture	406,985	8	365,005	8	307,315	7
Other Feed, Grains, & Hay	349,188	7	296,425	7	272,527	7
Rural Home	341,284	7	206,904	5	213,112	5
Equestrian	149,451	3	149,290	3	145,811	4
Sod, Nursery, & Horticulture	147,007	3	118,263	3	103,542	3
Other Livestock	145,756	3	122,526	3	110,079	3
Vegetables & Tomatoes	137,232	3	115,683	3	112,896	3
Cotton	121,297	2	137,113	3	131,947	3
Other Farm Related Business	95,582	2	97,003	2	79,964	2
Corn	90,664	2	81,260	2	77,763	2
Fruits & Nuts	90,499	2	74,235	2	65,740	2
Peanuts	77,745	1	70,107	2	55,057	1
Soybeans	76,502	1	76,671	2	70,570	2
Tobacco	54,852	1	58,605	1	55,446	1
Dairy	51,186	1	41,223	–	45,952	1
Blueberries	45,790	1	45,466	1	43,349	1
Christmas Trees	41,519	1	39,922	–	40,772	1
Onions	23,119	–	23,185	–	19,383	–
Hogs	15,640	–	17,712	–	13,213	–
Apples	14,496	–	12,017	–	8,895	–
Peaches	8,516	–	7,791	–	8,106	–
Strawberries	6,816	–	7,058	–	2,763	–
Aquatic Products & Catfish	5,434	–	1,783	–	1,343	–
Part-Time Farmer	682	–	725	–	1,372	–
Timber Processing & Harvesting	142	–	151	–	155	–
Purchase Money Mortgage	133	–	153	–	213	–
Livestock	59	–	39	–	58	–
Hemp	12	–	17	–	22	–
Total	$ 5,173,285	100 %	$ 4,559,677	100 %	$ 4,120,272	100 %

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

During 2025, 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 2025, 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, 2024 and December 31, 2025 by 47.14 percent or $182,886. 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 Diversified Markets Group.

Loans sold increased 94.44 percent or $441,937 from $467,955 to $909,892 between the periods ended December 31, 2024 and December 31, 2025. The increase in sold loans is tied to increased activity by the Association’s Diversified Markets department. 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 2023 and 2024, loans sold decreased 9.83 percent. This decrease is tied to the Association’s decision to hold more larger credits within the loan portfolio.

Loan Participations	December 31, 2025	2024	2023
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 461,438	$ 348,139	$ 236,610
Participations Purchased – Non-FCS Institutions	109,422	39,835	5,140
Participations Sold	(909,892)	(467,955)	(518,973)
Total	$ (339,032)	$ (79,981)	$ (277,223)

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, 2025.

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2025, 2024, and 2023, the Association originated loans for resale totaling $146,169, $391,085, and $253,488, respectively, which were subsequently sold into the secondary market. At December 31, 2025 there was $709 classified as loans held for sale 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, 2025, 2024, and 2023, the balance of these loans was $85, $210, and $581, 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, 2025, 2024, and 2023, the Association had $590, $617, and $642, 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 of pools of Small Business Administration (SBA) guaranteed loans. These investments carry the full faith and credit of the United States government. The balance of these SBA investments, classified as being held-to-maturity, amounted to $69,004 at December 31, 2025. The FCA regulations effective January 1, 2019, allow Associations to purchase investments under specific circumstances.

Refer to Note 4, *Investments*, of the Notes to the Consolidated Financial Statements for additional information regarding the Association's pools for SBA guaranteed loans (asset-backed securities).

The Association's investments also consist of Rural Business Investment Companies. As of December 31, 2025, 2024, and 2023 the Association had $2,117, $1,117, and $375, respectively, in Rural Business Investment Companies shown as Other investments on the Balance Sheet.

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 thousand.

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	2025	2024	2023
Acceptable & OAEM	98.26%	98.92%	99.27%
Substandard/Doubtful/Loss	1.74%	1.08%	0.73%
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. High-risk assets at December 31, are detailed in the following table:

	Year Ended December 31,		
Nonperforming Assets	**2025**	**2024**	**2023**
	(dollars in thousands)		
Nonaccrual loans	$ 46,206	$ 20,163	$ 15,509
Total nonperforming loans	46,206	20,163	15,509
Other property owned	401	120	–
Total nonperforming assets	$ 46,607	$ 20,283	$ 15,509
Ratios			
Nonaccrual loans to total loans	0.89%	0.44%	0.38%
Nonperforming assets as a percentage of total loans and other property owned	0.90%	0.45%	0.38%

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, 2025 were $46,206 compared to $20,163 and $15,509 at December 31, 2024 and 2023, respectively. Nonaccrual loans increased $26,043 or 129.16 percent during 2025 primarily due to financial strain the Association's customers are currently facing. Of the $46,206 in nonaccrual volume at December 31, 2025, $21,927 or 47.45 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 $5,212 or 25.85 percent and $4,941 or 31.86 percent at December 31, 2024 and 2023, 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 $21,700, $23,100, and $15,598 at December 31, 2025, 2024, and 2023, 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	**2025**	**2024**	**2023**
Allowance for credit losses on loans – beginning balance	$ 23,100	$ 15,598	$ 14,280
Cumulative effect of a change in accounting principle			
Charge-offs:			
Real estate mortgage	(10)	(28)	(12)
Production and intermediate-term	(468)	(1,020)	(2,818)
Agribusiness	(1)	(2)	–
Rural residential real estate	(13)	(66)	(7)
Total charge-offs	(492)	(1,116)	(2,837)
Recoveries:			
Real estate mortgage	75	140	74
Production and intermediate-term	313	145	142
Agribusiness	7	8	104
Rural residential real estate	1	9	8
Other	1	–	–
Total recoveries	397	302	328
Net (charge-offs) recoveries	(95)	(814)	(2,509)
Provision for (reversal of) credit losses on loans	(1,305)	8,316	3,827
Allowance for credit losses on loans – ending balance	$ 21,700	$ 23,100	$ 15,598
Allowance for unfunded commitments – beginning balance	$ 1,800	$ 2,117	$ 240
Cumulative effect of a change in accounting principle		–	(28)
Provision for (reversal of) unfunded commitments	800	(317)	1,905
Allowance for unfunded commitments – ending balance	$ 2,600	$ 1,800	$ 2,117
Total allowance for credit losses	$ 24,300	$ 24,900	$ 17,715

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,		
	2025	**2024**	**2023**
Allowance for credit losses on loans to loans	0.42%	0.51%	0.38%
Allowance for credit losses on loans to nonaccrual loans	46.96%	114.57%	100.57%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.002)%	(0.019)%	(0.072)%

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

The provision for credit losses on loans increased the Allowance for Credit Losses account by $800 during 2025. Analysis of the Allowance account is completed on a quarterly basis and reviewed by members of the Executive Leadership Team.

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 $106,313 for the year ended December 31, 2025, a decrease of $158 from 2024. Net income of $106,471 for the year ended December 31, 2024 was an increase of $24,272 from 2023. 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	**2025**	**2024**
Net income (for prior year)	$ 106,471	$ 82,199
Increase (decrease) due to:		
Total interest income	30,651	339,012
Total interest expense	29,978	(170,518)
Net interest income	673	168,494
Provision for credit losses	(8,504)	(7,999)
Noninterest income	(3,479)	54,041
Noninterest expense	5,856	(108,065)
Provision for income taxes	–	–
Total increase (decrease)in net income	(158)	24,272
Net income	$ 106,313	$ 106,471

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 $169,167, $168,494, and $131,449 in 2025, 2024, and 2023, 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)		
12/31/25 - 12/31/24			
Interest income	$ 38,383	$ (7,733)	$ 30,650
Interest expense	23,525	6,452	29,977
Change in net interest income	$ 14,858	$ (14,185)	$ 673
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

* *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 due to a decline in rates 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, 2025	2024	2023	Percentage Increase/(Decrease) 2025-2024	2024-2023
	(dollars in thousands)				
Loan fees	$ 10,721	$ 8,578	$ 6,647	24.98 %	29.05 %
Fees for financially related services	4,860	4,729	4,394	2.77	7.62
Patronage refund from other Farm Credit Institutions	30,582	32,774	27,348	(6.69)	19.84
Gains (losses) on sales of rural home loans, net	1,361	4,458	3,140	(69.47)	41.97
Gains (losses) on sales of premises and equipment, net	1,134	1,028	835	10.31	23.11
Gains (losses) on other transactions	672	773	(401)	(13.07)	(292.77)
Insurance Fund refunds	726	1,098	–	(33.88)	100.00
Other noninterest income	506	603	631	(16.09)	(4.44)
Total noninterest income	$ 50,562	$ 54,041	$ 42,594	(6.44) %	26.87 %

Loan fees increased by $2,143 or 24.98 percent when comparing the reporting periods 2025 to 2024. The increase in loan fees is tied to the loan growth the Association saw during the year. Loan fees increased $1,931 or 29.05 percent when comparing the reporting periods 2024 to 2023.

Fees for financially related services increased by $131 or 2.77 percent from December 31, 2024 to December 31, 2025. Fees from financially related services include fees from leasing, appraisal services, crop insurance, and life insurance. Between the reporting periods ended December 31, 2024 and December 31, 2023 fees for financially related services increased $355 or 7.62 percent.

There was a $2,192 or 6.69 percent decrease in Patronage refund from other Farm Credit Institutions between the periods ended December 31, 2024 and December 31, 2025. In 2025, the Association earned $29,920 in patronage refund from AgFirst. 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.

For the period ended December 31, 2025, the Association earned $449 in patronage refund from other Farm Credit Institutions other than AgFirst. This compares to $363 and $311 for the periods ended December 31, 2024 and December 31, 2023, respectively.

Gains (losses) on sales of rural home loans in the secondary market totaled $1,361 for the period ended December 31, 2025. This was a decrease of $3,097 or 69.47 percent from the period ended December 31, 2024. The decrease is due to the process change in how loans are originated and held at the Association for a period of time before being sold on the secondary market and should normalize in future years. For the periods ended December 31, 2024 and December 31, 2023, gains totaled $4,458 and $3,140, respectively.

Gains on sales of premises and equipment increased $106 or 10.31 percent between December 31, 2024 and December 31, 2025. Net gains on the sales of premises and equipment totaled $835 for the period ending December 31, 2023.

There was a $101 or 13.07 percent decrease in Gains on other transactions between the periods ended December 31, 2024 and December 31, 2025. For the period ended December 31, 2023 losses totaled $401.

Insurance Fund refunds totaled $726 for the period ended December 31, 2025. This is a $372 or 33.88 percent decrease compared to the period ended December 31, 2024.

Other noninterest income totaled $506 for the period ended December 31, 2025. This is a $97 or 16.09 percent decrease compared to the period ended December 31, 2024. This line item includes recovery amounts from allocated surplus for some borrowers in default, payments received regarding settlement agreements, lease income, and volume incentives earned from AgFirst for secondary market loans sold. Other noninterest income decreased $28 from $631 in December 31, 2023 to $603 in December 31, 2024.

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, 2025	2024	2023	Percentage Increase/(Decrease) 2025-2024	2024-2023
	(dollars in thousands)				
Salaries and employee benefits	$ 64,525	$ 64,003	$ 56,845	0.82 %	12.59 %
Occupancy and equipment	4,984	5,147	4,195	(3.17)	22.69
Insurance Fund premiums	4,063	3,561	4,949	14.10	(28.05)
Purchased services	22,219	18,154	3,689	22.39	392.11
Data processing	1,315	1,341	1,096	(1.94)	22.35
Other operating expenses	16,911	15,942	13,271	6.08	20.13
(Gains) losses on other property owned, net	(96)	(83)	(103)	15.66	(19.42)
Total noninterest expense	$ 113,921	$ 108,065	$ 83,942	5.42 %	28.74 %

Salaries and employee benefits increased $522 or less than one percent in 2025, as compared to 2024. The increase between 2025 and 2024 reporting periods was due to higher salaries and incentive expenses.

Occupancy and equipment expense decreased $163 or 3.17 percent between the reporting periods ended December 31, 2025 and December 31, 2024. The decrease is tied to the reduction of leased office space. For December 31, 2024 and December 31, 2023 the expense totaled $5,147 and $4,195, respectively.

Insurance Fund premiums increased $502 or 14.10 percent for the twelve months ended December 31, 2025, compared to the same period of 2024. Between 2023 and 2024, the Insurance Fund premiums decreased 28.05 percent or $1,388. The Farm Credit System Insurance Corporation (FCSIC) sets the premium annually. Nonaccrual loans and other-than-temporary impaired investments are assessed a higher premium rate. This increase in 2025 is tied to a significant increase in nonaccrual loans compared to 2024.

Purchased services increased $4,065 or 22.39 percent for the twelve months ended December 31, 2025, compared to the same period of 2024. This increase is due to increased costs from AgFirst for technology and software services provided to the Association to operate. Between 2023 and 2024, Purchased services increased $14,465 or 392.11 percent primarily due to a change in operating expense assessment by AgFirst.

Data processing for the year ended December 31, 2025 totaled $1,315. This is a $26 or 1.94 percent decrease over year ended December 31, 2024. Between December 31, 2023 and December 31,2024 there was a $245 or 22.35 increase.

Other operating expenses increased $969 between December 31, 2024 and December 31, 2025. 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.

The Association recorded $96 in Gains on other property owned, net. This compares to net gains of $83 and $103 for the period ended December 31, 2024 and December 31, 2023, 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 years ended December 31, 2025 and 2024, as compared to a provision of $13 for 2023. 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	**For the 12 Months Ended**		
Comparisons	**12/31/25**	**12/31/24**	**12/31/23**
Return on average assets	2.12 %	2.36 %	2.27 %
Return on average members' equity	12.58 %	12.81 %	11.32 %
Net interest income as a percentage of average earning assets	3.49 %	3.87 %	3.77 %
Net (charge-offs) recoveries to average loans	(0.002)%	(0.019)%	(0.072)%

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, 2025, was $4,493,428 as compared to $3,832,367 at December 31, 2024 and $3,385,232 at December 31, 2023. The increase of $661,061 or 17.25 percent compared to December 31, 2024 was primarily attributable to loan growth in the portfolio. The increase of $447,135 or 13.21 percent compared to December 31, 2023 was primarily attributable to loan growth within the portfolio. The average volume of outstanding notes payable to the Bank was $4,111,431, $3,612,977, and $2,833,643 for the years ended December 31, 2025, 2024, and 2023 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 the Farmer Mac, investments, other secondary market programs, etc. 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, 2025.

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 US 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.

The Association has an agreement with the Bank whereby the Bank may provide certain fiscal, personnel, accounting, marketing, communication, public relations, information management, computer and certain other services as requested by the Association. Specific services currently provided by the Bank to the Association, in which each service provided would constitute a material interdependent relationship, include information management, computer services/hosting, payroll processing and related payroll tax services.

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 2025 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, 2025, was $896,200, an increase of $79,590 or 9.75 percent from a total of $816,610 at December 31, 2024. The increase is due to the Association's decision to retain a portion of 2025 earnings. At December 31, 2024, total members' equity increased $17,946 or 2.25 percent from $798,664 at December 31, 2023. The increase is attributed to the Association's decision to retain a portion of 2024 earnings.

Total capital stock and participation certificates were $24,055 on December 31, 2025, compared to $22,853 on December 31, 2024 and $22,602 on December 31, 2023. 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, 2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	13.96%	14.97%	16.33%
Tier 1 Capital	6.00%	2.50%	8.50%	13.96%	14.97%	16.33%
Total Regulatory Capital	8.00%	2.50%	10.50%	15.06%	16.76%	18.67%
Permanent Capital	7.00%	–%	7.00%	14.69%	16.29%	18.31%
Non-risk-adjusted:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	14.05%	15.02%	16.16%
UREE Leverage	1.50%	–%	1.50%	13.59%	14.52%	15.62%

** 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 $71,500 in 2025, $65,100 in 2024, and $56,000 in 2023.

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, 2025

	Number of Loans 2025 Goal	Number of Loans 2025 Actual	Amount of Loans 2025 Goal	Amount of Loans 2025 Actual
Young	8,202	8,048	$847,215	$961,454
Beginning	16,777	16,843	$2,043,283	$2,299,474
Small	27,962	26,502	$2,591,481	$2,807,648

New Loan Goals and Progress
December 31, 2025

	Number of New Loans 2025 Goal	Number of New Loans 2025 Actual	Amount of New Loans 2025 Goal	Amount of New Loans 2025 Actual
Young	2,340	2,142	$312,987	$372,566
Beginning	4,578	4,336	$667,706	$834,815
Small	6,612	6,884	$772,035	$973,250

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, 2025 the demographics of the Association's portfolio contained 37,282 loans of which by definition 8,048 were Young, 16,843 were Beginning, and 26,502 were Small.

In 2025, 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 2025 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 event
- AGAware® workshop at Clemson Kresge Hall in Pendleton, South Carolina
- AGAware® workshop at Douglas-Coffee Chamber in Douglas, Georgia
- AGAware® workshop at Moore County Ag Center in Carthage, North Carolina
- Vickie Young and Danielle Smith, Lenders, presented on Recordkeeping/Borrowing Money to the North Carolina Christmas Tree Association
- Executive Farm Management ag education series
- Will Peeler, Learning and Development Coach, presented on Balance Sheets to Clemson Extension's New, Beginning, Young Farmer Program (SCNBFP)
- Denna Rentz, Regional Credit Administrator, presented on Business Plans to Clemson Extension's New, Beginning, Young Farmer Program (SCNBFP)
- Lance Wardlaw, former Director of Strategic Alliances, presented on Agriculture Financing to Clemson Extension's New, Beginning, Young Farmer Program (SCNBFP)
- Denna Rentz, Regional Credit Administrator, presented on Business Plans to South Carolina Annie's Project class
- Sara Lovelace, Lender, presented on AgSouth Financing and Educational Opportunities to South Carolina Annie's Project class
- 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

Webinars
- Hosted Marketing for Farmers Webinar with guest speaker Rick Harrison, North Carolina Farm Trader
- Hosted AgBiz Kick-off Webinar on Global Ag Update with Dr. Dave Kohl

Sponsorships

Georgia
- 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 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
- Appalachian Sustainable Agriculture Project (ASAP) Business of Farming Conference
- North Carolina Agritourism Farm Tour and Conference
- North Carolina Tomato Growers Association – Winter Vegetable Conference
- North Carolina Christmas Tree Association
- North Carolina Rural Summit
- National Alpha Zeta Summit and Conclave
- Three Rivers Land Trust Habitat Summit
- Western North Carolina Communities Programs Awards Sponsor
- Carolina Stewards (Organic Commodities Conference + Sustainable Ag Conference)
- North Carolina Greenhouse Vegetable Growers Association Conference
- North Carolina Poultry Federation
- North Carolina Tomato Growers – Tomato Field Day
- North Carolina State University Mountain Research Field Day
- WNC Spring Fling Livestock Judging Contest
- North Carolina Soybean Producers – North Carolina Soybean School Sponsor
- North Carolina Sweet Potato Commission – FarmHER Event
- North Carolina Strawberry Growers – North Carolina Strawberry Annual Meeting
- North Carolina State Fair – North Carolina Youth Livestock Show
- North Carolina Watermelon Association – Annual Meeting
- North Carolina Angus – Annual Meeting
- North Carolina Cattlemen's Annual Meeting
- North Carolina Pork Annual Meeting
- North Carolina Agritourism – Farm Tour
- North Carolina A&T Small Farms Week
- North Carolina A&T Winter Agricultural Literacy Fest
- North Carolina Forage & Grasslands Council
- Got to Be NC – Young Farmer of the Day
- Smithfield Pork Forward Event
- North Carolina A&T Regional Small Farms Conference
- Frontline to Farm Event – Veteran's Event

South Carolina

- 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 Forestry Teachers Tour
- South Carolina Corn and Soybean Meeting
- South Carolina Cotton Meeting
- South Carolina Peanut Meeting
- South Carolina Women in Ag Conference
- Palmetto Agribusiness Council
- South Carolina Black Farmer Coalition
- South Carolina Center for Heirs Property
- South Carolina Cattlemen's Association
- South Carolina Forestry Association
- 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, North Carolina, 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
- 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 Nick Martin, Chief Lending 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, as well as the Georgia Future Farmers of America Foundation Board
- Christy Smith is also an active member of Team Agriculture Georgia, a USDA association supporting underserved farmers, where she 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 NC 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
- Advertise in and sponsor local Ag Centers across Georgia, North Carolina, and South Carolina

Grants and Scholarships

- Awarded 43 grants totaling over $200,000 to nonprofit organizations 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 December 5, 2025, the FCA published a proposed rule on loan performance categories and financial reporting in the Federal Register. The proposed rule would amend the regulations for high-risk loan performance categories due to changes in GAAP, clarify expectations for vintage disclosures and disclosures of loan modifications to borrowers experiencing financial difficulties. The comment period ended on February 3, 2026.

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

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 2025, there were no significant changes to existing patronage policies and practices.

Description of Property

The Association is headquartered in Statesville, North Carolina, owns a business center in Greensboro, North Carolina and has an Operations building and an Administrative office in Statesboro, Georgia which it owns.

The Association also owns various branch office locations throughout its territory. They are located in the following states and cities:

Georgia: Baxley, Blackshear, Carrollton, Douglas, Greenville, Griffin^, Jesup, Madison, Statesboro, Sylvania, Thomaston, and Vidalia

North Carolina: Albemarle, Asheboro, Browns Summit, Burnsville, Carthage, Conover, Ellerbe, Fletcher, Graham, Jefferson, Lenoir^, Lincolnton, Monroe, Murphy, Pilot Mountain, Roxboro, Rural Hall, Salisbury, Shelby, Siler City, Sparta, Spindale, Statesville, Taylorsville, Wilkesboro, and Yadkinville

South Carolina: Aiken, Allendale, Anderson, Batesburg, Lugoff, Laurens, Orangeburg, Rock Hill, Spartanburg, St. Matthews, Summerville, and Walterboro.

The Association owns a building in Yanceyville, North Carolina.

The Association currently owns 0.02 acres in Murphy, North Carolina.

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

^As of March 10, 2026 these branch office locations have been closed.

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, 2025:

Name	Current Position	Date Started in Current Position	Previous Position(s) During Last Five Years
Chad Puryear*	Chief Executive Officer	September 2025	Chief Lending Officer Carolina Farm Credit *Served in this position starting in 2015*
Bo Fennell	Chief Financial Officer	January 2018	
Steve Leonard*^	Chief Credit Officer	April 2023	Chief Credit Officer Carolina Farm Credit *Served in this position starting in 2020*
Nick Martin	Chief Lending Officer	September 2025	Senior Director of Lending Chief Lending Officer Regional Lending Manager
Bob Mikell	General Counsel	July 2019	
Larry Pritchett*	Chief Risk Officer	April 2023	Chief Risk Officer Risk Manager Risk Administrator Carolina Farm Credit *Served in these positions starting in 2017*
Sarah Rachels*	Chief Administrative Officer	April 2023	Chief Administrative Officer Chief Human Resources Officer Carolina Farm Credit *Served in these positions starting in 2017*
Jennifer Robin	Chief Information & Strategic Initiatives Officer	April 2023	Chief Administrative & Technology Officer Chief Information Officer
Ben Skelley	Corporate and Partner Lending	September 2025	Director of Corporate Lending Corporate Lending Manager

** Former Carolina Farm Credit Executives who retained their same positions with the merger on April 1, 2023.*
^Mr. Leonard departed the Association on February 6, 2026.

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:

- **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 North Carolina 4-H Development Fund Board (agriculture) as well as the Reputation Risk Analysis & Planning for the Farm Credit System where she serves on the System Sustainability Committee (agriculture). 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).

- **Jennifer Robin** serves on the Farm Credit Council Services Captive Insurance Board of Governors (insurance), the Farm Credit Council Service Client Advisory Board (agriculture), and as the Race Committee Chair for Open Hearts Community Mission (charity).

- **Ben Skelley** serves on the Clemson College of Agriculture, Forestry, and Life Sciences Alumni Board (agriculture) and the South Carolina Poultry Federation Board (poultry).

The total amount of compensation earned by all senior officers and other highly compensated employees as a group during the years ended December 31, 2025, 2024 and 2023, 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							
Chad Puryear	2025	$ 325,667	$ 150,422	$ –	$ 518,838	$ 21,531	$ 1,016,458
Vance Dalton, Jr.	2025	$ 620,000	$ 442,060	$ –	$ 1,325,571	$ 267,820	$ 2,655,451
Vance Dalton, Jr.	2024	$ 600,000	$ 240,000	$ –	$ 236,790	$ 50,200	$ 1,126,990
Vance 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
13	2025	$ 1,810,402	$ 2,470,059	$ 18,820	$ 839,167	$ 238,107	$ 5,376,555
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

(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, tuition reimbursement, employee gift cards and wellness reimbursements.

The disclosure of information on the total compensation paid during 2025 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 2025. 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, 2025, and final calculations and payments were made in January 2026. 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 2026. 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 2025 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, 2025

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2025
CEO:					
Chad M. Puryear	2025	AgFirst Retirement Plan	30.08	$ 2,055,893	$ –
Vance C. Dalton, Jr.	2025	AgFirst Retirement Plan	33.00	3,586,492	–
	2025	Supplemental Executive Retirement Plan		2,472,499	–
				$ 8,114,884	$ –
Senior Officers and Highly Compensated Employees:					
3 Officers, Excluding CEO*	2025	AgFirst Retirement Plan	28.55*	$ 3,855,658	$
				$ 3,855,658	$ –

**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, 2025 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, 2024 to December 31, 2025. 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, 2025, 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 $573,728 for 2025, $495,846 for 2024, and $345,949 for 2023.

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 $1,200 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 honorarium of $600 will be paid. Directors are also allowed travel honoraria of $600 depending upon meeting location relative to their headquarters. Directors are paid a monthly retainer fee of $1,500 each month. The retainer for the Chair of the Board was $2,500 per month. The retainer of the Vice-Chair of the Board and Chair of the Audit Committee was $2,000 per month.

There was no noncash compensation paid to directors in 2025.

The following chart indicates board members who served during 2025 and their 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	12	$35,600	21	12	$29,800	$65,400
John M. Barnard*	2027	12	34,200	20	7	19,200	53,400
W. Rex Bell^	2025	9	24,400	3	3	5,800	30,200
Neal K. Bennett	2029	12	29,400	5	10	15,400	44,800
Arthur Q. Black^	2025	10	24,000	7	10	16,000	40,000
Mark A. Bray	2026	12	29,400	8	3	8,600	38,000
Andrew W. Burleson	2026	10	28,000	5	5	10,000	38,000
David V. Cantley	2028	12	29,400	5	13	20,200	49,600
David M. Coltrane	2027	11	28,000	20	11	25,400	53,400
Tara H. Green	2026	12	28,800	9	13	19,800	48,600
Tina T. Gross	2029	11	28,600	5	11	15,400	44,000
Wesley C. Ham	2030	11	28,600	8	9	13,600	42,200
Dan A. Hunsucker	2030	12	29,400	5	5	10,200	39,600
Joseph A. Lail	2028	11	28,600	5	4	9,400	38,000
Sean F. Lennon	2030	12	29,400	17	9	23,000	52,400
Craig L. Myers	2030	2	6,900	1	2	3,000	9,900
Clark M. Newlin	2026	12	28,800	9	11	19,000	47,800
J. Jay Peay	2028	11	27,000	5	9	12,400	39,400
D. Kaleb Rathbone	2027	12	34,400	18	12	27,800	62,200
William T. Robinson	2029	12	29,400	16	14	26,400	55,800
Vickie N. Smitherman^	2027	5	13,800	5	7	11,200	25,000
Leslie G. Sparks, DVM	2029	12	29,400	5	15	19,600	49,000
L. Kim Starnes^	2025	10	24,000	6	8	10,200	34,200
Dr. Alton Thompson*^	2025	9	23,800	4	6	8,800	32,600
Pete Wall	2026	12	29,800	9	16	23,400	53,200
Hugh E. Weathers	2027	12	28,800	20	14	29,400	58,200
David H. Womack*	2028	12	29,400	9	5	9,600	39,000
TOTAL COMPENSATION			$741,300			$442,600	$1,183,900

**Serves as Outside Director*
^No longer serves on the Board as of December 31, 2025

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.

D. Kaleb Rathbone, 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 the Vice-Chair of the Executive Committee and serves as an ad hoc member of all other Board Committees at AgSouth Farm Credit.

Pete Wall, Vice-Chair is a beef and sheep farmer. He is the Owner of Pete Wall Family Farm. He is President of Southeast Georgia Cattle Marketing (agriculture). Mr. Wall is also an evangelist. He serves as the Chair on the Executive Committee and as an ad hoc member of all Board Committees.

H. Frank Ables, Jr. 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 on the Executive Committee and the Compensation Committee at AgSouth Farm Credit.

John M. Barnard, CPA 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.

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 and development), and is the Vice-Chair of the Executive Committee for the South Georgia Regional Commission (government). Mr. Bennett serves on the Risk Management 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). He serves as the alternate member of the AgFirst District Advisory Committee and is an alternate member of the AgFirst Farm Credit Bank Nominating Committee. 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.

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), North Carolina Agritourism Association (agritourism) and the Sanford Tourism Development Authority (economic development). Mrs. Gross serves as the Vice-Chair 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 is the Vice-President of 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 the Owner, Operator, and Manager of Dan Hunsucker Farms, LLC. Mr. Hunsucker serves on the North Carolina Farm Bureau Board (insurance) and Catawba County Farm Bureau Board (insurance). He serves as an alternate member of the AgFirst Legislative Advisory Committee (legislative support for agriculture). Mr. Hunsucker 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 the Cleveland County Agricultural Advisory Board (agricultural). Mr. Lail serves on the Risk Management Committee.

Sean F. Lennon is a fruit and vegetables farmer, landlord, and is the Owner 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. 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 (agriculture organization), and the Georgia Fruit & Vegetable Growers Association (agricultural organization). He is a member on the AgFirst District Advisory Committee (agriculture organization). Mr. Lennon serves as the Chair of the Risk Management Committee and is a member of the Executive Committee.

Craig L. Myers is a poultry, beef cattle, hay, and soybeans farmer. He is the Owner and Manager of D & M Farm on Calahaln. Mr. Myers is the Chair of the Davie County Soil & Water Conservation Board (conservation). He serves as the Chair of the Research and Technology Committee of the North Carolina Association of Soil & Water Conservation Districts (conservation). He is the North Carolina Alternate Board Member for the National Association of Conservation Districts (conservation). Mr. Myers is a member of the Governance & Ethics Committee at AgSouth Farm Credit.

Clark M. Newlin is a producer of grain. He serves as Owner and President of Newlin Dairy Farm, Inc. Mr. Newlin serves on the Compensation Committee at AgSouth Farm Credit.

J. Jay Peay is a Certified Public Accountant, Registered Investment Advisor, and Director 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. Mr. Peay is a stakeholder in Bush River Realty, LLC (real estate) 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 as the Vice-Chair of the Compensation Committee at AgSouth Farm Credit.

William T. Robinson is a row crop, hay, cattle, and timber farmer. Mr. Robinson is the Owner and Operator of J&P Farm Management, LLC and Whistlin' Pines, LLC. 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 serves on the Tri-County Electric Cooperative Board (utility provider). Mr. Robinson serves on the Board of Directors of the AgFirst Farm Credit Bank (agricultural lending), where he previously served as Board Chair. 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.

Leslie G. Sparks, DVM 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 of Sparks Hill Farm. She serves on the AgFirst Legislative Advisory Committee (agricultural organization). Mrs. Sparks serves on the Governance & Ethics 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 on 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 and Director 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, 2025 were as follows:

Independent Auditors	**2025**
PricewaterhouseCoopers, LLP	
Audit services	$ 217,050
Total	$ 217,050

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers, LLP dated March 10, 2026 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 2025, 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 2025. 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
David H. Womack, CPA

March 10, 2026

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, 2025, 2024, and 2023 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, 2025, 2024, and 2023 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.

PricewaterhouseCoopers LLP
214 North Tryon Street, Suite 4200
Charlotte, North Carolina 28202
(704) 344 7500

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 2025 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 10, 2026

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2025	2024	2023
Assets			
Cash	**$ 53**	$ 91	$ 140
Investments in debt securities:			
Held to maturity	**69,594**	617	642
Loans	**5,173,285**	4,559,677	4,120,272
Allowance for credit losses on loans	**(21,700)**	(23,100)	(15,598)
Net loans	**5,151,585**	4,536,577	4,104,674
Loans held for sale	**709**	2,339	4,046
Other investments	**2,117**	1,117	375
Accrued interest receivable	**49,163**	44,184	39,595
Equity investments in other Farm Credit institutions	**97,292**	77,269	71,205
Premises and equipment, net	**44,263**	43,275	39,990
Other property owned	**401**	120	—
Accounts receivable	**31,172**	33,028	30,666
Other assets (includes $8,572, $7,829, and $6,057 at fair value)	**10,644**	9,246	7,689
Total assets	**$ 5,456,993**	$ 4,747,863	$ 4,299,022
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 4,493,428**	$ 3,832,367	$ 3,385,232
Accrued interest payable	**17,127**	14,204	12,401
Patronage refunds payable	**409**	35,509	56,601
Accounts payable	**5,582**	5,428	8,009
Other liabilities	**44,247**	43,745	38,115
Total liabilities	**4,560,793**	3,931,253	3,500,358
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**24,055**	22,853	22,602
Additional paid-in-capital	**96,458**	96,458	96,458
Retained earnings			
Allocated	**99,453**	54,814	78,658
Unallocated	**677,265**	642,452	601,081
Accumulated other comprehensive income (loss)	**(1,031)**	33	(135)
Total members' equity	**896,200**	816,610	798,664
Total liabilities and members' equity	**$ 5,456,993**	$ 4,747,863	$ 4,299,022

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, 2025	2024	2023
Interest Income			
Loans	**$ 368,603**	$ 338,975	$ 259,200
Investments	**1,060**	37	208
Total interest income	**369,663**	339,012	259,408
Interest Expense	**200,496**	170,518	127,959
Net interest income	**169,167**	168,494	131,449
Provision for (reversal of) allowance for credit losses	**(505)**	7,999	7,889
Net interest income after provision for (reversal of) allowance for credit losses	**169,672**	160,495	123,560
Noninterest Income			
Loan fees	**10,721**	8,578	6,647
Fees for financially related services	**4,860**	4,729	4,394
Patronage refunds from other Farm Credit institutions	**30,582**	32,774	27,348
Gains (losses) on sales of rural home loans, net	**1,361**	4,458	3,140
Gains (losses) on sales of premises and equipment, net	**1,134**	1,028	835
Gains (losses) on other transactions	**672**	773	(401)
Insurance Fund refunds	**726**	1,098	—
Other noninterest income	**506**	603	631
Total noninterest income	**50,562**	54,041	42,594
Noninterest Expense			
Salaries and employee benefits	**64,525**	64,003	56,845
Occupancy and equipment	**4,984**	5,147	4,195
Insurance Fund premiums	**4,063**	3,561	4,949
Purchased services	**22,219**	18,154	3,689
Data processing	**1,315**	1,341	1,096
Other operating expenses	**16,911**	15,942	13,271
(Gains) losses on other property owned, net	**(96)**	(83)	(103)
Total noninterest expense	**113,921**	108,065	83,942
Income before income taxes	**106,313**	106,471	82,212
Provision for income taxes	**—**	—	13
Net income	**$ 106,313**	$ 106,471	$ 82,199
Other comprehensive income net of tax			
Employee benefit plans adjustments	**(1,064)**	168	7
Comprehensive income	**$ 105,249**	$ 106,639	$ 82,206

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**		**Accumulated Other Comprehensive Income (Loss)**	**Total Members' Equity**
			Allocated	**Unallocated**		
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
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
Comprehensive income				**106,313**	**(1,064)**	**105,249**
Capital stock/participation certificates issued/(retired), net	**1,202**					**1,202**
Patronage distribution						
Qualified allocated retained earnings			**71,500**	**(71,500)**		**—**
Retained earnings retired			**(26,861)**			**(26,861)**
Balance at December 31, 2025	**$ 24,055**	**$ 96,458**	**$ 99,453**	**$ 677,265**	**$ (1,031)**	**$ 896,200**

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, 2025	2024	2023
Cash flows from operating activities:			
Net income	**$ 106,313**	$ 106,471	$ 82,199
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**3,809**	3,269	2,828
Amortization (accretion) of net deferred loan costs (fees)	**(592)**	(981)	(726)
Premium amortization (discount accretion) on investments in debt securities	**393**	—	(16)
Amortization (accretion) of yield mark resulting from merger	**(10,453)**	(14,883)	(12,347)
Provision for (reversal of) allowance for credit losses	**(505)**	7,999	7,889
(Gains) losses on other property owned	**(118)**	(91)	(103)
(Gains) losses on sales of premises and equipment, net	**(1,134)**	(1,028)	(835)
(Gains) losses on loans held for sale, net	**(1,321)**	(4,276)	(3,140)
(Gains) losses on other transactions	**(672)**	(773)	401
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(146,170)**	(391,085)	(253,488)
Proceeds from sales of loans held for sale, net	**149,121**	397,069	253,194
(Increase) decrease in accrued interest receivable	**(4,979)**	(4,589)	(4,220)
(Increase) decrease in accounts receivable	**1,856**	(2,362)	(11,722)
(Increase) decrease in other assets	**(1,398)**	(1,557)	118
Increase (decrease) in accrued interest payable	**2,923**	1,803	3,401
Increase (decrease) in accounts payable	**154**	(2,581)	2,696
Increase (decrease) in other liabilities	**(276)**	6,898	(19,025)
Total adjustments	**(9,362)**	(7,168)	(35,095)
Net cash provided by (used in) operating activities	**96,951**	99,303	47,104
Cash flows from investing activities:			
Purchases of investments in debt securities, held to maturity	**(70,214)**	—	—
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**844**	25	3,582
Net (increase) decrease in loans	**(588,369)**	(407,590)	(276,570)
(Increase) decrease in equity investments in other Farm Credit institutions	**(20,023)**	(6,064)	(17,127)
Purchases of other investments	**(1,000)**	(742)	(285)
Net cash acquired in business combination	**—**	—	36
Purchases of premises and equipment	**(5,191)**	(6,794)	(5,688)
Proceeds from sales of premises and equipment	**1,528**	1,268	989
Proceeds from sales of other property owned	**271**	91	1,119
Net cash provided by (used in) investing activities	**(682,154)**	(419,806)	(293,944)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**646,338**	430,251	307,988
Net increase (decrease) in advanced conditional payments	**(414)**	(12)	—
Capital stock and participation certificates issued/(retired), net	**1,202**	251	845
Patronage refunds and dividends paid	**(35,100)**	(86,216)	(39,977)
Retained earnings retired	**(26,861)**	(23,820)	(22,541)
Net cash provided by (used in) financing activities	**585,165**	320,454	246,315
Net increase (decrease) in cash	**(38)**	(49)	(525)
Cash, beginning of period	**91**	140	665
Cash, end of period	**$ 53**	$ 91	$ 140
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ —**	$ 11	$ —
Receipt of property in settlement of loans	**434**	131	—
Estimated cash dividends or patronage distributions declared or payable	**—**	65,100	56,000
Cumulative effect of change in accounting principle	**—**	—	2,185
Employee benefit plans adjustments (Note 9)	**1,064**	(168)	(7)
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	**$ 182,850**	$ 151,831	$ 102,126

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 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance (ASC 270) to enhance clarity, navigability, and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to ASC 270, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The standard is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - Purchased Loans. The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In July 2025, the FASB issued ASU 2025-05 Financial Instruments – Credit Losses – Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In December 2023, the FASB issued ASU 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Income taxes paid will require disaggregated disclosure by federal, state, and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows 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
A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest 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 amortized cost 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 assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan.

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 three 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.

Also adopted, effective January 1, 2023, was ASU 2022-02 - Financial Instruments: Credit Losses - Troubled Debt Restructurings and Vintage Disclosure. This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

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, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, 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 US 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, 2025	December 31, 2024	December 31, 2023
Real estate mortgage	$ 3,386,694	$ 3,144,328	$ 2,907,710
Production and intermediate-term	947,070	794,146	734,375
Agribusiness:			
Loans to cooperatives	7,935	6,572	12,205
Processing and marketing	351,725	297,433	165,722
Farm-related business	59,247	51,757	44,513
Rural infrastructure:			
Communication	39,195	29,343	21,116
Power and water/waste disposal	32,091	28,734	22,494
Rural residential real estate	333,585	194,659	200,451
Other:			
International	15,633	12,580	11,425
Other (including Mission Related)	110	125	261
Total loans	$ 5,173,285	$ 4,559,677	$ 4,120,272

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, 2025	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 40,250	$ 128,728	$ 1,304	$ –	$ 41,554	$ 128,728
Production and intermediate-term	128,570	614,582	15,419	–	143,989	614,582
Agribusiness	205,327	166,582	92,699	–	298,026	166,582
Rural infrastructure	71,535	–	–	–	71,535	–
Other	15,757	–	–	–	15,757	–
Total	$ 461,439	$ 909,892	$ 109,422	$ –	$ 570,861	$ 909,892

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

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, 2025	2024	2023
Real estate mortgage:			
Acceptable	97.58%	98.15%	98.72%
OAEM	1.22	1.10	0.72
Substandard/doubtful/loss	1.20	0.75	0.56
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	95.19%	94.86%	97.18%
OAEM	1.51	3.04	1.18
Substandard/doubtful/loss	3.30	2.10	1.64
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	92.45%	93.90%	98.53%
OAEM	3.57	3.92	1.16
Substandard/doubtful/loss	3.98	2.18	0.31
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	97.52%
OAEM	–	–	2.48
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	96.86%	98.13%	98.57%
OAEM	2.64	1.18	0.93
Substandard/doubtful/loss	0.50	0.69	0.50
	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	96.72%	97.28%	98.42%
OAEM	1.54	1.64	0.85
Substandard/doubtful/loss	1.74	1.08	0.73
	100.00%	100.00%	100.00%

Accrued interest receivable on loans of $48,402, $44,180, and $39,592 at December 31, 2025, 2024, and 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

December 31, 2025	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 32,657	$ 11,062	$ 43,719	$ 3,342,975	$ 3,386,694
Production and intermediate-term	6,236	6,975	13,211	933,859	947,070
Agribusiness	1,457	577	2,034	416,873	418,907
Rural infrastructure	–	–	–	71,286	71,286
Rural residential real estate	4,672	574	5,246	328,339	333,585
Other	–	–	–	15,743	15,743
Total	$ 45,022	$ 19,188	$ 64,210	$ 5,109,075	$ 5,173,285

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 residential real estate	–	–	–	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

There were no accruing loans greater than 90 days past due as of December 31, 2025, 2024, and 2023.

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 periods ended December 31, 2025, 2024, and 2023:

	December 31, 2025			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2025
Real estate mortgage	$ 6,750	$ 21,194	$ 27,944	$ 1,394
Production and intermediate-term	2,664	6,526	9,190	459
Agribusiness	385	7,659	8,044	401
Rural residential real estate	10	1,018	1,028	51
Total	$ 9,809	$ 36,397	$ 46,206	$ 2,305

	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

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, 2024	$ 14,068	$ 6,565	$ 1,615	$ 117	$ 724	$ 11	$ 23,100
Charge-offs	(10)	(468)	(1)	–	(13)	–	(492)
Recoveries	75	313	7	–	1	1	397
Provision for credit losses on loans	(1,046)	(1,225)	959	22	(12)	(3)	(1,305)
Balance at December 31, 2025	$ 13,087	$ 5,185	$ 2,580	$ 139	$ 700	$ 9	$ 21,700
Allowance for Unfunded Commitments:							
Balance at December 31, 2024	$ 51	$ 538	$ 560	$ 4	$ –	$ 647	$ 1,800
Provision for unfunded commitments	682	(130)	324	12	549	(637)	800
Balance at December 31, 2025	$ 733	$ 408	$ 884	$ 16	$ 549	$ 10	$ 2,600
Total allowance for credit losses	$ 13,820	$ 5,593	$ 3,464	$ 155	$ 1,249	$ 19	$ 24,300
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, 2025, the allowance for credit losses on loans totaled $21,700, which was a decrease of $1,400 from December 31, 2024. 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.

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 $190,357, $206,762, and $226,026 at December 31, 2025, 2024, and 2023, respectively. Fees paid for such guarantee commitments totaled $36, $75, and $64 for 2025, 2024, and 2023 respectively. These amounts are classified as noninterest expense.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the years ended December 31, 2025, 2024, and 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2025, 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.

Loans Held for Sale

Loans held for sale were $709, $2,339, and $4,046 at December 31, 2025, 2024, and 2023, respectively. Such loans are carried at the lower of cost or fair value.

Note 4 — Investments

Investments in Debt Securities

The Association's investments consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to 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, 2025, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

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

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

	December 31, 2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 590	$ –	$ (55)	$ 535	5.72 %
ABSs	69,004	6	(386)	68,624	5.51
Total	$ 69,594	$ 6	$ (441)	$ 69,159	5.51 %

	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 %

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

	December 31, 2025		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	23,973	23,902	5.37
After ten years	45,621	45,257	5.58
Total	$ 69,594	$ 69,159	5.51%

For the securities listed above, expected maturities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At December 31, 2025, 2024, and 2023, the Association does not consider any unrealized losses to be credit related and an allowance for credit losses is not necessary.

Equity Investments in Other Farm Credit 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 $91,474 for 2025, $71,714 for 2024 and $65,701 for 2023. The Association owned 13.29 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled $50.2 billion and shareholders' equity totaled $2.1 billion. The Bank's earnings were $279 million for 2025. In addition, the Association had investments of $5,818 related to other Farm Credit institutions at December 31, 2025.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2025	2024	2023
Land	$ 10,039	$ 10,216	$ 10,159
Buildings and improvements	48,416	46,906	44,897
Furniture and equipment	18,994	18,392	17,785
	77,449	75,514	72,841
Less: accumulated depreciation	33,186	32,239	32,851
Total	$ 44,263	$ 43,275	$ 39,990

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, 2025, 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,		
	2025	2024	2023
Line of credit	$ 4,865,000	$ 4,383,000	$ 3,593,000
Outstanding principal under the line of credit	4,493,428	3,832,367	3,385,232
Interest rate	4.88%	4.72%	4.52%

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,		
				2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	13.96%	14.97%	16.33%
Tier 1 Capital	6.00%	2.50%	8.50%	13.96%	14.97%	16.33%
Total Regulatory Capital	8.00%	2.50%	10.50%	15.06%	16.76%	18.67%
Permanent Capital	7.00%	0.00%	7.00%	14.69%	16.29%	18.31%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	14.05%	15.02%	16.16%
URE and UREE Leverage	1.50%	0.00%	1.50%	13.59%	14.52%	15.62%

* *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, 2025:

		Shares Outstanding	
Class	Protected	Number	Aggregate Par Value
C Common/Voting	No	4,192,174	$ 20,961
C Participation Certificates/Nonvoting	No	618,861	3,094
Total Capital Stock and Participation Certificates		4,811,035	$ 24,055

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, 2025, allocated members’ equity consisted of $71,500 of qualified surplus and $27,953 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,		
	2025	**2024**	**2023**
Employee Benefit Plans:			
Balance at beginning of period	$ 33	$ (135)	$ (342)
Equity re-characterized due to merger	–	–	200
Other comprehensive income before reclassifications	(1,123)	107	(83)
Amounts reclassified from AOCI	59	61	90
Net current period OCI	(1,064)	168	7
Balance at end of period	$ (1,031)	$ 33	$ (135)

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

	For the Year Ended December 31,			
	2025	**2024**	**2023**	**Income Statement Line Item**
Defined Benefit Pension Plans:				
Periodic pension costs	$ (59)	$ (61)	$ (90)	See Note 9.
Amounts reclassified	$ (59)	$ (61)	$ (90)	

(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. See Note 2, *Summary of Significant Accounting Policies*, for additional information.

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

December 31, 2025

	Fair Value Measurement Using			Total Fair
	Level 1	**Level 2**	**Level 3**	**Value**
Recurring assets				
Assets held in trust funds	$ 8,572	$ –	$ –	$ 8,572
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 5,942	$ 5,942
Other property owned	$ –	$ –	$ 468	$ 468

	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	$	–	$	–	$	–	$	–

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policies*, accounting guidance 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the System institution for assets and liabilities:

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

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

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

Note 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 $2,479 for 2025, $3,660 for 2024, and $5,951 for 2023. At December 31, 2025, 2024, and 2023, the total liability balance for the FAP was $8,634, $9,765, and $33,660, respectively. The FAP Plan was 98.69 percent, 98.52 percent, and 95.43 percent funded to the projected benefit obligation as of December 31, 2025, 2024, and 2023, 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 $2,130 for 2025, $2,080 for 2024, and $1,758 for 2023. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,436, $182,643, and $160,980 at December 31, 2025, 2024, and 2023, 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 $3,353, $3,140, and $2,606 for the years ended December 31, 2025, 2024, and 2023, 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 2025, 2024, and 2023, a net debit of $1,064, a net credit of $168, and a net credit of $7, respectively, have been recognized 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 $8,199 and a net under-funded status of $8,199 at December 31, 2025. Assumptions used to determine the projected benefit obligation as of December 31, 2025 included a discount rate of 5.45 percent. The expenses of these nonqualified plans included in noninterest expenses were $515, $485, and $411 for 2025, 2024, and 2023, 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, 2025 amounted to $18,167. During 2025, $13,241 of new loans were made and repayments totaled $8,495. In addition, net loans of $1,272 were no longer classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2025 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, 2025, $759,177 of commitments to extend credit and $415 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, 2025, standby letters of credit outstanding totaled $1,458 with expiration dates ranging from September 9, 2026 to October 31, 2027. The maximum potential amount of future payments that may be required under these guarantees was $1,458.

The total amount of reserve for unfunded commitments, which is classified in Other Liabilities in the Consolidated Balance Sheets, was $2,600 at December 31, 2025. During 2025, the Association recorded a provision for unfunded commitments totaling $800.

Note 12 — Income Taxes

The provision for income taxes follows:

	Year Ended December 31,		
	2025	2024	2023
Current:			
Federal	$ –	$ –	$ 11
State	–	–	2
	–	–	13
Deferred:			
Federal	–	–	–
State	–	–	–
	–	–	–
Total provision (benefit) for income taxes	$ –	$ –	$ 13

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

	December 31,		
	2025	2024	2023
Federal tax at statutory rate	$ 22,326	$ 22,359	$ 17,265
State tax, net	–	–	2
Patronage distributions	(1,284)	(13,671)	(6,930)
Tax-exempt FLCA earnings	(21,327)	(9,392)	(11,308)
Change in valuation allowance	349	427	55
Other	(64)	277	929
Provision (benefit) for income taxes	$ –	$ –	$ 13

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

	December 31,		
	2025	2024	2023
Deferred income tax assets:			
Allowance for loan losses	$ 850	$ 953	$ 1,494
Nonaccrual loan interest	490	424	688
Pensions and other postretirement benefits	350	326	320
Other reserves and allowances	644	446	–
Loss carryforward	3,011	2,738	1,287
Gross deferred tax assets	5,345	4,887	3,789
Less: valuation allowance	(3,782)	(3,432)	(1,506)
Gross deferred tax assets, net of valuation allowance	1,563	1,455	2,283
Deferred income tax liabilities:			
Loan fees	(496)	(503)	(345)
Pensions and other postretirement benefits	–	–	–
Special Patronage	(797)	(797)	(370)
Depreciation	(270)	(155)	(1,568)
Gross deferred tax liability	(1,563)	(1,455)	(2,283)
Net deferred tax asset (liability)	$ –	$ –	$ –

The Association recorded a valuation allowance of $3,782, $3,432, and $1,506 as of December 31, 2025, 2024, and 2023, 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, 2025 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 2022 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2025				
	First	Second	Third	Fourth	Total
Net interest income	$ 41,385	$ 41,879	$ 42,660	$ 43,243	$ 169,167
Provision for (reversal of) allowance for credit losses	1,872	6,282	(9,375)	716	(505)
Noninterest income (expense), net	(16,900)	(16,569)	(14,761)	(15,129)	(63,359)
Net income	$ 22,613	$ 19,028	$ 37,274	$ 27,398	$ 106,313

	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

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, 2025, 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 10, 2026, which was the date the financial statements were issued.

AgSouth Farm Credit

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