2024

ArborOne

FARM CREDIT

2024 ANNUAL REPORT

ArborOne, ACA

2024 Annual Report

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Management

Bryant Sansbury....President and Chief Executive Officer
Brad J. Fjestad....Chief Financial Officer and Treasurer
Leah B. Hollifield....Chief Credit Officer
Sarah H. Jackson....Chief Administrative Officer and Corporate Secretary

Board of Directors

William DuPree Atkinson....Chairman
John Lee Newman.....Vice Chairman
Steven Neal Baxley, Jr....Director
Kyle Daniel....Director
Harry B. DuRant....Director
John E. Lay....Director
J. Whit Player....Director
Kelly O. Wiseman....Director

Message from the President

Dear Stockholders,

ArborOne Farm Credit performed well in 2024, despite a number of challenges to the agricultural economy. As evidenced by our 2024 Annual Report, our cooperative is financially strong and stands ready to provide a stable source of credit for our customers in 2025. I want to thank our members for your contribution to ArborOne's success last year. We can't do it without you and we appreciate your business.

South Carolina's agribusiness industry, which includes farming and forestry, has an annual impact of more than $50 billion on our state's economy; however, it faced a number of headwinds in 2024. Prices for key commodity crops including corn, soybeans and cotton were low and input costs remained elevated, offering limited opportunities for farmers to make a profit. USDA's net farm income estimate at the end of 2024 was $139.1 billion. This figure represents a 5.5% decline from 2023 and a 23.5% decline from 2022. Row crop operations were the most affected by these decreases. The livestock sector, led by cattle operations, performed better as good demand for beef and a small national herd kept cattle prices strong.

Weather is one of the most unpredictable variables for our farmers and conditions in 2024 proved difficult for the Pee Dee Area. A "flash" drought in late June hurt our corn crop and Tropical Storm Debby rolled in a month later, bringing wind and rain that damaged many of the tobacco fields that were nearly ready for harvest. Hurricane Helene caused widespread devastation in late September although most of the storm damage in South Carolina occurred in its Upstate region.

Our Pee Dee farmers worked through all the challenges of 2024, demonstrating the persistence and determination needed to be successful in farming these days. They also showed compassion as many people from our area reached out to help those impacted by Hurricane Helene.

On the forestry side, South Carolina's timber industry was dealt a significant blow at the end of October when International Paper announced the closure of its pulp and paper mill in Georgetown. Our state has already lost other mills over the past few years and a shrinking market for wood adversely affects timber owners and forestry professionals.

Rural properties continued to be in demand and land values across our area have increased over the past few years. Horry and Georgetown Counties experienced growth again in 2024 while some inland counties were more stable in terms of population. ArborOne remains committed to supporting all of our rural communities so that they remain attractive places for future generations to live.

Looking internally, ArborOne Farm Credit was successful in 2024. We grew our loan volume by nearly 5% and earnings were strong. Despite the challenging farm economy, credit quality remained stable, finishing the year at 98.7%. Capital levels remained sound, with total regulatory capital ending at 18% for 2024, which exceeded both regulatory minimums and internal board targets.

I want to thank our staff for the great work they did in 2024. Our employees truly care about the well-being of our customers. They believe in the Farm Credit mission and worked hard throughout the year to meet the lending and crop insurance needs of our members.

ArborOne Farm Credit is structured as a cooperative, our customers are our owners. There are a number of significant benefits to being a member of our cooperative, and one of these is our patronage program. Our customers share in ArborOne's profits during successful years. I am proud to announce that, because of strong financial performance in 2024, the association will return 51% of its net profits back to our members in cash. Most of our customers will receive their patronage payments around the beginning of April.

Member ownership and control is another important benefit of doing business with our agricultural lending cooperative. ArborOne is led by a Board of Directors elected from and voted on by you, our customers. I'd like to recognize one of those Directors in this letter. This past summer, Mickey Ward retired from the ArborOne Board after 26 years of service to Farm Credit. Mickey provided strong, stable leadership throughout his tenure on the Board and we greatly appreciate his dedication to ArborOne Farm Credit and agriculture in the Pee Dee Area.

Thank you again for doing business with ArborOne Farm Credit. We know that you, our customers, work hard to feed, clothe and fuel our nation and we are proud to serve you. We hope that you've had a great experience with us. And if you have a family member or friend that needs farm financing or crop insurance, please let them know about ArborOne. We look forward to seeing you in 2025!

/s/ Bryant Sansbury
President and CEO

March 11, 2025

Report of Management

The accompanying consolidated financial statements and related financial information appearing throughout this annual report have been prepared by management of ArborOne, 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 elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2024 Annual Report of ArborOne, 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/ William Dupree Atkinson
Chairman of the Board

/s/ Bryant Sansbury
President and Chief Executive Officer

/s/ Brad J. Fjestad
Chief Financial Officer and Treasurer

March 11, 2025

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

/s/ Bryant Sansbury
President and Chief Executive Officer

/s/ Brad J. Fjestad
Chief Financial Officer and Treasurer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	2024	2023	December 31, 2022	2021	2020
Balance Sheet Data					
Cash	**$ 2**	$ 2	$ 3	$ 3	$ 2
Investments in debt securities	**4,687**	4,887	5,080	7,599	7,897
Loans	**702,683**	670,248	621,157	583,126	536,728
Allowance for credit losses on loans	**(10,001)**	(10,869)	(11,852)	(13,037)	(11,790)
Net loans	**692,682**	659,379	609,305	570,089	524,938
Equity investments in other Farm Credit institutions	**11,529**	10,970	8,183	5,390	6,074
Other property owned	**122**	—	137	195	469
Other assets	**23,884**	21,504	17,873	23,612	22,863
Total assets	**$ 732,906**	$ 696,742	$ 640,581	$ 606,888	$ 562,243
Notes payable to AgFirst Farm Credit Bank*	**$ 586,271**	$ 559,065	$ 514,102	$ 489,921	$ 451,350
Accrued interest payable and other liabilities with maturities of less than one year	**22,308**	19,603	15,843	15,402	16,636
Total liabilities	**608,579**	578,668	529,945	505,323	467,986
Capital stock and participation certificates	**1,967**	1,983	1,914	1,858	1,761
Retained earnings					
Allocated	**76,016**	76,627	76,191	70,277	63,700
Unallocated	**46,430**	39,565	32,619	29,495	28,864
Accumulated other comprehensive income (loss)	**(86)**	(101)	(88)	(65)	(68)
Total members' equity	**124,327**	118,074	110,636	101,565	94,257
Total liabilities and members' equity	**$ 732,906**	$ 696,742	$ 640,581	$ 606,888	$ 562,243
Statement of Income Data					
Net interest income	**$ 22,051**	$ 19,603	$ 18,139	$ 16,881	$ 15,343
Provision for (reversal of) allowance for credit losses	**233**	1,673	(1,408)	2,502	1,976
Noninterest income (expense), net	**(7,701)**	(5,283)	(3,846)	876	(406)
Net income	**$ 14,117**	$ 12,647	$ 15,701	$ 15,255	$ 12,961
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.00%**	1.93%	2.53%	2.65%	2.34%
Total members' equity	**11.15%**	10.62%	14.45%	15.35%	13.78%
Net interest income as a percentage of average earning assets	**3.21%**	3.06%	2.96%	2.98%	2.83%
Net (chargeoffs) recoveries to average loans	**(0.200)%**	(0.198)%	0.037%	(0.225)%	(0.464)%
Total members' equity to total assets	**16.96%**	16.95%	17.27%	16.74%	16.76%
Debt to members' equity (:1)	**4.90**	4.90	4.79	4.98	4.97
Allowance for credit losses to loans	**1.42%**	1.62%	1.91%	2.24%	2.20%
Permanent capital ratio	**16.96%**	16.93%	17.43%	17.13%	17.69%
Common equity tier 1 capital ratio	**16.75%**	16.74%	17.23%	16.93%	17.48%
Tier 1 capital ratio	**16.75%**	16.74%	17.23%	16.93%	17.48%
Total regulatory capital ratio	**18.01%**	17.99%	18.49%	18.20%	18.75%
Tier 1 leverage ratio**	**16.61%**	16.56%	16.71%	15.96%	16.27%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**11.34%**	10.96%	10.67%	9.86%	9.24%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 7,400**	$ 6,613	$ 6,047	$ 5,631	$ 5,493
Nonqualified retained earnings	**—**	—	6,295	8,831	6,788

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

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

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

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

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

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of twelve counties located in northeastern 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). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst. Copies of AgFirst'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.arborone.com*, or by calling 1-800-741-7332, extension 2359, or writing Rebecca Barnett, ArborOne, ACA, P.O. Box 3699, Florence, SC 29502. 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," "could," "estimates," "may," 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, and international sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

Commodity	12/31/24	12/31/23	12/31/22	12/31/21
Corn	$ 4.23	$ 4.80	$ 6.58	$ 5.47
Soybeans	$ 9.79	$ 13.10	$ 14.40	$ 12.50
Wheat	$ 5.49	$ 6.79	$ 8.97	$ 8.59
Hogs	$ 62.30	$ 53.30	$ 62.50	$ 56.50
Milk	$ 23.30	$ 20.40	$ 24.50	$ 21.70
Beef Cattle	$ 190.00	$ 172.00	$ 154.00	$ 137.00
Broilers	$ 0.75	$ 0.72	$ 0.73	$ 0.74
Turkeys	$ 0.51	$ 0.47	$ 1.22	$ 0.84

Commodity and repayment source diversification across the Association's portfolio coupled with existing government safety net programs, ad hoc support programs and additional government disaster aid payments for many borrowers help to mitigate the impact of challenging agricultural conditions. The Association's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2024. 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.

CRITICAL ACCOUNTING POLICIES

The Association's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of significant accounting policies is critical to the understanding of the Association's results of operations and financial position because some accounting policies require complex or subjective judgments and estimates that may affect the reported amount of certain assets or liabilities as well as the recognition of certain income and expense items. In many instances, management has to make judgments about matters that are inherently uncertain. For a complete discussion of the Association's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements. The following is a summary of the Association's most significant critical accounting policies:

- *Allowance for credit losses* (ACL) — Management 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.

  The ACL comprises:

  - the allowance for credit losses on loans (ACLL), which covers the Association's loan portfolio and is presented separately on the Consolidated Balance Sheets, and
  - the allowance on unfunded commitments, which is presented on the Consolidated Balance Sheets in other liabilities

  The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio and unfunded commitments could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable active market exists, such as most investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, 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 the Association's results of operations.

ECONOMIC CONDITIONS

Inflation, which has been one of the largest economic concerns for the past three years, cooled in 2024. The Consumer Price Index started the year at 3.1% and fell slightly to 2.9% by December. Costs remained elevated in many segments of the economy but the Federal Reserve appeared, at least temporarily, to have won its battle with rising prices. The Fed took no action on rates for much of 2024, opting to observe the economic indicators and allow time for the previous year's increases to take effect. It lowered the Federal Funds Rate by .5% in September and .25% in both November and December, bringing Prime Rate down to 7.5%.

The US Dollar weakened slightly as compared to other major currencies in 2024 and US gross domestic product (GDP) grew 2.8%. National unemployment remained low in 2024, rising slowly from 3.7% to 4.1% over the course of the year. Demand for labor remained firm and the US economy added 256 thousand jobs in December.

Credit quality at the Association was stable during 2024 but limited farm profitability, resulting from relatively low commodity crop prices, will weigh on the financial condition of our row crop farmers in 2025. Additionally, International Paper closed its paper mill in Georgetown, SC at the end of 2024. This will lower demand for timber and adversely affect some of our borrowers engaged in that industry.

During 2024, the Association followed prudent lending practices and policies in order to strengthen earnings, capital and credit quality. With this course of action, the Association has the tools necessary to persevere through any challenges that may arise and will continue to serve its mission, promote agriculture, enhance its value to our stockholders and provide support for our rural communities in 2025.

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 is shown below.

	December 31,					
Loan Type	**2024**		**2023**		**2022**	
	(dollars in thousands)					
Real estate mortgage	$ 413,095	58.79 %	$ 388,996	58.04 %	$ 361,028	58.12 %
Production and intermediate-term	197,171	28.06	199,072	29.70	193,060	31.08
Processing and marketing	41,359	5.89	33,741	5.04	32,986	5.31
Farm-related business	20,517	2.92	21,698	3.24	15,616	2.51
Rural residential real estate	17,081	2.43	13,026	1.94	11,033	1.78
Power and water/waste disposal	6,655	0.95	7,216	1.07	685	0.11
Loans to cooperatives	2,766	0.39	2,786	0.42	2,106	0.34
Communication	2,622	0.37	2,771	0.41	2,918	0.47
International	1,417	0.20	942	0.14	1,725	0.28
Total	$ 702,683	100.00 %	$ 670,248	100.00 %	$ 621,157	100.00 %

While the Association primarily makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by type of loan, geographic location, and commodity.

The geographic distribution of the loan volume by county for the past three years is as follows:

	December 31,		
County	**2024**	**2023**	**2022**
Clarendon	14.1%	13.6%	14.6%
Darlington	9.4	10.7	9.7
Horry*	9.0	8.6	8.6
Florence*	8.0	8.3	8.7
Sumter	6.6	7.4	7.9
Lee	5.5	4.8	5.4
Williamsburg	4.3	4.3	4.5
Dillon	3.7	2.6	3.0
Georgetown	3.5	3.4	3.7
Chesterfield	3.4	3.1	3.5
Marion	2.3	2.0	2.1
Marlboro	1.3	1.1	1.1
Other**	28.9	30.1	27.2
Total	100.0%	100.0%	100.0%

**Branch Locations*
***The Other category above consists of loans originated and participated outside our territory.*

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 forestry and logging, cash grains, poultry and eggs, and field crops, which constitute 64 percent of the entire portfolio at December 31, 2024.

	December 31,					
Commodity Group	**2024**		**2023**		**2022**	
	(dollars in thousands)					
Forestry & Logging	$ 170,880	24 %	$ 157,162	24 %	$ 121,659	19 %
Cash Grains	115,693	17	108,823	16	89,094	14
Poultry & Eggs	86,974	12	86,950	13	82,348	13
Field Crops	80,285	11	83,806	13	92,462	14
General Farms	56,952	8	52,891	8	59,961	9
Miscellaneous	47,933	7	52,024	8	57,010	9
Livestock & Animal Specialties	45,779	7	42,187	6	42,945	7
Agricultural Services	29,970	4	29,020	4	23,744	4
Food Preparations	22,169	3	20,953	3	16,293	3
Rural Home Loans	18,568	3	14,258	2	11,732	2
Other	27,480	4	22,174	3	23,909	6
Total	$ 702,683	100 %	$ 670,248	100 %	$ 621,157	100 %

Repayment ability is closely related to the commodities produced by our borrowers and the non-farm income of borrowers. The Association's largest concentrations based on risk exposure are in cash grains, non-farm services, cotton, forestry, and poultry. Although a large percentage of the loan portfolio is concentrated in these industries, many of these operations are diversified within their enterprise and/or with crop production and additional sources of income, including non-farm businesses and salaried income, which reduces overall risk exposure.

The overall increase in loan volume for the year ended December 31, 2024, was mainly due to the origination of new term loans, particularly fixed rate real estate loans.

During 2024, the Association remained active in the buying and selling of loan participations within the System. This strategy helps mitigate credit concentration risk and generates interest and fee income from non-patronage sources. The approach involves purchasing accounts with acceptable credit risk to the Association that also provide geographical and commodity repayment diversification. Similarly, the sale of participation interests allows the Association to diversify risk within its portfolio by selling amounts held on certain large accounts. Although purchased participation loan volume increased during 2024, the Association reported an overall decrease in net participation loans due to an increase in participation interests sold within the System during the year.

	December 31,		
Loan Participations:	**2024**	**2023**	**2022**
	(dollars in thousands)		
Participations Purchased			
– FCS Institutions	$ 83,716	$ 74,703	$ 62,655
Participations Sold	(39,518)	(18,101)	(19,260)
Total	$ 44,198	$ 56,602	$ 43,395

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

The Association sells qualified long-term rural residential mortgage loans into the secondary market. For the period ended December 31, 2024 the Association originated loans for resale totaling $4,071, which was an increase of $2,025 from the $2,046 originated and sold in 2023.

The Association may enter guarantee arrangements with certain Government Sponsored Enterprises (GSEs), including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies to mitigate the risk of loan losses. The Association had no loans in the Farmer Mac Long Term Stand-By program as of December 31, 2024, 2023, or 2022; however, it did have guaranteed loans with Farm Services Agency (FSA) and other federal agencies in the amount of $67,146 at December 31, 2024, compared to $73,114 at December 31, 2023, and $80,121 at December 31, 2022.

MISSION RELATED INVESTMENTS

The Association maintains a small portfolio of investments originated under the 2005 Mission Related Investment (MRI) program. Performance on this portfolio has been acceptable and the bonds continue to pay down as agreed. No new MRI exposure is being originated by the Association.

These bonds may be classified as Loans or Investments on the Consolidated Balance Sheets depending on the nature of the investment. As of December 31, 2024, 2023, and 2022, the Association had $4,898, $5,145, and $5,377, respectively, in Rural America Bonds

classified as Loans and $4,687, $4,887, and $5,080, respectively, in Rural America Bonds classified as Investments on the Consolidated Balance Sheets.

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. AgFirst is responsible for approving the investment policies and activities of the Association. AgFirst annually reviews the investment portfolio of every Association that it funds. The investment securities currently held by the Association are classified as held-to-maturity and consist solely of Mission Related Investments discussed in the preceding section. In 2024, investment securities decreased by $200 which was mainly due to normal payments totaling $194, and the amortization of the net unrealized loss from the transfer to HTM in the amount of $6. The $193 decrease in 2023 was also due to normal payments and amortization.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its contractual 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's Board of Directors, underwriting standards and lending policies are established that provide direction to loan officers and credit analysts.

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. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

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

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

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

Credit Quality	2024	2023	2022
Acceptable & OAEM	98.72%	98.96%	98.04%
Substandard	1.28%	1.04%	1.96%
Doubtful	–%	–%	–%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

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

	December 31,		
High-risk Assets	**2024**	**2023**	**2022**
	(dollars in thousands)		
Nonaccrual loans	$ 1,160	$ 2,557	$ 5,764
Restructured loans	–	–	4,279
Accruing loans 90 days past due	–	–	–
Total high-risk loans	1,160	2,557	10,043
Other property owned	122	–	137
Total high-risk assets	$ 1,282	$ 2,557	$ 10,180
Ratios			
Nonaccrual loans to total loans	0.17%	0.38%	0.93%
High-risk assets to total assets	0.18%	0.38%	1.59%

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. Collection and management of the nonaccrual portfolio continues to be a priority of the Association to minimize future loss exposure.

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 $10,333, $11,467, and $12,463 at December 31, 2024, 2023, and 2022, respectively.

The following table presents the activity in the ACL for the most recent three years:

	December 31,		
Allowance for Credit Losses Activity	**2024**	**2023**	**2022**
Allowance for credit losses on loans – beginning balance	$ 10,869	$ 11,852	$ 13,037
Cumulative effect of a change in accounting principle	–	(1,173)	–
Charge-offs:			
Real estate mortgage	(367)	(899)	(41)
Production and intermediate-term	(1,212)	(736)	(656)
Agribusiness	(933)	(480)	(111)
Rural residential real estate	–	–	(5)
Total charge-offs	(2,512)	(2,115)	(813)
Recoveries:			
Real estate mortgage	136	50	204
Production and intermediate-term	906	707	561
Agribusiness	103	100	271
Total recoveries	1,145	857	1,036
Net (charge-offs) recoveries	(1,367)	(1,258)	223
Provision for (reversal of) credit losses on loans	499	1,448	(1,408)
Allowance for credit losses on loans – ending balance	$ 10,001	$ 10,869	$ 11,852
Allowance for unfunded commitments – beginning balance	$ 598	$ 611	$ 543
Cumulative effect of a change in accounting principle	–	(238)	–
Provision for (reversal of) unfunded commitments*	(266)	225	68
Allowance for unfunded commitments – ending balance	$ 332	$ 598	$ 611
Total allowance for credit losses	$ 10,333	$ 11,467	$ 12,463

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

The allowance for credit losses on loans as a percentage of loans outstanding and nonaccrual loans is shown below:

Allowance for Credit Losses on Loans as a Percentage of:	December 31, 2024	2023	2022
Total loans	1.42%	1.62%	1.91%
Nonaccrual loans	862.16%	425.07%	205.62%

The loan charge-offs were primarily associated with several large core loans that deteriorated in credit quality during the year and did not maintain sufficient collateral to protect the Association from incurring potential loss of principal. The recoveries were mainly attributed to several nonaccrual loans that paid in part or in full during the year with their own funds or funds received through Farm Service Agency guarantee programs funded through the Inflation Reduction Act.

The $499 provision for loan loss in 2024 included a $820 provision for specific reserves to cover potential losses on substandard loans that was partially offset by a $321 reversal of provision for general reserves. While loan volume and local economic conditions impacted the provision need for general reserves, portfolio characteristics allowed for the overall reduction in provision compared to the prior year.

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

Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31, 2024	2023
Net income (for prior year)	$ 12,647	$ 15,701
Increase (decrease) due to:		
Total interest income	5,444	8,828
Total interest expense	(4,790)	(7,364)
Change in allocation of service costs	1,794	–
Net interest income	2,448	1,464
Provision for credit losses	1,440	(3,081)
Noninterest income	155	(2,478)
Noninterest expense	(135)	895
Noninterest expense - AgFirst service costs	(2,324)	–
Provision for income taxes	(114)	16
Total increase (decrease) in net income	1,470	(3,054)
Net income	$ 14,117	$ 12,647

The Association's primary source of funding is provided by AgFirst 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 AgFirst included the Association's allocation of technology and software services provided by AgFirst. Effective January 1, 2024, AgFirst amended the line of credit agreement to exclude the Association's allocation of costs for 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 AgFirst from interest expense to noninterest expense. For the year ended December 31, 2023, the impact of this reclassification between interest expense and noninterest expense amounted to $1,794. The difference between this reclassification and the AgFirst technology and other operating expense costs of $2,324 as shown in the table above, was due to an increase in the monthly technology fees charged to the Association in the second half of 2024.

Net Interest Income

Net interest income was $22,051, $19,603, and $18,139 in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:

	Volume*	Rate	Nonaccrual Income**	Total
	(dollars in thousands)			
12/31/24 - 12/31/23				
Interest income	$ 3,002	$ 2,442	$ –	$ 5,444
Interest expense	1,662	1,334	–	2,996
Change in net interest income	$ 1,340	$ 1,108	$ –	$ 2,448
12/31/23 – 12/31/22				
Interest income	$ 1,398	$ 7,494	$ (64)	$ 8,828
Interest expense	657	6,707	–	7,364
Change in net interest income	$ 741	$ 787	$ (64)	$ 1,464

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

** *Nonaccrual interest income included in Volume and Rate change for 12/31/24 – 12/31/23.*

Net interest income for 2024 increased by $2,448, or 12.49 percent when compared to 2023. Of this increase, $1,794 resulted from the change in the Direct Note rate for the 34 basis points, as previously discussed, with volume growth being the other significant factor. Interest income from the settlement of debt on nonaccrual accounts was less significant in 2024 compared to the prior year, and offset a portion of the increase. Net interest income for 2023 increased by $1,464, or 8.07 percent compared to 2022. This increase was driven by upward trends in both loan volume and rates from the previous year.

Noninterest Income

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

Noninterest Income	For the Year Ended December 31, 2024	2023	2022	Percentage Increase/(Decrease) 2024/2023	2023/2022
	(dollars in thousands)				
Loan fees	$ 403	$ 690	$ 919	(41.59)%	(24.92)%
Fees for financially related services	1,522	1,735	1,573	(12.28)	10.30
Patronage refund from other Farm Credit Institutions	4,647	4,243	6,758	9.52	(37.22)
Gains (losses) on sales of rural home loans, net	20	20	–	–	–
Gains (losses) on sales of premises and equipment, net	(6)	(4)	(32)	50.00	87.50
Gains (losses) on other transactions	110	16	(169)	587.50	109.47
Insurance fund refunds	162	–	–	–	–
Other noninterest income	1	4	3	(75.0)	33.33
Total noninterest income	$ 6,859	$ 6,704	$ 9,052	2.31 %	(25.94)%

Loans fees declined again in 2024 as fees collected on new loans are being amortized over the life of the loan as a component of interest income.

Financially related services income decreased in 2024 as a result of decreases in multi-peril crop insurance. Fees from crop insurance policies reported an increase in 2023 compared to 2022.

Patronage refunds received from other Farm Credit Institutions included $4,277 in patronage from AgFirst and $356 from other associations in 2024. This was an increase from 2023 when patronage distributions received from AgFirst totaled $4,162 and patronage from other associations was $81. The amounts in 2022 were $6,636 from AgFirst and $60 from other associations.

Investment gains reported for the deferred compensation plan resulted in gains on other transactions of $110 and $16 for 2024 and 2023, respectively. In 2022, there was an overall loss reported on other transactions as the deferred compensation plan reported an investment loss and the provision for unfunded commitments was included in other gains (losses) during that time. Since the implementation of CECL, provision for unfunded commitments is included with the provision for credit losses.

The $162 Insurance Fund refund was a one-time insurance premium refund the Association received from the Farm Credit Insurance Corporation (FCSIC) in 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, 2024	2023	2022	Percentage Increase/(Decrease) 2024/2023	2023/2022
	(dollars in thousands)				
Salaries and employee benefits	$ 8,336	$ 8,154	$ 8,888	2.23 %	(8.26)%
Occupancy and equipment	457	427	424	7.03	0.71
Insurance Fund premiums	507	827	861	(38.69)	(3.95)
Purchased services	525	507	417	3.55	21.58
Purchased services (AgFirst service costs)	2,324	–	–	–	–
Data processing	129	112	137	15.18	(18.25)
Other operating expenses	2,188	2,077	2,106	5.34	(1.38)
(Gains) losses on other property owned, net	37	(60)	106	(161.67)	(156.60)
Total noninterest expense	$ 14,503	$ 12,044	$ 12,939	20.42 %	(6.92)%

In 2024, salaries and employee benefits increased due to additional headcount and salary related benefits; however, this was largely offset by an increase in cost deferral from loans closed during the year. Similarly, in 2023, the deferral of loan-related costs was a significant factor in the decrease of salaries and employee benefits expense from 2022.

Insurance Fund premium costs decreased in 2024 due to a reduction in the rate charged against outstanding debt. This was also the reason for the slight reduction in 2023 from 2022.

Purchased services increased in 2024 when compared to the prior year primarily as the result of the Direct Note rate change discussed above. Additionally, beginning in the third quarter of 2024, AgFirst increased the cost of services provided to the Association and this increase resulted in additional unanticipated expense for the year ended December 31, 2024. The overall impact of the change is reported separately from other purchased services as AgFirst technology costs in the Noninterest Expense table above. The increase in purchased services in 2023 compared to 2022 was mainly because of additional fees related to the implementation of CECL and the new loan system.

The Association currently holds two OPO accounts and the net loss of $37 reported in 2024 was from the write down of one of these accounts. In 2023, the Association reported a gain on OPO with the settlement of Inflation Reduction Act funds received from FSA.

Income Taxes

The Association recorded a provision for income taxes of $57 for the year ended December 31, 2024, as compared to a benefit of $57 for 2023 and benefit of $41 for 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

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

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/24	12/31/23	12/31/22
Return on average assets	2.00%	1.93%	2.53%
Return on average members' equity	11.15%	10.62%	14.45%
Net interest income as a percentage of average earning assets	3.21%	3.06%	2.96%
Net (charge-offs) recoveries to average loans	(0.200)%	(0.198)%	0.037%

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

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with AgFirst 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. AgFirst advances the funds to the Association, creating notes payable (or direct loans) to AgFirst.

AgFirst manages interest rate risk through direct loan pricing and asset/liability management. 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.”

Information on notes payable to AgFirst at December 31 is detailed in the following table:

	December 31,			Percentage Increase/(Decrease)	
	2024	2023	2022	2024/ 2023	2023/ 2022
	(dollars in thousands)				
Notes Payable to AgFirst	$ 586,271	$ 559,065	$ 514,102	4.87%	8.75%
Average volume of outstanding notes payable to AgFirst	568,107	527,589	504,978	7.68	4.48

The increases for each of the years in comparison above are primarily attributable to an increase in originated loan volume. 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.

The Association receives access to funds through its borrowing relationship with AgFirst 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. The Association's ability to participate in the Farmer Mac, investments, and other secondary market programs provides additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association. The Association did not have any lines of credit from third party financial institutions as of December 31, 2024 apart from the relationship with AgFirst.

Funds Management

AgFirst 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 competitively priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages may be indexed to U.S. Treasury Rates or other indexes. 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 on the Association’s Consolidated Balance Sheets is transferred to AgFirst through the notes payable structure. All Association debt with AgFirst is match funded with an index or fixed rate that matches the loan asset. AgFirst, in turn, actively utilizes funds management techniques to identify, quantify, and control risk associated with their loan portfolio.

Relationship with AgFirst

The Association’s statutory obligation to borrow only from AgFirst 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.

AgFirst’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.

AgFirst’s role in mitigating the Association’s exposure to interest rate risk is described in the “Liquidity and Funding Sources” section of this Management’s Discussion and Analysis and in Note 6, *Debt - Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements included in this Annual Report.

A master service agreement exists between AgFirst and the Association which details the services to be provided. Prior to January 1, 2024, the majority of the costs for these services were included in the interest expense of the Direct Note. In 2024, changes made to the master service agreement allowed for these service fees charged by AgFirst to be included in the Association’s noninterest expense.

CAPITAL RESOURCES

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

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

includes strategies for capital management in the event the stock investment in AgFirst would be increased during the year. An increase in the stock investment in AgFirst would have a negative impact on Association Tier I capital levels and corresponding ratios.

Total members' equity for the Association as of December 31 is reported in the table below.

	December 31,		
	2024	2023	2022
	(dollars in thousands)		
C Stock and Participation Certificates	$ 1,967	$ 1,983	$ 1,914
Qualified Allocated Earnings	–	611	611
Nonqualified Retained Earnings	40,859	40,859	40,423
Nonqualified Allocated Earnings	35,157	35,157	35,157
Unallocated Retained Earnings	46,430	39,565	32,619
Accumulated Other Comprehensive Income (Loss)	(86)	(101)	(88)
Total Members' Equity	$ 124,327	$ 118,074	$ 110,636

The increase in both years was mainly attributable to positive earnings partially offset by cash patronage distributions. In 2024 the Association also revolved out $611 in qualified allocated surplus.

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 as set forth below. Please refer to Note 7, *Member's Equity,* of the Notes to the Consolidated Financial Statements included in this Annual Report for more detailed information concerning each of these ratios.

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.5%	7.0%	16.75%	16.74%	17.23%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	16.75%	16.74%	17.23%
Total Capital Ratio	8.0%	2.5%	10.5%	18.01%	17.99%	18.49%
Permanent Capital Ratio	7.0%	–%	7.0%	16.96%	16.93%	17.43%
Non-risk-adjusted ratios:						
Tier 1 Leverage Ratio *	4.0%	1.0%	5.0%	16.61%	16.56%	16.71%
UREE Leverage Ratio	1.5%	–%	1.5%	11.34%	10.96%	10.67%

** 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, (b) participation loans purchased, and (c) non-patronage loans, 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 current year earnings attributable cash patronage distributions of $7,400 in 2024, $6,613 in 2023, and $6,047 in 2022.

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

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning** and Small*** farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual goals to increase its 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 Association had met all of its YBS goals as of December 31, 2024.

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association.

	As of December 31, 2024	
	Number of Loans	Amount of Loans
Young	510	$69,030
Beginning	992	165,193
Small	1,445	198,934

Note: For purposes of the above table, 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.

Slight differences between the Census and the Association's YBS information are as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm up to nine years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- The Census data is based on number of farms, whereas the Association's YBS information is based on number of loans.

The 2017 census data indicated that within the Association's chartered territory (counties) there were 4,802 reported farmers. Please see the table below for comparative information between the 2017 census data and the demographics of the Association's agricultural portfolio (by definition) as of December 31, 2024.

	2017 Census Data		As of December 31, 2024	
	Number of Farmers	%	Number of Farmers	%
Young	431	8.98	510	13.59
Beginning	1,344	27.99	992	26.44
Small	4,232	88.13	1,445	38.51

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 $250 in annual gross sales of agricultural or aquatic products at the date the loan is originally made. (Effective January 1, 2024, the regulatory definition of Small farmer increased to annual gross cash farm income of less than $350.)

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR. Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its District Bank's direct loans to Associations or if the Farm Credit Administration's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends on March 31, 2025. Based on the proposed language of the rule the Association would not meet the asset or loan size parameters for the requirement of an integrated audit.

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

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

Disclosure Required by Farm Credit Administration Regulations

Description of Business

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

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

Unincorporated Business Entities

The Association holds an equity investment at December 31, 2024 in the following Unincorporated Business Entity (UBE) as an equity interest holder of the limited liability company (LLC). The LLC was organized for the stated purpose of holding and managing unusual or complex collateral associated with former loans, until such time as the assets may be sold or otherwise disposed of pursuant to the terms of Operating Agreements of the respective LLC.

Name	Entity Type	Entity Purpose
PW PropCo Holdings LLC	LLC	Manage Acquired Property

Description of Property

The following table sets forth certain information regarding the principal office properties of the reporting entity, all of which are located in South Carolina:

Location	Description	Form of Ownership
800 Woody Jones Boulevard Florence	Administrative/ Branch	Owned
1720 Mill Pond Road Conway	Branch	Owned

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 and their business experience for the past five years:

Name and Title	Term of Office	Term of Office
Bryant Sansbury *President and Chief Executive Officer*	1/1/2021 – present	Started with ArborOne in 2013 as a relationship manager. Served as Chief Relationship Manager before assuming his role as Chief Sales and Marketing Officer in July 2019. In October 2019, assumed the role of Chief Operating Officer. As of January 2021, assumed the role of President and Chief Executive Officer. Additionally, serves on the Palmetto Agribusiness Council Board and as a Commissioner for the Florence County Soil & Water Conservation District.
Brad Fjestad *Chief Financial Officer and Treasurer*	12/1/2021 – present	Started with ArborOne in 2021 as Deputy Chief Financial Officer and assumed the role of Chief Financial Officer and Treasurer in December 2021.
Sarah H. Jackson, *Chief Administrative Officer and Corporate Secretary*	1/1/2022 – present	Started with ArborOne in 2006 as a financial analyst. Served as a Senior Credit Analyst and Senior Human Resources Administrator / Corporate Secretary. In 2016, assumed the role of Director of Human Resources and in January 2018, assumed the role of Chief Human Resources Officer. As of January 2022, assumed the role of Chief Administrative Officer. Additionally, serves on the Farmer Veteran Coalition of South Carolina Board.
Leah B. Hollifield, *Chief Credit Officer*	7/1/2019 – present	Started with ArborOne in 2005 as a credit analyst. Served as the Credit Administrator and Director of Credit Administration before being named Chief Credit Officer in March 2019. Additionally, serves on the Francis Marion University School of Business Advisory Board.

The total amount of compensation (in whole dollars) earned by the CEO, senior officers (excluding the CEO), and other highly compensated employees as a group during the years ended December 31, 2024, 2023, and 2022, is presented in the following tables. The first table presented illustrates actual compensation received in cash in the form of salary and incentive.

		Received Compensation		
Name of Individual or Number in Group	Year	Salary	Incentive	Total Received Compensation (a)
Bryant Sansbury	2024	$ 340,000	$ 318,552	$ 658,552
Bryant Sansbury	2023	$ 318,000	$ 283,041	$ 601,041
Bryant Sansbury	2022	$ 300,000	$ 310,157	$ 610,157
5	2024	$ 910,105	$ 785,192	$ 1,695,297
5	2023	$ 870,024	$ 644,427	$ 1,514,451
5	2022	$ 836,094	$ 750,365	$ 1,586,459

The table below discloses forms of perquisites and other noncash compensation, and these items are described in detail in the subsequent paragraphs, which do not reflect actual cash compensation received by the CEO or officers presented. The total of all cash (a) and noncash (b) compensation for the CEO, senior officers (excluding the CEO), and other highly compensated employees as a group is also presented here.

		Perquisites and Noncash Compensation			
Name of Individual or Number in Group	Year	Change in Pension*	Deferred / Perq. **	Total Perquisites and Noncash (b)	Total Received and Noncash Compensation (a+b)
Bryant Sansbury	2024	$ –	$ 60,278	$ 60,278	$ 718,830
Bryant Sansbury	2023	$ –	$ 55,493	$ 55,493	$ 656,534
Bryant Sansbury	2022	$ –	$ 49,342	$ 49,342	$ 659,499
5	2024	$ 39,040	$ 87,868	$ 126,908	$ 1,822,205
5	2023	$ 135,055	$ 85,474	$ 220,529	$ 1,734,980
5	2022	$ (165,174)	$ 129,513	$ (35,661)	$ 1,550,797

** This figure is a third-party actuarial determination of the change in the present value of the estimated pension cash flows for employees as of December 31, 2024. This does not represent any actual cash compensation provided to any employee but is simply a change in the calculation that is affected by a number of assumptions and inputs.*
*** The Deferred/Perquisites amount disclosed in the above chart includes automobile allowance, long term incentive earnings for prior year performance periods, life insurance, and spousal travel.*

Disclosure of information on the total compensation paid during 2024 to any senior officer, or to any other individual included in the total, is available to shareholders upon request.

The Association participates in District and multi-district sponsored benefit plans. Change in pension value is considered a part of compensation. The table below illustrates the present value of pension benefits for the CEO, senior officers, and other highly compensated employees as a group. This value represents the third-party actuarial determination of the present value of the estimated pension cash flows for employees as of December 31, 2024. This does not represent any actual cash compensation provided to any employee but is simply a calculation that is affected by a number of assumptions and inputs. Actual funds received can differ based on how actual events compare to assumptions used in the calculation.

Pension Benefits Table
As of December 31, 2024

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
*Bryant Sansbury	2024	AgFirst Retirement Plan		$ –	$ –
			Total	$ –	$ –
Senior Officers and Highly Compensated Employees:					
* 1, excluding the CEO	2024	AgFirst Retirement Plan		$ 873,550	$ –
			Total	$ 873,550	$ –

** CEO and three of the other three senior officers are not part of the AgFirst Retirement Plan as they were employed after January 1, 2003.*

The CEO and senior officers are eligible to participate in an annual short-term incentive program as established by the Board of Directors. The plan is approved annually by the Board of Directors and ensures the criteria of the plan are aligned with the business strategy, mission to support rural America, and short- and long-term goals of the Association. Criteria for payment include association performance compared to budgeted net income, credit quality, payment delinquency, credit administration ratings, and capital ratios. Payments for some senior officers or highly compensated employees include, in addition to the previous metrics, loan portfolio profitability and credit quality. The short-term incentive plan measures performance over the current fiscal year with payments received in the following year once after year end results are calculated. Officers and employees covered by the plan must achieve individual performance metrics to be eligible for plan payments in addition to the overall compliance of regulatory requirements by the Association.

Certain senior officers, including the CEO, are eligible to receive long term incentive compensation through a long-term incentive plan established by the Board of Directors. The long-term plan is based on long-range financial results achieved over a three-year period. The objective of the plan is to reward and retain key personnel as well as establish long-range goals to protect Association viability. Long-term incentive awards are earned over a three-year performance period. The award is subject to forfeiture based upon the Association's performance during the three-year performance period following the plan year.

Directors

The following chart details the year the director began serving on the Board, the current term of expiration, and total cash compensation paid for 2024:

DIRECTOR	ORIGINAL YEAR OF ELECTION OR APPOINTMENT	CURRENT TERM EXPIRATION	TOTAL COMPENSATION PAID DURING 2024
William DuPree Atkinson, ***Chairman***	1999	2025	$44,200
John Lee Newman, ***Vice-Chairman***	2008	2026	47,500
Kyle Daniel	2021	2027	40,100
Harry B. Durant	1997	2028	36,800
John E. Lay	2017	2029	36,600
J. Whit Player	2011	2029	41,700
James M. Ward*	1998	2024	16,600
Kelly O. Wiseman	2007	2025	64,100
Steven Neal Baxley Jr**	2024	2030	17,600
			$345,200

**James M Ward did not seek reelection during 2024 based on existing bylaw requirements for director age*
*** Steven Neal Baxley Jr was elected to replace Mr. Ward effective June of 2024*

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Committee assignments can change during the year.

William DuPree Atkinson, Chairman of the Board, is a self-employed farmer and owner of Atkinson Farms, LLC. He served on the board of Pee Dee Peanut, LLC (peanut purchasing) and Peanut Properties LLC in which he is an officer and has part ownership interest. He also served on the State Peanut Board (peanuts), the State Tobacco Board (tobacco), Marion County Farm Bureau (insurance), and the AgFirst Farm Credit Bank Legislative Advisory Committee (agriculture). He served on the audit and compensation committees during 2024.

John Lee Newman, Vice Chairman of the Board, is a self-employed farmer and owner of Lee Newman Farms, JLN Services LLC (planting services), and a partner of A & L Farms (poultry). He served on the board of St. Charles Gin Company (cotton ginning) in which he has part ownership interest. He also served on the board of Sumter County Farm Bureau (insurance), the AgFirst Farm Credit District Advisory Committee (agriculture), and is a commissioner on the Sumter County Soil and Water conservation Board (agriculture). He served as Chairman of the Compensation Committee and served on the audit and governance committees during 2024.

Kyle W. Daniel, is retired from Georgetown County Farm Service Agency after 36 years of service as County Executive Director. He served on the Advisory Board for the Carvers Bay Chapter of the Future Farmers of America (education), the Clemson University Extension Advisory council (education), and was the alternate to the AgFirst Farm Credit Bank Legislative Advisory Committee (agriculture). He served on the credit and governance committees during 2024.

Harry B. DuRant, Chairman of the Governance Committee***,*** is a self-employed farmer and part owner of Double D Farms. He served as an alternate to the AgFirst Farm Credit Bank District Advisory Committee (agriculture) and served on the Clemson Extension Advisory Council (education). He served on the credit and governance committees during 2024.

John E. Lay, Chairman of the Credit Committee, retired from AgFirst Farm Credit Bank in February 2016 as Vice President and Treasurer after approximately 34 years of service. He served on the governance and credit committees during 2024.

J. Whit Player, is a self-employed farmer and owner of J. Whit Player Farm and Player's Stoney Run Farm as well as part owner of Canoe Slough, LLC and St. Charles Gin Company. He is also a forestry technician with SC Forestry Commission. He served on the board of the South Carolina Boll Weevil Eradication Committee (agriculture) and is the Vice Chairman of the Carolina Cotton Growers Cooperative Board (cotton). Additionally, he serves on the AgFirst Farm Credit Bank Board (agriculture) and was a member of the Risk Policy committee. He served on the audit and compensation committees during 2024.

James M. Ward, is a self-employed farmer and partner of Mickey Ward Farms. Until June 2024, he served on the credit and compensation committees. Mr. Ward's director term expired during 2024 and he did not seek reelection.

Kelly O. Wiseman, Chairman of the Audit Committee***,*** is a certified public accountant with approximately 15 years of experience with a major accounting firm. She served on the compensation and audit committees during 2024.

Steven Neal Baxley Jr, is a self-employed farmer and owner of Steve Baxley and Sons LLC and Baxley Farms LLC. He is a member of the National Peanut Board (peanuts) and currently serves on the Executive Committee as Treasurer. He is a member of the South Carolina Peanut Board (peanuts), the South Carolina Pork Board (livestock), the Marion County Farm Bureau Board of Directors (insurance), and the Pee Dee Academy Board of Directors (education). Mr. Baxley was elected to the Board during the 2024 election cycle. He served on the credit committee from June to December 2024.

Subject to approval by the Board, the Association may allow directors honoraria of $1,300 for attendance at meetings or special assignments, except for the Chairman of the Board who receives $1,450. Directors are paid honoraria $500 for committee meetings and $600 if chairman of the committee. Outside directors are paid a $750 quarterly retainer. The Chairman of the Audit Committee is paid a $3,750 quarterly honorarium. The directors are paid honoraria on a quarterly basis and includes a payment for each month within the quarter. Total compensation paid to directors as a group was $345,200 for 2024. No director received more than $5,000 in non-cash compensation during the year.

The following chart details the number of meetings, other activities, and additional compensation paid for other activities (if applicable) for each director:

Name of Director	Days Served: Regular Board Meetings	Days Served: Other Official Activities*	Committee Assignments**	Comp. Paid for other Activities*
William Dupree Atkinson, ***Chairman***	5	27	Audit Committee, Compensation Committee, and AgFirst Farm Credit Bank Legislative Advisory Committee	$ 26,800
John Lee Newman, ***Vice-Chairman and Chairman of Compensation Committee***	5	31	Governance and Audit Committees, Chairman of the Compensation Committee, and AgFirst Farm Credit Bank District Advisory Committee	31,900
Kyle Daniel	5	25	Governance Committee, Credit Committee, and an Alternate to the AgFirst Farm Credit Legislative Advisory Committee	24,500
Harry B. Durant, ***Chairman of Governance Committee***	5	21	Credit Committee, Chairman of the Governance Committee, and an Alternate to the AgFirst Farm Credit Bank District Advisory Committee	21,200
John E. Lay, ***Chairman of Credit Committee***	5	19	Governance Committee and Chairman of the Credit Committee	21,000
J. Whit Player	5	25	Audit Committee and Compensation Committee	26,100
James M. Ward	2	9	Credit Committee and Compensation Committee (January – June 2024)	10,100
Kelly O. Wiseman, ***Chairman of Audit Committee***	5	28	Compensation Committee and Chairman of the Audit Committee	48,500
Steven Neal Baxley Jr	3	10	Credit Committee (June – December 2024)	9,800
				$ 219,900

** Includes board committee meetings and other board activities other than regular board meetings.*
*** Assignments are for the full 12 months of 2024 unless otherwise noted.*

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 transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $114,651 for 2024, $112,053 for 2023, and $110,664 for 2022.

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.

Transactions Other Than Loans

There have been no transactions that occurred at any time during the year ended December 31, 2024, between the Association and senior officers or directors, their immediate family members or any organizations with which they are affiliated, which require reporting per FCA regulations. Some directors have transacted business with borrowers of the Association. These transactions were performed at market prices, at an arm's length, and in the normal course of business. There were no transactions with any senior officer or director related to the purchase or retirement of preferred stock of the Association for the year ended December 31, 2024.

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

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

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

	2024
Independent Auditors	
PricewaterhouseCoopers LLP	
Audit services	$ 104,750
Total	$ 104,750

Audit service fees were for the annual audit of the consolidated financial statements.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2025, and the report of management, which appear in this Annual Report, are incorporated herein by reference. Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-800-741-7332, or writing Rebecca Barnett, ArborOne, ACA, P.O. Box 3699, Florence, SC 29502, or accessing the website, ***www.arborone.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 ensures 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 AgFirst's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's website at ***www.agfirst.com***. AgFirst prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. AgFirst prepares an electronic version of the Quarterly report, which is available on AgFirst's 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 AgFirst.

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 **ArborOne, ACA** (Association) and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

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

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards AU-C 260 and 265 *(The Auditor's Communication With Those Charged With Governance)*. The Committee discussed with PwC its independence from ArborOne, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

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

/s/ Kelly O. Wiseman
Chairman of the Audit Committee

Members of Audit Committee

William Dupree Atkinson
J. Whit Player
John Lee Newman

March 11, 2025

Report of Independent Auditors

To the Management and Board of Directors of ArborOne, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Cash	**$ 2**	$ 2	$ 3
Investments in debt securities:			
Held to maturity	**4,687**	4,887	5,080
Loans	**702,683**	670,248	621,157
Allowance for credit losses on loans	**(10,001)**	(10,869)	(11,852)
Net loans	**692,682**	659,379	609,305
Accrued interest receivable	**14,567**	12,343	9,168
Equity investments in other Farm Credit institutions	**11,529**	10,970	8,183
Premises and equipment, net	**3,786**	3,875	3,639
Other property owned	**122**	—	137
Accounts receivable	**4,776**	4,410	3,932
Other assets	**755**	876	1,134
Total assets	**$ 732,906**	$ 696,742	$ 640,581
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 586,271**	$ 559,065	$ 514,102
Accrued interest payable	**2,074**	2,122	1,539
Patronage refunds payable	**7,670**	7,001	6,494
Accounts payable	**566**	827	926
Advanced conditional payments	**6,001**	3,842	—
Other liabilities	**5,997**	5,811	6,884
Total liabilities	**608,579**	578,668	529,945
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**1,967**	1,983	1,914
Retained earnings			
Allocated	**76,016**	76,627	76,191
Unallocated	**46,430**	39,565	32,619
Accumulated other comprehensive income (loss)	**(86)**	(101)	(88)
Total members' equity	**124,327**	118,074	110,636
Total liabilities and members' equity	**$ 732,906**	$ 696,742	$ 640,581

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Interest Income			
Loans	**$ 46,176**	$ 40,723	$ 31,834
Investments	**242**	251	312
Total interest income	**46,418**	40,974	32,146
Interest Expense	**24,367**	21,371	14,007
Net interest income	**22,051**	19,603	18,139
Provision for (reversal of) allowance for credit losses	**233**	1,673	(1,408)
Net interest income after provision for (reversal of) allowance for credit losses	**21,818**	17,930	19,547
Noninterest Income			
Loan fees	**403**	690	919
Fees for financially related services	**1,522**	1,735	1,573
Patronage refunds from other Farm Credit institutions	**4,647**	4,243	6,758
Gains (losses) on sales of rural home loans, net	**20**	20	—
Gains (losses) on sales of premises and equipment, net	**(6)**	(4)	(32)
Gains (losses) on other transactions	**110**	16	(169)
Insurance Fund refunds	**162**	—	—
Other noninterest income	**1**	4	3
Total noninterest income	**6,859**	6,704	9,052
Noninterest Expense			
Salaries and employee benefits	**8,336**	8,154	8,888
Occupancy and equipment	**457**	427	424
Insurance Fund premiums	**507**	827	861
Purchased services	**2,849**	507	417
Data processing	**129**	112	137
Other operating expenses	**2,188**	2,077	2,106
(Gains) losses on other property owned, net	**37**	(60)	106
Total noninterest expense	**14,503**	12,044	12,939
Income before income taxes	**14,174**	12,590	15,660
Provision (benefit) for income taxes	**57**	(57)	(41)
Net income	**$ 14,117**	$ 12,647	$ 15,701
Other comprehensive income net of tax			
Unrealized gains (losses) on investments	**(8)**	(8)	(132)
Employee benefit plans adjustments	**23**	(5)	109
Other comprehensive income (loss) (Note 7)	**15**	(13)	(23)
Comprehensive income	**$ 14,132**	$ 12,634	$ 15,678

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	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 1,858	$ 70,277	$ 29,495	$ (65)	$ 101,565
Comprehensive income			15,701	(23)	15,678
Capital stock/participation certificates issued/(retired), net	56				56
Patronage distribution					
Cash			(6,047)		(6,047)
Nonqualified retained earnings		6,295	(6,295)		—
Retained earnings retired		(616)			(616)
Patronage distribution adjustment		235	(235)		—
Balance at December 31, 2022	$ 1,914	$ 76,191	$ 32,619	$ (88)	$ 110,636
Cumulative effect of change in accounting principle			1,411		1,411
Comprehensive income			12,647	(13)	12,634
Capital stock/participation certificates issued/(retired), net	69				69
Patronage distribution					
Cash			(6,613)		(6,613)
Patronage distribution adjustment		436	(499)		(63)
Balance at December 31, 2023	$ 1,983	$ 76,627	$ 39,565	$ (101)	$ 118,074
Comprehensive income			**14,117**	**15**	**14,132**
Capital stock/participation certificates issued/(retired), net	**(16)**				**(16)**
Patronage distribution					
Cash			**(7,400)**		**(7,400)**
Retained earnings retired		**(611)**			**(611)**
Patronage distribution adjustment			**148**		**148**
Balance at December 31, 2024	**$ 1,967**	**$ 76,016**	**$ 46,430**	**$ (86)**	**$ 124,327**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 14,117**	$ 12,647	$ 15,701
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**407**	351	347
Amortization (accretion) of net deferred loan costs (fees)	**212**	(117)	(99)
Premium amortization (discount accretion) on investments in debt securities	**(2)**	(1)	(1)
Provision for (reversal of) allowance for credit losses	**233**	1,673	(1,408)
(Gains) losses on other property owned, net	**37**	(72)	79
(Gains) losses on sales of premises and equipment, net	**6**	4	32
(Gains) losses on sales of rural home loans, net	**(20)**	(20)	—
(Gains) losses on other transactions	**(110)**	(16)	169
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(4,071)**	(2,046)	—
Proceeds from sales of loans held for sale, net	**4,091**	2,066	—
(Increase) decrease in accrued interest receivable	**(2,224)**	(3,175)	(1,050)
(Increase) decrease in accounts receivable	**(366)**	(478)	6,453
(Increase) decrease in other assets	**121**	258	338
Increase (decrease) in accrued interest payable	**(48)**	583	622
Increase (decrease) in accounts payable	**(261)**	(99)	(637)
Increase (decrease) in other liabilities	**584**	(1,049)	73
Total adjustments	**(1,411)**	(2,138)	4,918
Net cash provided by (used in) operating activities	**12,706**	10,509	20,619
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**202**	186	2,388
Proceeds from sales/maturities of or principal payments received on investment securities, available for sale	**(8)**	—	—
Net (increase) decrease in loans	**(34,539)**	(50,300)	(37,786)
(Increase) decrease in equity investments in other Farm Credit institutions	**(559)**	(2,787)	(2,793)
Purchases of premises and equipment	**(324)**	(591)	(381)
Proceeds from sales of other property owned	**367**	277	56
Net cash provided by (used in) investing activities	**(34,861)**	(53,215)	(38,516)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**27,206**	44,963	24,181
Net increase (decrease) in advanced conditional payments	**2,159**	3,842	—
Capital stock and participation certificates issued/(retired), net	**(16)**	69	56
Patronage refunds and dividends paid	**(6,583)**	(6,169)	(5,724)
Retained earnings retired	**(611)**	—	(616)
Net cash provided by (used in) financing activities	**22,155**	42,705	17,897
Net increase (decrease) in cash	**—**	(1)	—
Cash, beginning of period	**2**	3	3
Cash, end of period	**$ 2**	$ 2	$ 3
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ —**	$ 111	$ —
Receipt of property in settlement of loans	**526**	179	77
Estimated cash dividends or patronage distributions declared or payable	**7,400**	6,613	6,047
Change in unrealized gains (losses) on investments	**(8)**	(8)	(132)
Cumulative effect of change in accounting principle	**—**	1,411	—
Employee benefit plans adjustments (Note 9)	**(23)**	5	(109)
Supplemental information:			
Interest paid	**$ 24,415**	$ 20,788	$ 13,385
Taxes (refunded) paid, net	**(5)**	—	30

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:** ArborOne, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers. The territory of the Association extends across a diverse agricultural region of the following 12 counties in northeastern South Carolina: *Chesterfield, Clarendon, Darlington, Dillon, Florence, Georgetown, Horry, Lee, Marion, Marlboro, Sumter, and Williamsburg.*

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 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 AgFirst 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 the aggregate 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 AgFirst and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

AgFirst 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 AgFirst 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, AgFirst provides District Associations with banking and support services such as accounting, payroll and benefit plan, 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 AgFirst 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 aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Nonaccrual Loans

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

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

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

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

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

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

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

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Consolidated Balance Sheets, and
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other Liabilities

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

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

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

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

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

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

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

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

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

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

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

Allowance for Credit Losses on Unfunded Commitments

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

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

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

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

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

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

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

Investments in Debt Securities
The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded on 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, net of allowance for credit losses on investments. 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). Purchase 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.

For any debt security transferred into the HTM category, the use of fair value may create a premium or discount that, under amortized cost accounting, shall be amortized or accreted thereafter as an adjustment of yield. OCI amounts resulting from the transfer are also amortized or accreted to interest income ratably over the remaining life of each individual security as an adjustment of yield.

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 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
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.

Investment Income
Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

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 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. Association 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 on 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 AgFirst 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 AgFirst, 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. **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 lending transactions, insurance, and account access. 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.

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

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

Note 3 — Loans and Allowance for Credit Losses

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

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

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31, 2024	2023	2022
Real estate mortgage	$ 413,095	$ 388,996	$ 361,028
Production and intermediate-term	197,171	199,072	193,060
Agribusiness:			
Loans to cooperatives	2,766	2,786	2,106
Processing and marketing	41,359	33,741	32,986
Farm-related business	20,517	21,698	15,616
Rural infrastructure:			
Communication	2,622	2,771	2,918
Power and water/waste disposal	6,655	7,216	685
Rural residential real estate	17,081	13,026	11,033
Other:			
International	1,417	942	1,725
Total loans	$ 702,683	$ 670,248	$ 621,157

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 the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

December 31, 2024	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 14,908	$ 33,601	$ –	$ –	$ 14,908	$ 33,601
Production and intermediate-term	16,508	2,605	–	–	16,508	2,605
Agribusiness	41,586	3,312	–	–	41,586	3,312
Rural infrastructure	9,294	–	–	–	9,294	–
Other	1,420	–	–	–	1,420	–
Total	$ 83,716	$ 39,518	$ –	$ –	$ 83,716	$ 39,518

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	$ 10,133	$ 18,101	$ –	$ –	$ 10,133	$ 18,101
Production and intermediate-term	18,483	–	–	–	18,483	–
Agribusiness	35,132	–	–	–	35,132	–
Rural infrastructure	10,009	–	–	–	10,009	–
Other	946	–	–	–	946	–
Total	$ 74,703	$ 18,101	$ –	$ –	$ 74,703	$ 18,101

December 31, 2022	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,034	$ 3,416	$ –	$ –	$ 11,034	$ 3,416
Production and intermediate-term	18,277	2,244	–	–	18,277	2,244
Agribusiness	28,005	13,600	–	–	28,005	13,600
Rural infrastructure	3,611	–	–	–	3,611	–
Other	1,728	–	–	–	1,728	–
Total	$ 62,655	$ 19,260	$ –	$ –	$ 62,655	$ 19,260

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

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

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

	December 31, 2024	2023	2022*
Real estate mortgage:			
Acceptable	94.91%	94.72%	93.94%
OAEM	4.38	4.60	4.42
Substandard/doubtful/loss	0.71	0.68	1.64
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	93.60%	91.30%	90.74%
OAEM	4.38	7.16	6.84
Substandard/doubtful/loss	2.02	1.54	2.42
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	86.34%	89.88%	91.32%
OAEM	10.78	8.47	6.01
Substandard/doubtful/loss	2.88	1.65	2.67
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	96.12%	94.24%	95.98%
OAEM	2.64	3.47	2.22
Substandard/doubtful/loss	1.24	2.29	1.80
	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	93.86%	93.36%	92.82%
OAEM	4.86	5.60	5.22
Substandard/doubtful/loss	1.28	1.04	1.96
	100.00%	100.00%	100.00%

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

Accrued interest receivable on loans of $14,525, $12,296, and $9,120 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately on the Consolidated Balance Sheets.

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

December 31, 2024	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 1,638	$ 253	$ 1,891	$ 411,204	$ 413,095
Production and intermediate-term	724	152	876	196,295	197,171
Agribusiness	466	74	540	64,102	64,642
Rural infrastructure	–	–	–	9,277	9,277
Rural residential real estate	578	6	584	16,497	17,081
Other	–	–	–	1,417	1,417
Total	$ 3,406	$ 485	$ 3,891	$ 698,792	$ 702,683

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	$ 2,413	$ 1,233	$ 3,646	$ 385,350	$ 388,996
Production and intermediate-term	594	217	811	198,261	199,072
Agribusiness	946	205	1,151	57,074	58,225
Rural infrastructure	–	–	–	9,987	9,987
Rural residential real estate	907	9	916	12,110	13,026
Other	–	–	–	942	942
Total	$ 4,860	$ 1,664	$ 6,524	$ 663,724	$ 670,248

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

	December 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 2,614	$ 343	$ 2,957	$ 362,791	$ 365,748
Production and intermediate-term	213	2,113	2,326	194,502	196,828
Agribusiness	–	4	4	51,274	51,278
Rural infrastructure	–	–	–	3,607	3,607
Rural residential real estate	41	13	54	11,017	11,071
Other	–	–	–	1,744	1,744
Total	$ 2,868	$ 2,473	$ 5,341	$ 624,935	$ 630,276

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

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

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Real estate mortgage	$ –	$ 445	$ 445	$ 190
Production and intermediate-term	–	45	45	19
Agribusiness	509	142	651	278
Rural residential real estate	–	19	19	8
Total	$ 509	$ 651	$ 1,160	$ 495

	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	$ 1,220	$ 318	$ 1,538	$ 626
Production and intermediate-term	211	(30)	181	74
Agribusiness	697	115	812	331
Rural residential real estate	–	26	26	10
Total	$ 2,128	$ 429	$ 2,557	$ 1,041

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

	December 31, 2022			Year Ended December 31, 2022	
Impaired Loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 1,567	$ 1,672	$ 924	$ 2,396	$ 223
Production and intermediate-term	1,898	2,210	239	2,902	271
Agribusiness	815	869	336	1,247	116
Rural residential real estate	186	206	64	285	27
Total	$ 4,466	$ 4,957	$ 1,563	$ 6,830	$ 637
With no related allowance for credit losses:					
Real estate mortgage	$ 3,529	$ 3,919	$ –	$ 5,397	$ 504
Production and intermediate-term	1,817	5,771	–	2,779	259
Agribusiness	217	934	–	332	31
Rural residential real estate	14	18	–	20	2
Total	$ 5,577	$ 10,642	$ –	$ 8,528	$ 796
Total:					
Real estate mortgage	$ 5,096	$ 5,591	$ 924	$ 7,793	$ 727
Production and intermediate-term	3,715	7,981	239	5,681	530
Agribusiness	1,032	1,803	336	1,579	147
Rural residential real estate	200	224	64	305	29
Total	$ 10,043	$ 15,599	$ 1,563	$ 15,358	$ 1,433

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

	Total Nonaccrual
Real estate mortgage	$ 2,127
Production and intermediate-term	2,622
Agribusiness	815
Rural infrastructure	200
Total	$ 5,764

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	$ 5,888	$ 3,262	$ 1,372	$ 50	$ 278	$ 19	$ 10,869
Charge-offs	(367)	(1,212)	(933)	–	–	–	(2,512)
Recoveries	136	906	103	–	–	–	1,145
Provision for credit losses on loans	(476)	147	836	(7)	(4)	3	499
Balance at December 31, 2024	$ 5,181	$ 3,103	$ 1,378	$ 43	$ 274	$ 22	$ 10,001
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	$ 33	$ 381	$ 174	$ –	$ 6	$ 4	$ 598
Provision for unfunded commitments	(25)	(160)	(81)	–	3	(3)	(266)
Balance at December 31, 2024	$ 8	$ 221	$ 93	$ –	$ 9	$ 1	$ 332
Total allowance for credit losses	$ 5,189	$ 3,324	$ 1,471	$ 43	$ 283	$ 23	$ 10,333
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	$ 4,095	$ 6,371	$ 1,244	$ 23	$ 113	$ 6	$ 11,852
Cumulative effect of a change in accounting principle	1,804	(2,974)	(89)	(7)	82	11	(1,173)
Balance at January 1, 2023	$ 5,899	$ 3,397	$ 1,155	$ 16	$ 195	$ 17	$ 10,679
Charge-offs	(899)	(736)	(480)	–	–	–	(2,115)
Recoveries	50	707	100	–	–	–	857
Provision for credit losses on loans	838	(106)	597	34	83	2	1,448
Balance at December 31, 2023	$ 5,888	$ 3,262	$ 1,372	$ 50	$ 278	$ 19	$ 10,869
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ 9	$ 513	$ 87	$ –	$ 2	$ –	$ 611
Cumulative effect of a change in accounting principle	3	(239)	(2)	–	(1)	1	(238)
Balance at January 1, 2023	$ 12	$ 274	$ 85	$ –	$ 1	$ 1	$ 373
Provision for unfunded commitments	21	107	89	–	5	3	225
Balance at December 31, 2023	$ 33	$ 381	$ 174	$ –	$ 6	$ 4	$ 598
Total allowance for credit losses	$ 5,921	$ 3,643	$ 1,546	$ 50	$ 284	$ 23	$ 11,467

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Activity related to the allowance for loan losses:							
Balance at December 31, 2021	$ 3,929	$ 7,599	$ 1,388	$ 5	$ 110	$ 6	$ 13,037
Charge-offs	(41)	(656)	(111)	–	(5)	–	(813)
Recoveries	204	561	271	–	–	–	1,036
Provision for loan losses	3	(1,133)	(304)	18	8	–	(1,408)
Balance at December 31, 2022	$ 4,095	$ 6,371	$ 1,244	$ 23	$ 113	$ 6	$ 11,852
Allowance on loans evaluated for impairment:							
Individually	$ 924	$ 239	$ 336	$ –	$ 64	$ –	$ 1,563
Collectively	3,171	6,132	908	23	49	6	10,289
Balance at December 31, 2022	$ 4,095	$ 6,371	$ 1,244	$ 23	$ 113	$ 6	$ 11,852
Recorded investment in loans evaluated for impairment:							
Individually	$ 5,096	$ 3,715	$ 1,032	$ –	$ 200	$ –	$ 10,043
Collectively	360,652	193,113	50,246	3,607	10,871	1,744	620,233
Balance at December 31, 2022	$ 365,748	$ 196,828	$ 51,278	$ 3,607	$ 11,071	$ 1,744	$ 630,276

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain 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 $67,146, $73,114, and $80,121 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled $71 for 2024. For 2023 and 2022, these fees totaled less than $2 for each period. These amounts are classified as noninterest expense.

The Association had no loans held for sale at December 31, 2024, 2023, and 2022.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2024 and 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and 2023. There were no modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

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

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

	Year Ended December 31, 2022*				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ 31	$ –	$ –	$ 31	
Agribusiness	–	1,082	–	1,082	
Total	$ 31	$ 1,082	$ –	$ 1,113	
Post-modification:					
Production and intermediate-term	$ 31	$ –	$ –	$ 31	$ –
Agribusiness	–	1,129	–	1,129	–
Total	$ 31	$ 1,129	$ –	$ 1,160	$ –

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

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period presented. Payment default is defined as a payment that was thirty days or more past due.

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

	December 31, 2022*	
	Total TDRs	**Nonaccrual TDRs**
Real estate mortgage	$ 2,969	$ –
Production and intermediate-term	1,361	268
Agribusiness	1,032	815
Total loans	$ 5,362	$ 1,083
Additional commitments to lend	$ –	

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

Note 4 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At December 31, 2024, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

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

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 4,687	$ –	$ (522)	$ 4,165	5.20%

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 4,887	$ 4	$ (309)	$ 4,582	5.64%

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 5,080	$ –	$ (462)	$ 4,618	5.63 %

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

	December 31, 2024		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	4,687	4,165	5.20
Total	$ 4,687	$ 4,165	5.20%

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

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

	December 31, 2022			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 4,618	$ (462)	$ –	$ –

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

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

Prior to the adoption of CECL, the Association performed an evaluation quarterly on a security-by-security basis considering all available information. If the Association intended to sell the security or it was more likely than not that it would be required to sell the security, the impairment loss equaled the full difference between amortized cost and fair value of the security. When the Association did not intend to sell securities in an unrealized loss position, other-than-temporary impairment was considered using various factors, including the length of time and the extent to which the fair value was less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value

changes. The Association used estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considered factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The Association did not recognize any credit impairment losses in earnings during the year ended December 31, 2022.

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

The Association is required to maintain ownership in AgFirst in the form of Class B or Class C stock as determined by AgFirst. AgFirst may require additional capital contributions to maintain its capital requirements. The Association's investment in AgFirst totaled $11,172 for 2024, $10,609 for 2023 and $7,789 for 2022. The Association owned 1.99 percent of the issued stock and allocated retained earnings of AgFirst as of December 31, 2024, net of any reciprocal investment. As of that date, AgFirst's assets totaled $47.0 billion and shareholders' equity totaled $1.7 billion. AgFirst's earnings were $283 million for 2024. In addition, the Association had investments of $357 related to other Farm Credit institutions at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2024	2023	2022
Land	$ 1,327	$ 1,327	$ 1,327
Buildings and improvements	3,527	3,488	3,465
Furniture and equipment	2,129	2,421	2,168
	6,983	7,236	6,960
Less: accumulated depreciation	3,197	3,361	3,321
Total	$ 3,786	$ 3,875	$ 3,639

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank
Under the Farm Credit Act, the Association is obligated to borrow only from AgFirst, unless AgFirst approves borrowing from other funding sources. The borrowing relationship is established with AgFirst 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. AgFirst, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, the Association's notes payable were within the specified limitations.

The Association's indebtedness to AgFirst 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 AgFirst'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 AgFirst based upon an agreement between AgFirst and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31,		
	2024	2023	2022
Line of credit	$ 603,000	$ 595,000	$ 615,000
Outstanding principal under the line of credit	586,271	559,065	514,102
Interest rate	4.23%	4.04%	2.77%

Note 7 — Members' Equity

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

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

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

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

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

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

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

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

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

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	16.75%	16.74%	17.23%
Tier 1 Capital	6.0%	2.5%	8.5%	16.75%	16.74%	17.23%
Total Capital	8.0%	2.5%	10.5%	18.01%	17.99%	18.49%
Permanent Capital	7.0%	0.0%	7.0%	16.96%	16.93%	17.43%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	16.61%	16.56%	16.71%
URE and UREE Leverage	1.5%	0.0%	1.5%	11.34%	10.96%	10.67%

* *The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

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

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

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

		Shares Outstanding	
Class	Protected	Number	Aggregate Par Value
C Common/Voting	No	345,753	$ 1,729
C Participation Certificates/Nonvoting	No	47,706	238
Total Capital Stock and Participation Certificates		393,459	$ 1,967

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. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2024, allocated members' equity consisted of $35,157 of nonqualified allocated surplus and $40,859 of nonqualified retained surplus.

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 or 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 and C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B and 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.

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.

Transfer

Classes A and D Preferred, Classes A, B and C Common Stocks, 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. Class C Common Stock and Class C Participation Certificates
2. Classes A and B Common Stock and Class B Participation Certificates
3. 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. Holders of Classes A and D Preferred Stock
2. Holders of Classes A and B Common Stock and Class B Participation Certificates
3. Holders of Class C Common Stock and Class C Participation Certificates
4. Holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed
5. Holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed
6. Any remaining assets of the Association after such distributions shall be distributed to past and present patrons on a patronage basis, to the extent practicable.

E. **Accumulated Other Comprehensive Income (AOCI):**

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

	For the Year Ended December 31,		
	2024	**2023**	**2022**
Unrealized Gains (Losses) on Investments:			
Balance at beginning of period	$ 106	$ 114	$ 246
Other comprehensive income before reclassifications	–	–	–
Amounts reclassified from AOCI	(8)	(8)	(132)
Net current period OCI	(8)	(8)	(132)
Balance at end of period	98	106	114
Employee Benefit Plans:			
Balance at beginning of period	(207)	(202)	(311)
Other comprehensive income before reclassifications	13	(15)	94
Amounts reclassified from AOCI	10	10	15
Net current period OCI	23	(5)	109
Balance at end of period	(184)	(207)	(202)
Accumulated Other Comprehensive Income:			
Balance at beginning of period	(101)	(88)	(65)
Other comprehensive income before reclassifications	13	(15)	94
Amounts reclassified from AOCI	2	2	(117)
Net current period OCI	15	(13)	(23)
Balance at end of period	$ (86)	$ (101)	$ (88)

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

	For the Year Ended December 31,			
	2024	**2023**	**2022**	**Income Statement Line Item**
Investment Securities:				
Amortization	$ 8	$ 8	$ 132	Interest income on investments
Amounts reclassified	8	8	132	
Defined Benefit Pension Plans:				
Periodic pension costs	(10)	(10)	(15)	See Note 9.
Amounts reclassified	(10)	(10)	(15)	
Total reclassifications for the period	$ (2)	$ (2)	$ 117	

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

Note 8 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2, *Summary of Significant Accounting Policies* for a more complete description of the three levels.

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

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 696	$ –	$ –	$ 696
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 304	$ 304
Other property owned	$ –	$ –	$ 122	$ 122

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 621	$ –	$ –	$ 621
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 1,376	$ 1,376
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 898	$ –	$ –	$ 898
Nonrecurring assets				
Impaired loans*	$ –	$ –	$ 2,903	$ 2,903
Other property owned	$ –	$ –	$ 150	$ 150

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

Valuation Techniques

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

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

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

Note 9 — Employee Benefit Plans

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

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

The District's multiemployer plans are not subject to 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 on 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 $179 for 2024, $234 for 2023, and $204 for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP Plan was $9,765, $33,660, and $32,568, respectively. The FAP Plan was 98.52 percent, 95.43 percent, and 95.81 percent funded to the projected benefit obligation as of December 31, 2024, 2023, and 2022, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included on 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 $257 for 2024, $264 for 2023, and $238 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,643, $160,980, and $167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002. 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 $589, $518, and $601 for the years ended December 31, 2024, 2023, and 2022, respectively.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2024, 2023, and 2022, $23, $(5) and $109 has been recognized as a net credit, a net debit and a net credit 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 $479 and a net under-funded status of $479 at December 31, 2024. Assumptions used to determine the projected benefit obligation as of December 31, 2024 included a discount rate of 5.65 percent. The expenses of these nonqualified plans included in noninterest expenses were $72, $72, and $39 for 2024, 2023, and 2022, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with 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 schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2024 amounted to $13,030. During 2024, $6,679 of new loans and advances were made and repayments totaled $7,222. In addition, net loans of $3,889 were newly classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectibility.

Note 11 — Commitments and Contingencies

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

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

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

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, $120,064 of commitments to extend credit and no commercial letters of credit were outstanding. A reserve for unfunded commitments of $332 was included in Other Liabilities on the Consolidated Balance Sheets at December 31, 2024.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled $528 with expiration dates ranging from January 1, 2025 to September 30, 2028. The maximum potential amount of future payments that may be required under these guarantees was $528.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ 46	$ (46)	$ (29)
State	11	(11)	(12)
	57	(57)	(41)
Deferred:			
Federal	–	–	–
State	–	–	–
	–	–	–
Total provision (benefit) for income taxes	$ 57	$ (57)	$ (41)

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

	December 31,		
	2024	2023	2022
Federal tax at statutory rate	$ 2,977	$ 2,644	$ 3,289
State tax, net	–	(37)	–
Patronage distributions	(1,554)	(1,389)	(1,283)
Tax-exempt FLCA earnings	(1,382)	(1,213)	(1,500)
Change in valuation allowance	(52)	(53)	(600)
Change due to graduated rate on nonpat income	–	–	–
Deferred tax rate change	–	–	–
NOL Carryforward	–	–	–
Other	68	(9)	53
Provision (benefit) for income taxes	$ 57	$ (57)	$ (41)

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

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for credit losses	$ 1,032	$ 1,175	$ 1,826
Nonaccrual loan interest	508	472	556
Other property owned write-down	–	–	–
NOL Carryforward	620	495	262
Loan origination fees	–	–	36
Gross deferred tax assets	2,160	2,142	2,680
Less: valuation allowance	(1,692)	(1,744)	(2,374)
Gross deferred tax assets, net of valuation allowance	468	398	306
Deferred income tax liabilities:	(468)	(398)	(306)
Net deferred tax asset (liability)	$ –	$ –	$ –

The Association recorded a valuation allowance of $1,692, $1,744, and $2,374 as of December 31, 2024, 2023 and 2022, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

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

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

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2024				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,499	$ 5,322	$ 5,483	$ 5,747	$ 22,051
Provision for (reversal of) allowance for credit losses	(585)	(533)	(32)	1,383	233
Noninterest income (expense), net	(1,560)	(1,360)	(2,225)	(2,556)	(7,701)
Net income	$ 4,524	$ 4,495	$ 3,290	$ 1,808	$ 14,117

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,931	$ 4,651	$ 5,071	$ 4,950	$ 19,603
Provision for (reversal of) allowance for credit losses	55	(3)	1,158	463	1,673
Noninterest income (expense), net	(1,437)	(1,466)	(505)	(1,875)	(5,283)
Net income	$ 3,439	$ 3,188	$ 3,408	$ 2,612	$ 12,647

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,449	$ 4,382	$ 4,498	$ 4,810	$ 18,139
Provision for (reversal of) allowance for loan losses	(480)	(621)	599	(906)	(1,408)
Noninterest income (expense), net	(1,591)	(1,236)	(970)	(49)	(3,846)
Net income	$ 3,338	$ 3,767	$ 2,929	$ 5,667	$ 15,701

Note 14 — Subsequent Events

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

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