



ROOTED IN Service

2024 ANNUAL REPORT FOR AGCAROLINA FARM CREDIT



Ag Carolina
FARM CREDIT



Shared PURPOSE

SERVING AGRICULTURE AND RURAL COMMUNITIES,
YIELDING A MORE PROSPEROUS FUTURE FOR ALL

Mission

PROVIDING CONSTRUCTIVE CREDIT AND FINANCIAL
SERVICES TO GROW THE SUCCESS OF OUR
MEMBERS, ONE LOCAL RELATIONSHIP AT A TIME



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Message FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



EVAN KLEINHANS

On behalf of your Board of Directors and the executive leadership team at AgCarolina Farm Credit, we are pleased to report that 2024 was a successful year for your cooperative. We continue our important work of serving agricultural and rural communities to yield a more prosperous future for all.


AgCarolina remains in extremely sound financial condition. Loan volume grew at a healthy rate, our net earnings surpassed projections exceeding \$66 million and your cooperative remains well capitalized. With this solid financial performance your Board of Directors declared another strong patronage, returning \$48.5 million in cash patronage to eligible members.

Two years post-merger, AgCarolina continues to build financial strength and operational capacity. We continue to invest in equipping our team with the tools to serve your evolving needs. Our lending products, services and expertise are important parts of the value we deliver

to our members. AgCarolina continues to be successful and has achieved greater resilience post-merger through loan portfolio diversification, more regulatory capital and stronger earnings.

AgCarolina remains committed to continuing our robust patronage program into the future. Extremely strong earnings, greater risk bearing capacity post-merger and capital levels being above board established targets has unlocked above average cash patronage for our eligible members in recent years. The AgCarolina Board of Directors and Executive Leadership expect patronage to normalize in future years as capital levels fall in line with board established targets and more earnings are retained to achieve asset growth.

The Association is well positioned to serve our members today and into the future as we continue to have a local presence across our entire territory and remain focused on building strong relationships. We are proud of the strong member satisfaction scores we continue to earn, and remain grounded as a locally owned and locally controlled cooperative. Our success is integrally related to the success of our members and we diligently work to continue to earn your business.



Agriculture is a dynamic and cyclical industry. AgCarolina exists to be the local lender that agriculture can count on in good times and difficult times. The past year AgCarolina has demonstrated the value of that dependability as 2024 proved to be a difficult year for agriculture as many producers faced an array of challenges that eroded operating margins. The industry at-large experienced a contraction in net farm income. AgCarolina's credit quality remains solid but reflects the stress that remains inherent in many sectors of the North Carolina agricultural economy. Staying true to our mission, AgCarolina continues to provide constructive credit and financial services to grow the success of our members, one local relationship at a time.

AgCarolina is blessed to have an extremely dedicated and talented team. These great men and women work tirelessly to serve you and give back to the local communities that we live and work in. Our local team regularly volunteers and supports charities and non-profit organizations with their time, talents, and labor. AgCarolina also contributes financially to important causes that align with our mission. In 2024, AgCarolina made a \$50,000 contribution to support Hurricane Helene relief efforts in Western North Carolina as well as meaningful financial contributions to local 4-H and FFA chapters, investing into the next generation of rural leaders.

The success of our members is of paramount importance, which is why we organize value-added events throughout the year to enhance their success. These events provide valuable insights, networking opportunities, and resources. Additionally, we arrange educational opportunities, providing resources and knowledge to help local farmers and residents improve their agricultural practices and financial acumen.

We are proud of the achievements of the past year and are optimistic about the future. We are tremendously grateful that you have chosen us as your financial partner. As you look ahead, please know that your AgCarolina team is diligently working to serve you and to help your operation be successful. Together we are stronger, and our success is aligned. A bright future lies ahead!

Sincerely,

Evan Kleinhans

Nash Johnson

ROOTED IN *Member* SERVICE

At AgCarolina, our mission is to provide constructive credit and financial services to grow the success of our members, one local relationship at a time. Additionally, we strive to bring value to our members by providing them with the products and services they deserve.



LOANS FOR YOUR FARM

- Equipment and vehicles
- Operating expenses
- Poultry and livestock facilities
- Farm improvements
- Barns, stables, and sheds



LOANS FOR YOUR AGRIBUSINESS

- Nurseries and greenhouses
- Poultry and livestock operations
- Gins and processing facilities
- Timber and sawmill operations
- Farm-related businesses



LOANS FOR YOUR HOME IN THE COUNTRY

- Lots
- Home construction
- Purchases and refinancing
- Home remodeling
- Home improvements

MORE THAN *Loans...*

AgCarolina Farm Credit wants you to be successful and offers the following services and conveniences:



E-COMMERCE

Digital Banking – Conveniently manage your account information 24/7 from your computer or mobile device.



OTHER SERVICES

Farm Credit Express – An equipment financing solution offered at most local equipment dealers.

Leases – Financing options are available for trucks, equipment, buildings and more.

Educational Programs – Offered throughout the year to our members such as:

- ❖ **AgBiz Programs** designed for young, beginning and small farmers, including veteran and minorities that are considered young, beginning or small farmers.
- ❖ **Grow Your F.A.R.M.**, an AgCarolina agricultural education reimbursement program that allows young, beginning and small farmers to apply for reimbursement funds for educational programs that will advance their agriculture knowledge and skills.
- ❖ **Industry News** – Are you interested in market news, data analysis, and other tools to keep ahead of the curve? AgCarolina provides AgWeather and commodity updates.



MONEY MANAGEMENT TOOLS

FastCash – Quick and easy fund transfers from your line of credit loan into your personal or business checking account at no cost to you.

AutoDraft – Hassle-free, automatic drafting of your loan payments saves you time and money.

AutoBorrow – A cash management tool that links your AgCarolina Farm Credit loan to your business checking account.

CONTACT MARKETING@AGCAROLINA.COM TO LEARN MORE.

BRANCH *Locations*

AHOSKIE BRANCH

408 NC 561 W
Ahoskie, NC 27910
252-332-6143

BURGAW BRANCH

811 S Walker St.
Burgaw, NC 28425
910-259-5481

CLINTON BRANCH

1780 Southeast Blvd.
Clinton, NC 28328
910-592-8121

ELIZABETH CITY BRANCH

101 Impact Blvd
Elizabeth City, NC 27909
252-335-0582

ELIZABETHTOWN BRANCH

108 N Poplar St.
Elizabethtown, NC 28337
910-862-4536

GREENVILLE BRANCH

636 Rock Spring Rd.
Greenville, NC 27834
252-758-1512

HALIFAX BRANCH

419 South King St.
Halifax, NC 27839
252-583-1331

HARNETT COUNTY BRANCH

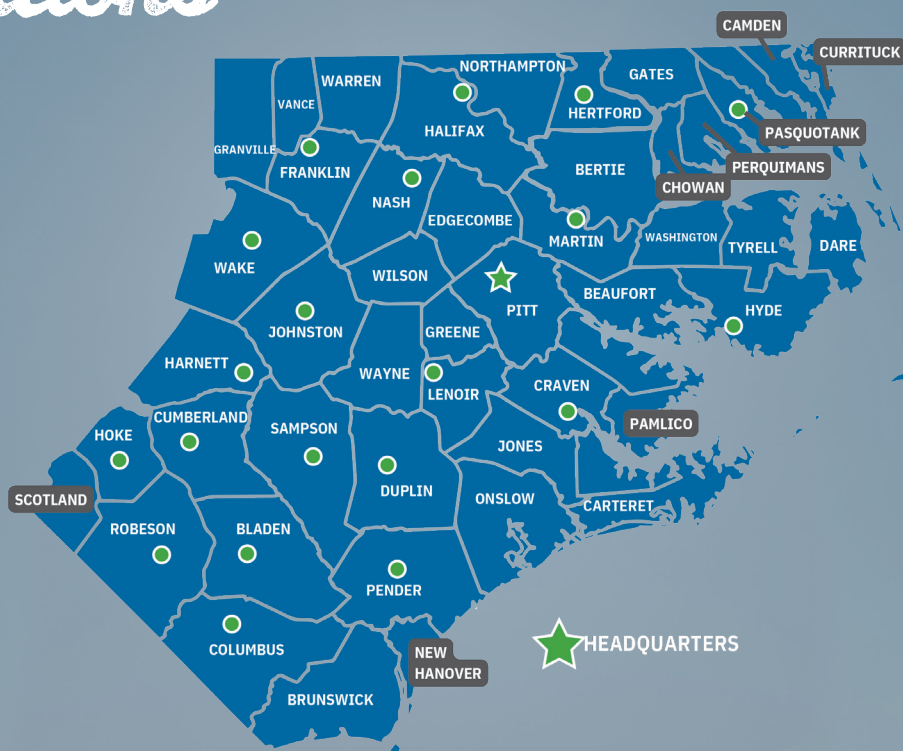
400 W Broad St.
Dunn, NC 28335
910-892-4065

KENANSVILLE BRANCH

127 Beasley St.
Kenansville, NC 28349
910-296-1776

LA GRANGE BRANCH

7900 Hwy 70 W
La Grange, NC 28551
252-566-2163



LOUISBURG BRANCH

1654 NC 39 Hwy N
Louisburg, NC 27549
919-496-3267

LUMBERTON BRANCH

1902 N Cedar St.
Lumberton, NC 28358
910-738-8181

NEW BERN BRANCH

1309 S Glenburnie Rd.
New Bern, NC 28561
252-638-5673

OPERATIONS OFFICE

2919 Breezewood Ave.
Suite 400
Fayetteville, NC 28303
910-323-9188

RAEFORD BRANCH

331 S Main St.
Raeford, NC 28376
910-875-6181

RALEIGH BRANCH

4000 Poole Rd.
Raleigh, NC 27610
919-250-0202

ROCKY MOUNT BRANCH

2472 Woodruff Rd.
Rocky Mount, NC 27804
252-443-1290

SMITHFIELD BRANCH

2850 US Hwy 70 Business East
Smithfield, NC 27577
919-934-9731

SWAN QUARTER BRANCH

13191 US Highway 264
Swan Quarter, NC 27885
252-926-7481

WHITEVILLE BRANCH

300 Liberty St.
Whiteville, NC 28472
910-642-8041

WILLIAMSTON BRANCH

1105 Garrett Rd.
Williamston, NC 27892
252-792-1678

ROOTED IN *Community* SERVICE

\$60,000 DONATED TO HELP REBUILD WESTERN NC AFTER HURRICANE HELENE DEVASTATION



In the wake of the devastation caused by Hurricane Helene to the western part of our state, AgCarolina Farm Credit donated over \$60,000 to organizations providing relief and support to impacted areas with the goal of aiding communities, farmers, and employees reeling from this storm.

“At AgCarolina Farm Credit, we believe in standing by our communities, especially in times of crisis. The impact of Hurricane Helene has been profound, and we are committed to supporting the recovery efforts,” said Evan Kleinhans, CEO of AgCarolina Farm Credit.

A donation was given to Baptists on Mission, an organization providing immediate and long-term disaster relief through efforts such as distributing essential supplies, offering shelter, and supporting the rebuilding of homes and communities in Western NC.

An additional donation was given to Western North Carolina (WNC) Communities, an organization with a focus on supporting the agricultural sector, which has been severely impacted by the hurricane. This donation assisted in restoring farm operations, provided resources for farmers, and supported the sustainability of agricultural activities in the region.

Additionally, a donation was given to AgSouth Farm Credit with the purpose of providing support to employees who were directly affected by Hurricane Helene through financial assistance as they rebuild and recover from the disaster.

Lastly, each department at AgCarolina Farm Credit was allocated additional funds and paid volunteer time to support relief efforts, including the opportunity to participate in an organized trip through Baptists on Mission to Western North Carolina.

As a local lending cooperative, our strength lies in coming together, in good times and in devastating times such as through this destruction. We remain committed to our mission of supporting rural communities and agriculture. It is our hope that these financial donations have and continue to make a difference.



AGCAROLINA GRANTS BENEFIT ORGANIZATIONS IN RURAL NORTH CAROLINA

Through two vital community grant programs, \$90,000 was distributed to local non-profit organizations, NC 4-H chapters and NC FFA Chapters.

In partnership with AgSouth Farm Credit, the 2024 Pull for Youth sporting clays event raised over \$65,000 to distribute to local 4-H and FFA chapters. Over \$40,000 was awarded in the form of a Pull for Youth grant to local FFA and 4-H chapters within AgCarolina's territory for a specific project.

Additionally, AgCarolina's annual corporate giving program granted 16 local organizations funds within the focus areas of education, environment, technology or quality of rural life. Grant funds were awarded in 22 AgCarolina counties in central, eastern and southeastern North Carolina.

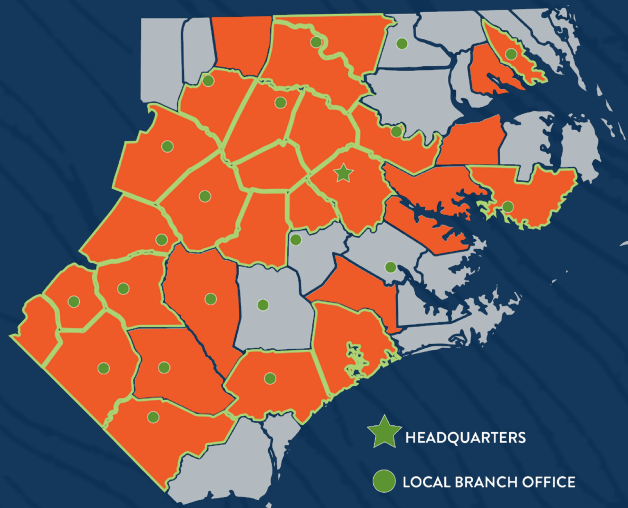
Through both the Pull for Youth local chapter grants and the corporate giving program, AgCarolina strives to make a positive impact in the agricultural industry and rural communities of today and tomorrow, one local relationship at a time. It is the desire of these programs to leave a legacy that positively impacts the lives of those in North Carolina for generations to come.


2024 Community Impact

\$90,000

FROM COMBINED GRANT PROGRAMS
AWARDED TO **47 ORGANIZATIONS**
IMPACTING **20+ NC COUNTIES**

*Making a difference in the communities
we serve through community and Pull
for Youth Grant programs.*



 Counties positively impacted by 2024 Pull For Youth Programs

 Counties positively impacted by 2024 Community Programs



A SERVING SPIRIT

One of AgCarolina's core values is to serve our members and local communities, a driving force in the AgCarolina Serves and Cares programs. These programs encourage and support our employees as they make a difference in their communities.

AgCarolina Serves is a program that enhances the volunteer efforts of our employees. When a full-time employee donates 50 or more hours of their personal time to a nonprofit organization, the Association awards \$500 to that organization. Not only is the nonprofit benefiting from the contribution of the employee's time, but also monetarily. Our employees have volunteered their time to organizations such as volunteer fire departments, the Kiwanas Foundation, and FFA.

The *AgCarolina Cares* program works differently than the Serves program in that it encourages employees to act as a team to physically complete a project for the betterment of the community. AgCarolina donates \$500 to each approved project and allots 16 hours of paid time off for employees to complete the project.

Some AgCarolina Cares projects that were completed in 2024 included landscaping at a local school, purchasing and delivering materials for Hurricane Helene relief, supporting the success of FFA at fundraising events, and gathering Christmas gifts for families in need.

"Watching our employees see a need, come together to find a solution, and take action to better the community with enthusiasm and passion is incredible to witness," said Evan Kleinhans, AgCarolina CEO.



ROOTED IN
Service
2024

PATRONAGE
DECLARED
\$48.5M

SCHOLARSHIPS
AWARDED
\$26,500

NEARLY
400
EMPLOYEE
VOLUNTEER
HOURS

6,750+
MEMBER
RELATIONSHIPS

125+
LOCAL EVENTS
SUPPORTED

ROOTED IN *Education Empowerment*

Each year, AgCarolina Farm Credit invests in its members by providing exclusive educational opportunities including webinars, in-person conferences, online learning modules, ag budget calculators and more.

125+

ladies attended the
2024 Women in Ag Conference
hosted in Lone Oak, Parkton, NC,

10+

members participated in the
2024 AgLeadership Conference

100+

members participated and donated to the
2024 Pull for Youth sporting clays shooting event.
Funds were raised to distribute to local
4-H and FFA Chapters.

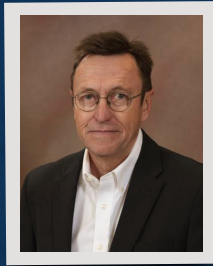
200+

members attended a
**Transition Planning Workshop
or Economic Outlook Forum** in late 2024.

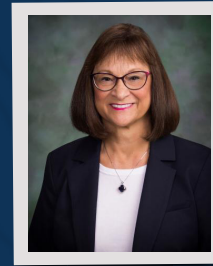


Board OF DIRECTORS

AS OF DECEMBER 31, 2024



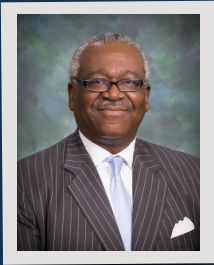
DR. BLAKE BROWN
OUTSIDE DIRECTOR
BOONE, NC



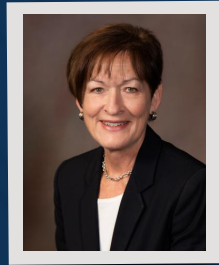
RUBY W. BULLARD
WADE, NC



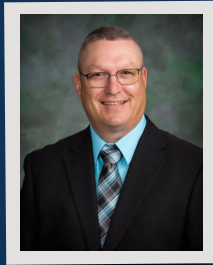
PAUL DRAKE
PINETOPS, NC



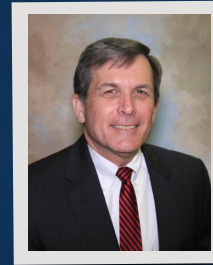
TONY GRANT
OUTSIDE DIRECTOR
COLUMBIA, SC



BONNIE HANCOCK
OUTSIDE DIRECTOR
RALEIGH, NC



MICHAEL E. INMAN
TAR HEEL, NC



NASH JOHNSON II
CLINTON, NC



BUNDY LANE
GATES, NC



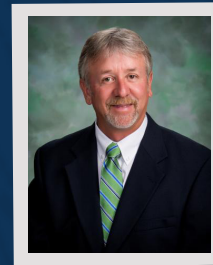
ADRIAN LOCKLEAR
MAXTON, NC



PAUL M. MAGUIRE
ROSEBORO, NC



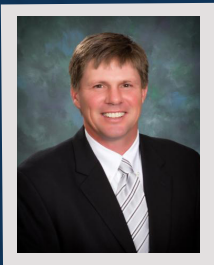
AUDIE MURPHY
STANTONSBURG, NC



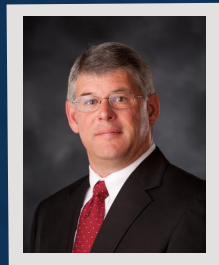
MORRIS MURPHY
ALBERTSON, NC



STUART PIERCE
AHOSKIE, NC



**JONATHAN "JON"
POPE**
COATS, NC



DEREK POTTER
GRANTSBORO, NC



GARY ROUSE
OUTSIDE DIRECTOR
CLINTON, NC



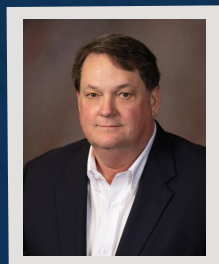
RODNEY D. SMITH
PINK HILL, NC
*Service ended as a director on
12/18/24*



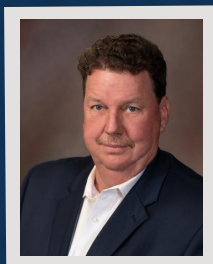
BO STONE
ROWLAND, NC



ELLIS W. TAYLOR
ROANOKE RAPIDS, NC



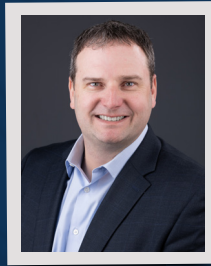
ROB TURNER
OAK CITY, NC



MARK A. WELLONS
PRINCETON, NC

Senior LEADERSHIP

AS OF DECEMBER 31, 2024



EVAN KLEINHANS
CHIEF EXECUTIVE OFFICER



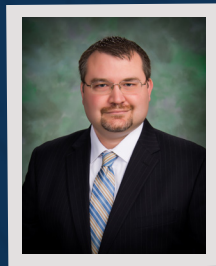
CHUCK HESTER
CHIEF FINANCIAL OFFICER



ANTHONY S. JACKSON
CHIEF CREDIT OFFICER



SKIPPER JONES
CHIEF ADMINISTRATIVE OFFICER



GEOFF MANDEREWICZ
CHIEF OPERATION OFFICER



BROOK GILLIS
CHIEF LENDING OFFICER OF BRANCH LENDING



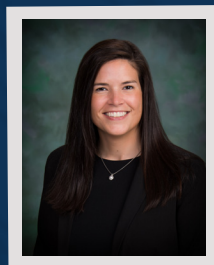
ROY P. ROBERTSON, JR.
CHIEF LENDING OFFICER OF AGRIBUSINESS AND FINANCIAL SERVICES



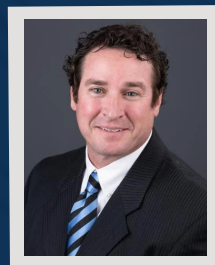
GERALD WILSON
CHIEF LENDING OFFICER OF COMMERCIAL AND CAPITAL MARKETS



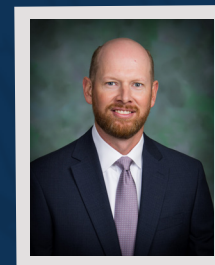
MATTHEW MCFARLIN
SENIOR VICE PRESIDENT-DIRECTOR OF ICFR AND SOX COMPLIANCE



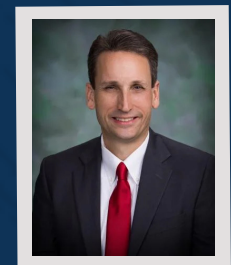
COURTNEY STEWART
CHIEF RISK OFFICER



PRESTON SUTTON
SENIOR VICE PRESIDENT-EAST REGIONAL MANAGER



STUART BETTS
SENIOR VICE PRESIDENT-WEST REGIONAL MANAGER



BRIAN JOHNSON
SENIOR VICE PRESIDENT-SOUTH REGIONAL MANAGER

AgCarolina Farm Credit, ACA
2024 ANNUAL REPORT

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Report of Management

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

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the cost 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 and the results of operations of the Association. The undersigned certify that we have reviewed the 2024 Annual Report of AgCarolina Farm Credit, ACA, that the report has been prepared under the oversight of the audit committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Nash Johnson II
Chairman of the Board

/s/ Evan J. Kleinhans
Chief Executive Officer

/s/ Matthew J. McFarlin
Chief Financial Officer

March 11, 2025

Report on Internal Control Over Financial Reporting

The Association’s principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association’s Consolidated Financial Statements. For purposes of this report, “internal control over financial reporting” is defined as a process designed by, or under the supervision of the Association’s principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition 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. This annual report does not include an attestation report of the Association’s external accounting firm regarding internal control over financial reporting as none was required.

/s/ Evan J. Kleinhans
Chief Executive Officer

/s/ Matthew J. McFarlin
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	December 31,				
	2024	2023	2022	2021	2020
Balance Sheet Data					
Cash	\$ 41	\$ 4	\$ 93	\$ 6	\$ 4
Investments in debt securities	2,313	2,409	—	—	—
Loans	2,818,333	2,613,222	1,362,645	1,280,860	1,192,556
Allowance for loan losses	(13,915)	(12,418)	(9,034)	(13,484)	(14,071)
Net loans	2,804,418	2,600,804	1,353,611	1,267,376	1,178,485
Equity investments in other Farm Credit institutions	44,811	42,599	16,607	10,909	11,981
Other property owned	641	—	—	—	—
Other assets	87,415	88,853	45,105	55,977	48,518
Total assets	\$ 2,939,639	\$2,734,669	\$1,415,416	\$1,334,268	\$1,238,988
Notes payable to AgFirst Farm Credit Bank*	\$ 2,351,268	\$2,155,900	\$1,072,805	\$1,001,022	\$ 915,503
Accrued interest payable and other liabilities with maturities of less than one year	76,633	78,884	41,333	39,354	42,643
Total liabilities	2,427,901	2,234,784	1,114,138	1,040,376	958,146
Capital stock and participation certificates	21,058	26,442	35,739	36,457	33,400
Additional paid-in-capital	65,531	65,531	—	—	—
Retained earnings					
Allocated	347,247	333,127	194,581	177,724	177,724
Unallocated	78,066	74,972	70,958	79,711	69,718
Accumulated other comprehensive income (loss)	(164)	(187)	—	—	—
Total members' equity	511,738	499,885	301,278	293,892	280,842
Total liabilities and members' equity	\$ 2,939,639	\$2,734,669	\$1,415,416	\$1,334,268	\$1,238,988
Statement of Income Data					
Net interest income	\$ 95,618	\$ 87,903	\$ 35,888	\$ 33,195	\$ 32,796
Provision for (reversal of) allowance for loan losses	2,361	9,081	(4,513)	28	(45)
Noninterest income (expense), net	(27,005)	(17,301)	(7,258)	2,544	(271)
Net income	\$ 66,252	\$ 61,521	\$ 33,143	\$ 35,711	\$ 32,570
Key Financial Ratios					
Rate of return on average:					
Total assets	2.38%	2.38%	2.45%	2.85%	2.73%
Total members' equity	12.46%	11.83%	10.57%	11.81%	11.18%
Net interest income as a percentage of					
average earning assets	3.56%	3.51%	2.73%	2.72%	2.82%
Net (chargeoffs) recoveries to average loans	(0.032)%	(0.054)%	0.005%	(0.050)%	(0.048)%
Total members' equity to total assets	17.41%	18.28%	21.29%	22.03%	22.67%
Debt to members' equity (:1)	4.74	4.47	3.70	3.54	3.41
Allowance for loan losses to loans	0.49%	0.48%	0.66%	1.05%	1.18%
Permanent capital ratio	17.27%	18.16%	22.76%	22.73%	23.36%
Common equity tier 1 capital ratio	16.63%	17.28%	19.76%	19.47%	20.27%
Tier 1 capital ratio	16.63%	17.28%	19.76%	19.47%	20.27%
Total regulatory capital ratio	17.14%	17.86%	20.73%	20.58%	21.52%
Tier 1 leverage ratio**	16.94%	17.63%	19.11%	19.62%	20.46%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	16.68%	17.37%	18.81%	19.64%	20.62%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 48,500	\$ 49,000	\$ 24,500	\$ 25,554	\$ 28,087
Nonqualified retained earnings	13,365	11,529	7,924	—	3,121

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

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

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

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

Copies of the Association's Annual and Quarterly Reports are available upon request free of charge on the Association's website, www.agcarolina.com, or by calling 1-800-951-3276, extension 7189, or writing Matthew McFarlin, AgCarolina Farm Credit, ACA, P. O. Box 14789, Raleigh, NC 27620. 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 Report 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.

MERGER ACTIVITY

Cape Fear Farm Credit, ACA, merged with and into AgCarolina Farm Credit, ACA, (the Merger) effective January 1, 2023. AgCarolina Farm Credit, ACA retained its name and is headquartered in Greenville, NC.

The effects of the Merger are included in our financial position, results of operations and related metrics beginning January 1, 2023. Prior year results are not reflective of the Merger executed on January 1, 2023. Results of operations and equity reflect the results of legacy AgCarolina Farm Credit, ACA, through December 31, 2022, and the merged Association on January 1, 2023 and thereafter. Upon the closing of the Merger, loans increased \$1.1 billion, liabilities increased \$928.9 million, and equity increased \$194.2 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations. See further information regarding the Merger within *Note 14 – Merger Activity*, of the Notes to the Consolidated Financial Statements.

The Merger was accounted for under the acquisition method of accounting guidance in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification 805 Business Combinations (ASC 805). As the accounting acquirer, AgCarolina Farm Credit, ACA recognized the identifiable assets acquired and liabilities assumed in the Merger as of the effective date at their respective fair values. The fair value of the net identifiable assets was substantially equal to the fair value of the equity interest exchanged in the Merger. As a result, no goodwill was recorded.

FORWARD LOOKING INFORMATION

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

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

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

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 loan losses which covers the Association's loan portfolio,
- the ACL on unfunded commitments, and
- the ACL on investment securities.

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, unfunded commitments and investment securities 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

North Carolina's economy continues to perform well as labor markets remain strong and housing market indicators are generally positive. Household conditions are mixed as per capita personal income continues to improve, but the effect of price increases to consumers serves as an offset. Decreases in interest rates should have a positive impact going forward but the potential impact of changes in trade policies could have a negative short-term impact on the economy. North Carolina's December 2024 unemployment rate increased slightly from 3.6% in December of 2023 to 3.7% but is below the national rate of 4.1%. Most job growth continues to be focused in the Central / Piedmont area of the state whereas the Eastern portion of the state continues to rely heavily on agriculture as an economic base. The disparity in economic performance and opportunities between the state's metro areas and the rest of the state is still significant but the gap began to decline in 2021.

Farm sector profitability decreased in 2024 and is expected to exhibit continued weakness in 2025 caused by lower commodity prices to farmers, high input costs and reduced government payments. Potential trade policy actions negatively impacting commodity markets and labor market uncertainty, has injected additional volatility into the outlook. Liquidity in the balance sheet has eroded for many farmers and has created the need for debt restructuring and additional borrowing by some. Farmers will need to reassess their operations to ensure they are maximizing operational efficiencies and profit potential in light of agriculture economy concerns, particularly those engaged in crop production.

The swine and poultry segments, two of the larger commodity exposures in the portfolio, continue to perform well benefitting from lower feed costs but face challenges in 2025. The swine industry is evolving with changes in the integrator structure of the largest swine producer in North Carolina. Poultry sector expansion has slowed in the Association's territory. Avian influenza outbreaks have generated significant concern in the poultry sector and are being managed in accordance with disease management protocols enacted by state agricultural officials; however, continued diligence is needed. Uncertainty related to trade policy poses a potential threat as the export market plays a significant role in maintaining current price levels.

Crop production, another significant concentration of the loan portfolio, has struggled under low commodity prices and production negatively impacted by weather conditions. In addition, input costs remain high for most crops. Commodity prices are forecasted to remain stable but low in the near term thereby continuing a challenging operating environment for producers. Tobacco production continues to decline as a commodity concentration in the Association's portfolio.

Farm real estate values remained steady to slightly improving during 2024 while used equipment values exhibited some decreases. Continued stress in the row crop sector could further depress used equipment values. Farm real estate value trends should continue into 2025 assuming no large increase in farm acreages for sale occurs.

The Association's loan officers, with the support and direction of senior leadership, have successfully navigated the challenges of operating in difficult economic conditions. Our expertise in agricultural and rural lending allows us to help our customer-owners navigate through the fluctuations and uncertainties that are prevalent in the agricultural industry today.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types.

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

Loan Type	December 31,					
	2024		2023		2022	
Real estate mortgage	\$ 1,546,990	54.89%	\$ 1,512,362	57.87%	\$ 785,221	57.63%
Production and intermediate term	841,886	29.87	763,728	29.23	451,508	33.13
Processing and marketing	204,044	7.24	128,145	4.90	64,436	4.73
Farm-related business	70,128	2.49	65,671	2.51	17,264	1.27
Rural residential real estate	64,838	2.30	57,200	2.19	36,787	2.70
Communication	33,673	1.19	23,207	0.89	3,062	0.22
Loans to cooperatives	29,738	1.06	40,299	1.54	3,156	0.23
Power and water/waste disposal	18,451	0.66	14,792	0.57	431	0.03
International	5,097	0.18	3,565	0.14	780	0.06
Lease receivables	3,447	0.12	4,209	0.16	-	-
Other (including mission related)	41	-	44	-	-	-
Total	\$ 2,818,333	100.00%	\$ 2,613,222	100.00%	\$ 1,362,645	100.00%

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified by geographic locations served, commodities financed, and loan participations purchased and sold.

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

Branch	12/31/24	12/31/23	12/31/22
Capital Markets	13.00%	11.99%	5.92%
Kenansville	8.95	9.52	-
Greenville	7.16	7.90	14.07
Clinton	6.93	6.54	-
Smithfield	6.42	6.26	10.47
Rocky Mount	5.34	5.47	9.31
Elizabeth City	5.03	5.21	9.09
Williamston	4.87	5.14	9.93
La Grange	4.61	4.60	8.68
Commercial	3.77	3.45	-
Louisburg	3.75	3.84	7.23
Raleigh	3.39	2.99	5.46
New Bern	3.21	3.11	5.85
Raeford	3.11	3.37	-
Harnett County	3.07	3.14	-
Elizabethtown	3.02	3.15	-
Swan Quarter	2.80	2.69	4.80
Lumberton	2.65	2.58	-
Ahoskie	2.48	2.49	4.57
Burgaw	2.32	2.31	-
Halifax	2.12	2.10	3.90
Whiteville	1.55	1.62	-
Other	0.45	0.53	0.72
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The Merger was the primary reason for the changes in the geographic distribution of loans by branches from 2022 to 2023.

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 Merger was the primary reason for the shift in commodity concentration from 2022 to 2023, which further increased diversification within our portfolio. The predominant commodities are poultry, field crops, forestry, swine, and corn which constitute 61 percent of the entire portfolio at December 31, 2024.

Commodity Group	Percent of Portfolio		
	2024	2023	2022
Poultry	16.45%	17.58%	7.78%
Field Crops	15.48	14.60	22.14
Forestry	11.97	10.69	12.09
Swine	10.12	11.52	4.98
Corn	7.09	7.71	9.43
Grains	6.62	6.67	10.94
Other Real Estate	6.26	6.64	8.78
Other	5.18	4.94	4.80
Cotton	4.75	4.81	8.06
Processing	3.85	3.80	1.97
Tree Fruits and Nuts	2.73	2.49	0.69
Cattle	2.35	2.38	2.87
Rural Home Loans	2.20	1.98	2.82
Nursery/Greenhouse	1.62	1.42	1.20
Utilities	1.42	0.99	0.26
Dairy	1.41	1.24	0.50
Tobacco	0.50	0.54	0.69
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. The Association's loan portfolio is well diversified from both a commodity and number of producers perspective. Further, many of the Association's members are diversified within their enterprise, which also reduces overall risk exposure.

While the Association has continued to experience demand for large loans over the past several years, the agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of enterprise diversity in the Association's territory.

The average daily balance in gross loan volume for the twelve months ended December 31, 2024, continues to be well diversified with no significant industry or producer concentration.

During 2024, the Association remained active in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income.

Loan Participations	2024	2023	2022
Participations Purchased			
– FCS Institutions	\$ 365,667	\$ 292,319	\$ 79,257
Participations Purchased			
– Non-FCS Institutions	–	27,877	–
Participations Sold	<u>(817,198)</u>	<u>(942,593)</u>	<u>(240,628)</u>
Total	<u>\$ (451,531)</u>	<u>\$ (622,397)</u>	<u>\$ (161,371)</u>

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 began selling qualified long-term mortgage loans into the secondary market as a result of the Merger. For the periods ended December 31, 2024, and 2023, the Association originated loans for resale totaling \$1,924 and \$4,903, respectively, which were subsequently sold into the secondary market.

As a result of the Merger, the Association began participating in the Farmer Mac Long Term Stand-By program. Farmer Mac was established by Congress to provide liquidity to agricultural lenders. At December 31, 2024, and 2023, the balance of these loans was \$17,363 and \$21,128, respectively, of which 100 percent were guaranteed by Farmer Mac.

The Association additionally has loans wherein a certain portion of the loans are guaranteed by various governmental entities for the purpose of reducing risk. At December 31, 2024, 2023, and 2022, the balance of these loans was \$47,095, \$49,388, and \$23,020, respectively.

CREDIT RISK MANAGEMENT

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

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

The credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower’s ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loan originations of more than \$1.0 million. 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	95.95%	98.60%	98.87%
Substandard/doubtful/loss	4.05%	1.40%	1.13%
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:

High-Risk Assets	December 31,		
	2024	2023	2022*
Nonaccrual loans	\$ 9,797	\$ 12,135	\$ 8,940
Accruing restructured loans	-	-	3,082
Accruing loans 90 days or more past due	11	-	-
Total high-risk loans	9,808	12,135	12,022
Other property owned	641	-	-
Total high-risk assets	\$ 10,449	\$ 12,135	\$ 12,022
Ratios			
Nonaccrual loans to total loans	0.35%	0.46%	0.66%
Nonperforming assets to total loans and other property owned	0.37%	0.46%	0.88%
High-risk assets to capital	2.04%	2.43%	3.99%

**Prior to adoption of CECL, nonperforming assets included accruing restructured loans and loans were presented including accrued interest receivable.*

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans at December 31, 2024 were \$9,797 compared to \$12,135 and \$8,940 at December 31, 2023 and 2022, respectively. Nonaccrual loans decreased \$2,338 or 19.27 percent during 2024 primarily due to a combination of liquidations, pay downs, and transfers to other property owned or accrual status. Of the \$9,797 in nonaccrual volume at December 31, 2024, \$3,558 or 36.32 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to \$2,858 or 23.55 percent and \$5,193 or 58.08 percent at December 31, 2023 and 2022, respectively.

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

Allowance for Loan Losses

The allowance for loan losses is an estimate of expected credit losses in the Association's loan portfolio. The Association determines the appropriate level of allowance for loan 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 allowance for loan losses, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Loan Losses*. The allowance for loan losses was \$13,915, \$12,418, and \$9,034 at December 31, 2024, 2023, and 2022, respectively.

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

Allowance for Loan Losses Activity	December 31,		
	2024	2023	2022**
Allowance for loan losses – beginning balance	\$ 12,418	\$ 9,034	\$ 13,484
Cumulative effect of a change in accounting principle	–	(4,357)	–
Charge-offs:			
Real estate mortgage	(11)	(257)	(70)
Production and intermediate-term	(434)	(1,148)	(10)
Agribusiness*	(527)	(13)	–
Total charge-offs	(972)	(1,418)	(80)
Recoveries:			
Real estate mortgage	64	43	22
Production and intermediate-term	41	34	121
Agribusiness*	3	1	–
Total recoveries	108	78	143
Net (charge-offs) recoveries	(864)	(1,340)	63
Provision for (reversal of) allowance for loan losses	2,361	9,081	(4,513)
Allowance for loan losses – ending balance	\$ 13,915	\$ 12,418	\$ 9,034

*Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.

**Prior to adoption of CECL, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

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

	December 31,		
	2024	2023	2022
Allowance for loan losses to loans	0.49%	0.48%	0.66%
Allowance for loan losses to high-risk loans	141.87%	102.33%	75.15%
Allowance for loan losses to nonaccrual loans	142.03%	102.33%	101.05%

The allowance for loan losses increased by \$1,497 or 12.06 percent during 2024 primarily due to growth in the loan portfolio and an increase in the general reserve attributed to declines in credit quality.

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 Loan Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for loan losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled \$66,252 for the year ended December 31, 2024, an increase of \$4,731 or 7.69 percent from 2023. Net income of \$61,521 for the year ended December 31, 2023 was an increase of \$28,378 or 85.62 percent from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Changes in Net Income:	2024-2023	2023-2022
Net income (prior year)	\$ 61,521	\$ 33,143
Increase (decrease) in net income due to:		
Interest income	18,277	110,392
Interest expense	10,562	58,377
Net interest income	7,715	52,015
Provision for loan losses	(6,720)	13,594
Noninterest income	(31)	11,066
Noninterest expense	9,674	21,046
Provision for income taxes	(1)	63
Total changes in income	4,731	28,378
Net income	\$ 66,252	\$ 61,521

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during

2023 and 2022, the Association would have had lower interest expense and corresponding higher noninterest expense of \$7,022 and \$3,474 for the years ended December 31, 2023 and December 31, 2022, respectively.

Net Interest Income

Net interest income was \$95,618, \$87,903, and \$35,888 in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:

	Volume*	Rate	Total
12/31/23 - 12/31/24			
Interest income	\$ 12,640	\$ 5,637	\$ 18,277
Interest expense	7,675	2,887	10,562
Change in net interest income	\$ 4,965	\$ 2,750	\$ 7,715
12/31/22 - 12/31/23			
Interest income	\$ 55,952	\$ 54,440	\$ 110,392
Interest expense	26,442	31,935	58,377
Change in net interest income	\$ 29,510	\$ 22,505	\$ 52,015

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

The decrease in interest expense due to a decline in rates is primarily due to the notes payable rate amendment discussed above. After adjusting the prior year for the notes payable rate amendment, net interest income was \$94,925 and net interest margin was 3.79 percent. This represents an increase of net interest income of \$693 or 0.73 percent and a decrease of net interest margin of 23 basis points for the twelve months ended December 31, 2024. The decline in net interest margin was primarily driven by a decrease in the impact of the fair value merger valuation adjustment. The increase in net interest income from the prior year after factoring in the rate change was primarily due to a \$18,283 increase in interest income on loans, offset by a \$17,584 increase in interest expense.

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			Percentage	
	December 31,			Increase/(Decrease)	
	2024	2023	2022	2024/ 2023	2023/ 2022
Loan fees	\$ 5,975	\$ 5,318	\$ 2,581	12.35 %	106.04%
Fees for financially related services	36	1,309	16	(97.25)	8,081.25
Patronage refunds from other Farm Credit institutions	21,740	23,023	14,611	(5.57)	57.57
Gains (losses) on sales of rural homes loans, net	32	9	-	255.56	100.00
Gains (losses) on sales of premises and equipment, net	133	112	1,468	18.75	(92.37)
Gains (losses) on other transactions	24	(1,062)	(1,045)	(102.26)	1.63
Insurance Fund refunds	718	-	-	100.00	-
Other noninterest income	23	3	15	666.67	(80.00)
Total noninterest income	\$ 28,681	\$ 28,712	\$ 17,646	(0.11)%	62.71%

Noninterest income for the year ended 2024 decreased \$31 or 0.11 percent compared to the year ended 2023. The decrease was primarily attributable to a \$1,283 decrease in patronage refunds from other Farm Credit institutions and a \$1,273 decrease in fees for financially related services, partially offset by a \$1,086 increase in gains on other transactions, a \$718 increase in insurance fund refunds, and a \$657 increase in loan fees.

Noninterest income for the year ended 2023 increased \$11,066 or 62.71 percent compared to the year ended 2022. The increase was primarily attributable to an \$8,412 increase in patronage refunds from other Farm Credit institutions, a \$2,737 increase in loan fees, and a \$1,293 increase in fees for financially related services, partially offset by a \$1,356 decrease in gains on sales of premises and equipment.

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			Percentage Increase/(Decrease)	
	December 31,			2024/	2023/
	2024	2023	2022	2023	2022
Salaries and employee benefits	\$ 31,356	\$ 29,132	\$ 15,505	7.63%	87.89%
Occupancy and equipment	1,916	1,837	1,248	4.30	47.20
Insurance Fund premiums	2,216	3,660	2,017	(39.45)	81.46
Purchased services	11,134	2,560	1,799	334.92	42.30
Data processing	982	850	431	15.53	97.22
Other operating expenses	7,975	7,887	3,891	1.12	102.70
(Gains) losses on other property owned, net	32	11	-	190.91	100.00
Total noninterest expense	\$ 55,611	\$ 45,937	\$ 24,891	21.06%	84.55%

Noninterest expense for the year ended 2024 increased \$9,674 or 21.06 percent compared to the year ended 2023. The increase was primarily attributable to an \$8,574 increase in purchased services, a \$2,224 increase in salaries and employee benefits, and a \$132 increase in data processing. The overall increase was partially offset by a \$1,444 decrease in insurance fund premiums. For 2024, the Farm Credit System Insurance Corporation (FCSIC) set premiums at 10 basis points on adjusted insured debt outstanding. In addition, there was a 10 basis point premium on the average principal outstanding of nonaccrual loans.

Purchased services increased in 2024 when compared to the prior year primarily driven by a \$6,866 increase due to the notes payable rate amendment discussed above. Additionally, beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of \$2,218 for the year ended December 31, 2024. After adjusting the prior year for the notes payable rate amendment, noninterest expense was \$52,959, an increase of \$2,652 or 5.01 percent for the twelve months ended December 31, 2024.

Noninterest expense for the year ended 2023 increased \$21,046 or 84.55 percent compared to the year ended 2022. The increase was primarily attributable to a \$13,627 increase in salaries and employee benefits, a \$3,996 increase in other operating expenses, and a \$1,643 increase in insurance fund premiums. For 2023, the Farm Credit System Insurance Corporation (FCSIC) set premiums at 18 basis points on adjusted insured debt outstanding. In addition, there was a 10 basis point premium on the average principal outstanding of nonaccrual loans. Furthermore, there was a \$761 increase in purchased services, a \$589 increase in occupancy and equipment, and a \$419 increase in data processing.

Income Taxes

The Association recorded a provision for income taxes of \$75 for the year ended December 31, 2024, as compared to a provision of \$76 for 2023 and a provision of \$13 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	2.38%	2.38%	2.45%
Return on average members' equity	12.46%	11.83%	10.57%
Net interest income as a percentage of average earning assets	3.56%	3.51%	2.73%
Net (charge-offs) recoveries to average loans	(0.032)%	(0.054)%	0.005%

The increase in return on average members' equity for 2024 compared to 2023 was primarily attributable to an increase in net income and a minimal increase in equity due to patronage distributions, while return on average assets remained flat primarily due to net income growing in proportion to asset growth. Increased spreads due to the notes payable rate amendment discussed above, partially offset by a decrease in the accretion of the fair value merger adjustment and a decline in nonaccrual volume resulted in higher net interest income on average earning assets in 2024 compared to 2023.

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

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2024, was \$2,351,268 as compared to \$2,155,900 at December 31, 2023 and \$1,072,805 at December 31, 2022. The increase of \$195,368 or 9.06 percent compared to December 31, 2023 was primarily attributable to growth in the loan portfolio. The increase of \$1,083,095 or 100.96 percent compared to December 31, 2022 was primarily attributable to the Merger and an increase in loan volume. The average volume of outstanding notes payable to the Bank was \$2,219,593, \$2,037,021, and \$1,021,833 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2024.

Funds Management

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

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

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

Relationship with the Bank

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

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

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

CAPITAL RESOURCES

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

The Association's Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to

ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2024 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2024, was \$511,738, an increase of \$11,853 or 2.37 percent from a total of \$499,885 at December 31, 2023. This increase was attributed to total comprehensive income of \$66,275, offset by patronage distribution declared of \$48,500, net impact of capital stock and participation certificates retired of \$5,920, and a \$2 adjustment to the 2023 patronage distribution accrual. At December 31, 2023, total members' equity increased \$198,607 or 65.92 percent from \$301,278 at December 31, 2022. This increase was attributed to equity re-characterized due to the Merger of \$194,198, total comprehensive income of \$61,528, and a cumulative effect of change in accounting principle of \$4,357, offset by patronage distribution declared of \$49,000 and net impact of capital stock/participation certificates retired of \$12,476.

Total capital stock and participation certificates were \$21,058 on December 31, 2024, compared to \$26,442 on December 31, 2023 and \$35,739 on December 31, 2022.

Preferred stock at December 31, 2024, decreased \$5,528 or 28.43 percent to \$13,918 from the December 31, 2023 total of \$19,446. This decrease was attributed to decreased purchases and increased retirements of preferred stock largely driven by a higher interest rate environment that has made preferred stock less attractive compared to other commercial bank products. This preferred stock is a non-voting, at-risk class of stock that is only available to Association stockholders. Dividends are paid quarterly on outstanding shares of preferred stock, and for the year ended December 31, 2024, \$536 in dividends were declared and paid in shares of stock, as compared to \$586 for the same period in 2023. The average dividend rate paid on shares of preferred stock during 2024 was 3.06 percent, which was 75 basis points higher than 2023. Excluding preferred stock, capital stock and participation certificates were \$7,140 on December 31, 2024, compared to \$6,996 on December 31, 2023. The increase was attributed to growth in the number of loans outstanding.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31,		
				2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.5%	7.0%	16.63%	17.28%	19.76%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	16.63%	17.28%	19.76%
Total Capital Ratio	8.0%	2.5%	10.5%	17.14%	17.86%	20.73%
Permanent Capital Ratio	7.0%	0.0%	7.0%	17.27%	18.16%	22.76%
Non-risk-adjusted:						
Tier 1 Leverage Ratio*	4.0%	1.0%	5.0%	16.94%	17.63%	19.11%
UREE Leverage Ratio	1.5%	0.0%	1.5%	16.68%	17.37%	18.81%

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

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

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of \$48,500 in 2024, \$49,000 in 2023, and \$24,500 in 2022.

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR. Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its

District Bank's direct loans to Associations or if the Farm Credit Administration's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends on March 31, 2025.

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

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

Unincorporated Business Entities

The Association holds an equity investment at December 31, 2024, in the following Unincorporated Business Entities (UBEs) as an equity interest holder of the limited liability company (LLC) and trust. The LLCs and trust were 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 the Operating Agreements of the LLCs and trust.

Entity Name	Entity Type	Entity Purpose
ACF Acquisition Company	LLC	Manage Acquired Property
PW PropCo Holdings LLC	LLC	Manage Acquired Property
PW OpCo Liquidating Trust	Trust	Manage Acquired Property

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity as of December 31, 2024, all of which are located in North Carolina:

Location	Description	Form of Ownership
408 NC Hwy 561 W Ahoskie	Branch	Owned
811 South Walker Street Burgaw	Branch	Owned
1780 Southeast Boulevard Clinton	Branch	Owned
400 West Broad Street Dunn	Branch	Owned
101 Impact Boulevard Elizabeth City	Branch	Owned
108 North Poplar Street Elizabethtown	Branch	Owned
2919 Breezewood Avenue Suite 400 Fayetteville	Administrative	Owned
636 Rock Spring Road Greenville	Branch/ Administrative	Owned
419 South King Street Halifax	Branch	Owned
322 North Main Street Kenansville	Branch	Leased
127 Beasley Street Kenansville	Branch	Owned
7900 Hwy 70 West La Grange	Branch	Owned

Location	Description	Form of Ownership
1654 NC 39 Hwy N Louisburg	Branch	Owned
1902 North Cedar Street Lumberton	Branch	Owned
1309 South Glenburnie Road New Bern	Branch	Owned
331 South Main Street Raeford	Branch	Owned
4000 Poole Road Raleigh	Branch/ Administrative	Owned
2472 Woodruff Road Rocky Mount	Branch	Owned
2850 US Hwy 70 Business East Smithfield	Branch	Owned
13191 U.S. Hwy 264 Swan Quarter	Branch	Owned
300 Liberty Street Whiteville	Branch	Owned
1105 Garrett Road Williamston	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 Notes to the Consolidated Financial Statements included in this Annual Report to shareholders.

Description of Capital Structure

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

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 Notes to the Consolidated Financial Statements included in this Annual Report to shareholders.

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. The president and CEO and all other senior officers of the Association, together with their length of service at their present position, as well as positions held, are as follows:

Name of Senior	Position, Prior Experience, and Other Business Interests
Evan J. Kleinhans	<i>President / Chief Executive Officer</i> since November 2022. He previously served as Chief Executive Officer for three years and Chief Financial Officer for eight years at Cape Fear Farm Credit. Member of the Board of Directors for the North Carolina Foundation for Soil and Water Conservation. Member of the Board of Directors for the North Carolina's Southeast Regional Economic Development Partnership. Member of the AgFirst Farm Credit Bank and Farm Credit Bank of Texas Plan Fiduciary Committee.
Stuart C. Betts	<i>Senior Vice President / West Regional Lending Manager</i> since October 2023. He previously served as a Loan Officer, Sr. Loan Officer, and Branch Manager in the Harnett County branch. He has a total of 16 years of lending experience with the Farm Credit System. He serves as a Board Member of the Habitat for Humanity of Harnett County.
Brook H. Gillis	<i>Executive Vice President / Chief Lending Officer – Branch Lending</i> since September 2023. She previously served as Regional Manager for the Southern Region of AgCarolina's territory. Prior to that, she served as Chief Sales Officer and Regional Manager for the Southern Region of Cape Fear Farm Credit's territory. She also served as a Relationship Manager in the Capital Markets Department. She has more than ten years of lending experience having been a Loan Officer and Branch Manager in the Elizabethtown branch. Collectively, she has a total of 18 years of experience with the Farm Credit System. She serves as a Board Member of the NC Farmer Veteran Coalition.

Charles M. Hester	<i>Executive Vice President / Chief Financial Officer</i> from November 2022 to January 2025. He previously served as Chief Financial Officer for three years and Controller for five years at Cape Fear Farm Credit.
Anthony S. (Scott) Jackson	<i>Executive Vice President / Chief Credit Officer</i> since June 2021. He previously served as Chief Risk Officer for two years and Vice President of Credit Risk Management for seven years. He has a total of 13 years of experience with the Farm Credit System. Prior to that, he worked in public and corporate accounting for 26 years.
Brian H. Johnson	<i>Senior Vice President – South Regional Lending Manager</i> since October 2023. He previously served as an Agribusiness Loan Officer for one year, Business Development Officer for two years, and Branch Manager for nine years. Collectively, he has a total of 27 years of lending experience with the Farm Credit System.
Laura S. (Skipper) Jones	<i>Executive Vice President – Chief Administrative Officer</i> since January 2023. She previously served as the Vice President – Marketing and Communications for six years. Prior to that, she served as the Administrative Officer and Marketing Manager at Cape Fear Farm Credit for nine years total. She serves as an advisory Board Member of the North Carolina Agricultural and Technical University College of Agricultural and Environmental Sciences, serves on the North Carolina State University NCALS Research Foundation Board, and also serves as a Member of the North Carolina FFA Advisory Board.
Geoffrey J. Manderewicz	<i>Executive Vice President / Chief Operating Officer</i> since January 2023. He previously served as Chief Operating and Chief Credit Officer for six years at Cape Fear Farm Credit. Prior to that, he served as a Credit Analysis Manager for AgChoice Farm Credit for six years. He also served as a Loan Officer and Branch Manager for Northwest Savings Bank for eight years.
Matthew J. McFarlin	<i>Executive Vice President / Chief Financial Officer</i> since February 2025. He previously served as Director of Internal Controls and Financial Reporting for one year. Prior to that, he worked in public accounting for over 15 years, with seven of those years focused on serving various Associations in the Farm Credit System.
Roy P. Robertson, Jr.	<i>Executive Vice President / Chief Lending Officer – Agribusiness and Financial Services</i> since September 2023. He previously served as the Director of Agribusiness and Financial Services for nine months and Senior Vice President – Corporate Lending for eleven years. Prior to that, he served as Chief Lending Officer and Senior Vice President Financial Services for AgCarolina Farm Credit. He has a total of 25 years of lending experience with the Farm Credit System.
Brian J. Smith	<i>Senior Vice President / Director of Internal Audit</i> since January 2023. He previously served as Chief Risk Officer for two years and Senior Credit Administrator for four years. Prior to that, he served as Director of Credit Reporting and Chief Risk Officer at Cape Fear Farm Credit. He has a total of 33 years of experience with the Farm Credit System.
Arthur R. (Buck) Spruill, III	<i>Executive Vice President / Executive Lending Advisor</i> from September 2023 to January 2024. He previously served as Chief Lending Officer and East Regional Lending Manager for nine years total. Prior to that, he served as an Agribusiness Loan Officer for two years.
Courtney R. Stewart	<i>Executive Vice President / Chief Risk Officer</i> since January 2025. She previously served as Director of Risk Management for four years. Prior to that, she served as Credit Operations Manager, Compliance and Consumer Lending Manager, Compliance Officer, and Consumer Loan Officer. Collectively, she has a total of 15 years of experience with the Farm Credit System.
Preston L. Sutton	<i>Senior Vice President / East Regional Lending Manager</i> since September 2023. He previously served as a Branch Manager for seven years and was a Loan Officer prior to that. He has a total of 25 years of lending experience with the Farm Credit System. He serves on the Lenoir Community College Board of Trustees.
Gerald B. Wilson	<i>Executive Vice President / Chief Lending Officer of Corporate Lending and Capital Markets</i> since September 2023. He previously served as Director of Corporate Lending and Capital Markets for nine months and Commercial Loan Manager for four years. He has a total of 20 years of lending experience having been a Loan Officer and Branch Manager in the Kenansville branch. Collectively, he has a total of 26 years of experience with the Farm Credit System.

Compensation

The total amount of compensation (in whole dollars) received by the CEO and by all senior officers 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 bonus:

Name of Individual or Number in Group*	Year	Received Compensation			Total Received Compensation (a)
		Salary	Bonus		
Evan J. Kleinhans	2024	\$ 463,500	\$ 121,500	\$	585,000
Evan J. Kleinhans	2023	\$ 450,000	\$ 100,000	\$	550,000
David W. Corum	2023	\$ –	\$ 101,411	\$	101,411
David W. Corum	2022	\$ 331,650	\$ 121,437	\$	453,087
14 Officers	2024	\$ 2,329,369	\$ 519,680	\$	2,849,049
16 Officers	2023	\$ 2,627,095	\$ 646,733	\$	3,273,828
7 Officers	2022	\$ 1,091,978	\$ 434,340	\$	1,526,318

* David W. Corum served as Chief Executive Officer until his retirement effective November 30, 2022. Compensation received in 2023 was for services rendered in 2022.

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

Perquisites and Noncash Compensation						
Name of Individual or Number in Group*	Year	Change in Pension**	Total			Total Received and Noncash Compensation (a+b)
			Perquisites	Other	Perquisites and Noncash (b)	
Evan J. Kleinhans	2024	\$ -	\$ 26,023	\$ 50,000	\$ 76,023	\$ 661,023
Evan J. Kleinhans	2023	\$ -	\$ 25,123	\$ -	\$ 25,123	\$ 575,123
David W. Corum	2023	\$ -	\$ -	\$ -	\$ -	\$ 101,411
David W. Corum	2022	\$ (325,200)	\$ 11,306	\$ 310,000	\$ (3,894)	\$ 449,193
14 Officers	2024	\$ 176,445	\$ 235,996	\$ 218,000	\$ 630,441	\$ 3,479,490
16 Officers	2023	\$ 1,032,507	\$ 288,107	\$ 110,000	\$ 1,430,614	\$ 4,704,442
7 Officers	2022	\$ (792,365)	\$ 120,772	\$ 130,000	\$ (541,593)	\$ 984,725

* David W. Corum served as Chief Executive Officer until his retirement effective November 30, 2022. Compensation received in 2023 was for services rendered in 2022.

** 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 table below illustrates the present value of pension benefits for the CEO and senior officers presented. 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 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:					
Evan J. Kleinhans	2024			\$ -	\$ -
			Total	\$ -	\$ -
Senior Officers					
4 Officers, excluding the CEO	2024	AgFirst Retirement Plan	26.34*	\$ 3,524,612	\$ -
			Total	\$ 3,524,612	\$ -

* Represents the average years of credited service for the group

In addition to a base salary, employees earn additional compensation under a bonus or incentive plan. The Association incentive plan is designed to motivate employees to exceed business goals during the fiscal year. Each region or business unit's incentive plan is tailored to meet the specific goals of that unit. These goals typically include loan volume, customer satisfaction scores, expense management, credit quality, net earnings, and other key measurements. All employees in good standing are included for incentive plan eligibility. The incentive bonus is earned over the twelve-month calendar year period and is normally paid in the first quarter of the following year. In addition to the year-end incentive bonus plan described above, certain employees involved in the direct lending function are eligible for a quarterly sales incentive bonus. The sales incentive bonus is paid on new loan volume generated each quarter. The President and Senior Vice Presidents do not participate in the sales incentive bonus.

The amounts included under the column heading "Change in Pension" represents the amount of year over year change in the present value of senior officers' *Actuarial Value of Accumulated Benefits*, also known as the pension accumulated benefit obligation (ABO). The ABO is an estimate of the present value of the employee's future cash flows associated with their pension, which assumes that the employee ceases to work for the company at the time the estimation is made. The ABO is unique to each participant in the plan and is calculated using a number of factors and assumptions including, but not limited to, the number of years of service in the plan, the discount rate used in the present value calculation, retirement eligibility, life expectancy of the participant, the participant's compensation basis and changes in beneficiary elections by the participant. These assumptions will almost certainly change from year to year depending on the information present at a given measurement date. Mr. Kleinhans does not participate in the AgFirst Defined Benefit Plan. The amount of the change in pension in pension value for the remaining officers presented above is \$176,445.

The amounts included under the column "Perquisites" include group life insurance, spousal travel, service awards, and the unreimbursed portion of the value of the personal use of an Association provided vehicle.

The amounts included under the column heading "Other" are funds that have been invested in a nonqualified long-term deferred compensation program for certain Association employees. The program provides deferred compensation benefits to encourage focus on strategies that are in the long-term best interest of the Association and its shareholders. Under the program the funds are placed in a Trust owned by the Association. Compensation is deferred until a later date upon which the employee meets certain vesting guidelines and

employment is terminated. All current and future assets used by the Association to fund this program will remain general assets of the Association until payment or distribution is made.

Amounts disclosed in the *Pension Benefits Table* represent the retirement plan(s) which senior officers, exclusive of the CEO, participate in and details about certain aspects of the plan(s). As illustrated, four senior officers participate in the AgFirst Retirement Plan and ten senior officers do not participate in a defined benefit pension plan. See *Note 9, Employee Benefit Plans* for further information. The average of the four officers in the AgFirst Retirement Plan, exclusive of the CEO, is shown at 26.34 years, with a range of credited service within the plan from 25 to 28 years.

The “Actuarial Present Value of Accumulated Benefits” column in the *Pension Benefits Table* represents the present value of the future cash flows related to the pension plans for senior officers as a group (exclusive of the CEO), also known as the ABO. The ABO is affected by a number of factors and assumptions, as described earlier. The ABO amount represents a point-in-time valuation and the actual amounts paid in retirement could be considerably less if all assumptions made in the calculation are not realized.

The present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year older and one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present value is calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one less year of discounting, which increases the present value. For those already eligible for unreduced retirement (e.g. have 85 age + service points), this increase is offset by the decrease in early retirement subsidy value. The early retirement subsidy provided under the plan is most valuable when a participant first reaches eligibility for unreduced benefits. The value decreases every year thereafter until age 65.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa. There was an increase in the discount rate assumption from December 31, 2023 to December 31, 2024, which decreased the pension values.

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.

Directors

The following chart details the number of meetings, other activities, current committee assignments, the current term, and total cash compensation paid during 2024 for each director (all amounts are in whole dollars):

Name of Director	Days Served		Committee Assignments*	Current Term*	Total Compensation
	Regular Board Meetings	Other Official Activities			
S. Stuart Pierce, Jr., <i>Chair</i>	8	14.5	Governance	2021-2024	\$35,000
Nash Johnson II, <i>Vice Chair</i>	8	11.5	Compensation, Governance	2021-2025	30,000
Dr. A. Blake Brown	8	9.5	Audit	2024-2027	30,000
Ruby W. Bullard	8	8.5	Risk	2022-2026	30,000
Paul A. Drake	8	2.5	Risk	2023-2026	30,000
Anthony T. Grant	7	2.5	Risk	2024-2027	30,000
Bonnie V. Hancock	8	12.5	Risk, Governance	2022-2025	32,500
Michael E. Inman	8	5.5	Risk	2022-2026	30,000
Bundy H. Lane	7	3.5	Audit	2024-2027	30,000
Adrian B. Locklear	8	14.5	Compensation, Governance	2020-2024	32,500
Paul M. Maguire	8	8.5	Risk	2022-2026	30,000
Audie M. Murphy	8	4.5	Compensation	2022-2025	30,000
T. Morris Murphy	8	7.5	Compensation	2020-2024	30,000
Jonathan A. Pope	7	1.0	Compensation	2024-2027	30,000
B. Derek Potter	8	15.5	Audit, Governance	2022-2025	30,000
Gary L. Rouse	8	6.5	Audit	2021-2025	30,000
Rodney D. Smith	5	4.5	Compensation	2021-2024	22,500
Michael T. Stone	8	9.5	Audit	2024-2027	30,000
Ellis W. Taylor	8	15.5	Audit, Governance	2023-2026	32,500
Robert E. Turner, Jr.	8	7.5	Compensation	2023-2026	30,000
Mark A. Wellons	8	6.5	Risk	2021-2024	30,000
TOTAL					\$635,000

*Committee assignments and current term reflect those assignments and terms through December 31, 2024. Refer below for current Committee assignments through the issuance date of this report.

Subject to approval by the board, outside directors and elected directors are paid a quarterly retainer fee of \$7,500, the Board Chair is paid an additional \$1,250 quarterly, and committee Chairs receive an additional \$625 quarterly. Directors incur a \$5,000 reduction in compensation upon their second absence from a regularly scheduled board meeting in a calendar year. For any subsequent regularly scheduled board meetings missed within the same calendar year, the director will incur an additional \$2,500 reduction in compensation. Total compensation paid to directors as a group was \$635,000. Directors also benefited from non-cash compensation related to premiums that were paid on their behalf for accidental death and dismemberment insurance for Association related travel and business.

Directors 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 vehicles, registration fees, and other expenses associated with travel on official business. A copy of the Board Compensation Policy is available to shareholders of the Association upon request.

The aggregate amount (in whole dollars) of reimbursement for travel, subsistence and other related expenses for all directors as a group was \$307,355 for 2024, \$267,682 for 2023 and \$98,540 for 2022.

The following represents certain information regarding Association Directors who served during 2024 and their principal occupation during the past five years:

S. Stuart Pierce, Jr., Board Chair, is a row crop farmer who serves on the board of Producers Gin of Murfreesboro, manages Ahoskie Fertilizer Co, Inc., is currently serving as President of the Hertford County Farm Bureau and also serves on the North Carolina Farm Bureau Board and the board of the North Carolina Farmland Preservation Trust Fund, a land preservation trust. *Mr. Pierce completed his elected term as director effective December 31, 2024.*

Nash Johnson II, Board Vice Chair, is a swine, poultry, timber, row crop, cattle and hay farmer who serves as a member manager of Ten Js, LLC, a commercial real estate company, is currently serving as President of Deca J. Farms, Inc., an agricultural services company, and also serves as a member of NLJ Ventures, LLC. *Mr. Johnson was elected Board Chair effective January 1, 2025. Effective February 1, 2025, Mr. Johnson no longer serves on the Compensation Committee.*

Dr. Alvin B. (Blake) Brown, Outside Director, is the Hugh C. Kiger Professor Emeritus of Agricultural and Resource Economics at North Carolina State University. He previously served as the senior economist for the Council of Economic Advisers in the Executive Office of the President of the United States, where he focused on national agricultural policy. He currently serves on the national Budget and Economy Issue Advisory Committee for the American Farm Bureau Federation as well as the county board of directors for Watauga County Farm Bureau. He also has a beef cattle farm in the NC mountains.

Ruby W. Bullard is a corn, cotton, soybeans and timber farmer who is a self-employed attorney and also serves as Vice President of GEB Equipment, Inc., an agricultural irrigation design, sales, and service business.

Paul A. Drake is a row crop and livestock farmer who serves on the board of Edgecombe Volunteer Ag District and the board of several closely held family farming entities. He also serves as a director and as treasurer of the East Carolina Livestock Arena, Inc.

Anthony T. Grant, Outside Director, is the CEO and owner of Grant Business Advisors, a financial advisory and business strategies firm, providing business consulting services. He also serves as Chairman of the USDA Farm Service Agency State Committee for South Carolina and on the board of the Columbia Urban League.

Bonnie V. Hancock, Outside Director, is Professor of Practice in the Poole College of Management at North Carolina State University (NCSU) where she teaches graduate classes in financial management and financial planning. She was also Executive Director of the Enterprise Risk Management Initiative from 2006-2021. Prior to joining NCSU, she worked with Progress Energy, as senior vice president of finance and information technology and later as president of Progress Fuels, a subsidiary that produced and marketed gas, coal and synthetic fuels, and operated fuel terminals and ash management facilities. She is a member of the following boards: National Association of Corporate Directors – Research Triangle Chapter, an organization for the advancement of exemplary board leadership, Girl Scouts – North Carolina Coastal Pines, where she chairs the Audit Committee, and HomeTrust Bank, a publicly traded financial institution headquartered in Asheville, NC.

Michael E. Inman is a swine, hay and row crop farmer who is a service technician at Prestage Farms, Inc. He also serves on the boards of the North Carolina Pork Council, Bladen County Extension Service Advisory Board, and the Tar Heel Dixie Youth Baseball. *Effective February 1, 2025, Mr. Inman has transitioned from the Risk Committee to the Compensation Committee.*

Bundy H. Lane is a row crop and livestock farmer who serves on the board of Gates Cotton Gin. He also serves as a board member and officer of several closely held family farming entities. *Effective February 1, 2025, Mr. Lane has transitioned from the Audit Committee to the Risk Committee.*

Adrian B. Locklear is a row crop, rapeseed, and sweet corn farmer who serves on the board of the North Carolina Soybean Producers Association. He is a G.A.P. member with CropLife America and also serves on the deacon board at Mt. Olive PH Church.

Paul M. Maguire is a cattle, poultry, hay and timber farmer who serves on the Cumberland County Extension Advisory Board and is also an officer of the Cumberland County Livestock Association.

Audie M. Murphy is a row crop and poultry farmer who serves on the Greene County Farm Bureau Board. He also serves as an officer and director on several closely held family farming entities. *Mr. Murphy was elected Board Vice Chair effective January 1, 2025. Effective February 1, 2025, Mr. Murphy also serves on the Governance Committee.*

T. Morris Murphy is a timber, corn, soybeans, cotton, sweet potatoes, cucumbers, hay, swine and poultry farmer who serves on the board of the North Carolina Pork Council and as assistant treasurer at Friendship F.W.B. Church.

Johnathan A. (Jon) Pope is a row crop and livestock farmer who serves on the Harnett County Board of Adjustment, NC Poultry Federation, and the Coats Methodist Church Global Ministry Administrative Council.

B. Derek Potter, is a row crop farmer who serves on the boards of a closely held farming corporation, the United Soybean Board, the North Carolina Soybean Board, the Pamlico County Soil & Water Board, the Pamlico County Voluntary Ag District and the Pamlico County Extension Advisory Committee.

Gary L. Rouse, Outside Director, is the President, Stockholder and Firm Manager of Rouse & Peterson, P.A., a public accounting firm. He serves as a practicing Certified Public Accountant at Rouse & Peterson, P.A.

Rodney D. Smith is a row crop and livestock farmer who serves on the board of the Lenoir County Farm Bureau and the Lenoir County Voluntary Agricultural District. He also manages and serves as a board member for multiple closely held family farming entities. *Mr. Smith's term as a director was scheduled to end on December 31, 2024, but his service concluded at the meeting of the Board of Directors held on December 18, 2024 as a result of his third absence during the previous 12-month period from a regular Board of Directors meeting.*

Michael T. (Bo) Stone is a row crop, hay, cattle, contract swine, produce and strawberry farmer who serves on the boards of The Farm Credit Council Services, The Farm Credit Council, and AgFirst Farm Credit Bank.

Ellis W. Taylor is a row crop farmer who serves on the boards of the Federal Farm Credit Banks Funding Corporation, the funding agent for the Farm Credit System, AgFirst Farm Credit Bank, the district Farm Credit Bank, Northampton County Farm Bureau and Roanoke Cotton Company LLC.

Robert E. Turner, Jr. is a row crop and livestock farmer who serves as a board member for multiple closely held farming entities. *Effective February 1, 2025, Mr. Turner has transitioned from the Compensation Committee to the Audit Committee.*

Mark A. Wellons is a row crop and livestock farmer who serves on the boards of Tobacco Associates, a commodity organization, North Carolina Farm Bureau, NC Farm Bureau's Energy and Transportation Committee, and The R. Flake Shaw Scholarship Committee.

Transactions with Senior Officers and Directors

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

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 Auditor

There were no changes in or material disagreements with the independent auditor 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 auditor for the year ended December 31, 2024 were as follows (in whole dollars):

	2024
<i>Independent Auditor</i>	
PricewaterhouseCoopers, LLP	
Audit services	\$ 211,000
Total	\$ 211,000

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

Preferred Stock Insider Transactions

The following describes transactions related to the purchase/sale of Association preferred stock by senior officers or directors who are considered Insiders which occurred during the 12-month period ended December 31, 2024. An Insider is defined to include any one or more of the following: (1) the Association's directors, officers, employees and agents; (2) any corporation, partnership, limited liability company or other entity of which any of the Association's directors, officers, employees or agents, or nominees of any of the foregoing, are a director, officer, partner or the holder of a majority of the equity ownership of the entity; and (3) the spouse and any other person who regularly resides in the same household of any officer, director, employee or agent.

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 and the average dividend rate paid on shares of preferred stock during 2024 was 3.06 percent.

Consolidated Financial Statements

The consolidated financial statements, together with the report of PricewaterhouseCoopers, LLP dated March 11, 2025 and the report of management, which appear in this Annual Report, are included herein.

Copies of the Association's Annual and Quarterly Reports are available upon request free of charge on the Association's website, www.agcarolina.com, or by calling 1-800-951-3276, extension 7189, or writing Matthew McFarlin, AgCarolina Farm Credit, ACA, P. O. Box 14789, Raleigh, NC 27620. 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 Report 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.

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.

Shareholder Investment

Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank). Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, www.agfirst.com, or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank 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 Bank.

Young, Beginning, and Small Farmers and Ranchers Program

The Association's mission includes providing sound and constructive credit and related services to young, beginning, and small (YBS) farmers and ranchers. Annual marketing goals are established to increase market share of loans to YBS farmers and ranchers. To facilitate our lending programs, financing programs and use of government guaranteed loan programs have been adopted and implemented. Educational opportunities, leadership training, business financial training, and insurance services for YBS farmers and ranchers have been developed or sponsored.

The FCA regulatory definitions for YBS farmers and ranchers are as follows:

Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.

Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less of experience farming, ranching, or producing or harvesting aquatic products as of the date the loan is originally made.

Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$350,000 in annual gross cash farm income of agricultural or aquatic products at the date the loan is originally made.

The following table compares the actual number of YBS borrowers in the portfolio as of December 31, 2024, versus the portfolio targets for number of YBS borrowers by classification as stated in the YBS marketing goals set forth in the Association's annual business plan.

**Total Portfolio Goals and Progress
As of December 31, 2024**

	Number of Borrowers	
	2024 Goal	2024 Actual
Young	1,230	1,284
Beginning	2,138	2,259
Small	3,159	3,258

The following table shows the Association’s YBS segment penetration goals as a percent of the total number of YBS borrowers in AgCarolina’s territory as of December 31, 2024, as measured against comparable demographics from the 2017 Agricultural Census.

	Association 12/31/24 Goals	2024 Actual
Young	63.0%	65.3%
Beginning	34.0%	35.3%
Small	19.0%	18.2%

As part of the Association’s YBS program, the Association has established the following mission statement, qualitative goals, and methods to ensure credit and services are provided in a safe and sound manner. These program components are described below along with a status report of each component.

YBS Program Component	Status
<p>Mission Statement: AgCarolina Farm Credit recognizes that young, beginning, and small farmers and ranchers face many challenges and obstacles. Our organization is dedicated to improving the future of agriculture and our rural communities by supporting young, beginning, and small farmers and ranchers, including veterans and minorities, through educational and leadership opportunities as well as providing competitive lending.</p>	<p>The Association is meeting its mission statement by fulfilling the credit needs of YBS farmers in the Association’s territory.</p>
<p>Qualitative Goals: The following qualitative goals were set for 2024:</p> <ul style="list-style-type: none"> • Continue to broaden YBS and marketing outreach programs. • Broaden partnering opportunities with other organizations. • Increase educational opportunities for YBS farmers. • Broaden participation and involvement in youth programs and outreach activities. • Ensure sound YBS controls through expanded reporting. 	<p>AgCarolina Farm Credit recognizes the significance that YBS farmers play in the overall success of the Association. Following are highlights of the YBS outreach efforts completed during 2024 to meet the qualitative goals set:</p> <ul style="list-style-type: none"> • Used a variety of communication channels to reach the YBS audience, including veterans and minorities. • Advisory Committee Meetings with at least 1 YBS member. • Supported Small Farms Week at NC A&T State University. • Provided online business planning programs and in-person learning, Ag Biz Planner and Ag Biz Basics, for young, beginning, small, and minority producers. • Hosted a Women in Ag Conference. • Hosted Ag Leadership Institute providing education on business training, farm transition, ag economics, and personal finance. • Hosted a Transition Workshop emphasizing the importance of succession planning. • Launched an AgHub Learning Portal and Agricultural Business Toolkit to provide valuable information on general agriculture, commodities and agricultural business management. • Supported YBS members through the Grow Your F.A.R.M. program, an ag educational reimbursement program. • Continued YBS specific lending programs: YBS New Borrower Program, FarmStart and AgStart. • Supported a variety of commodity groups including those that benefit the diverse segments of the ag community. • Sponsorship of youth livestock shows throughout the service territory. • Supported the North Carolina FFA and 4-H groups by providing financial assistance, sponsorships, speakers, grants and volunteers. • Sponsored the annual FFA State Convention. • Partnered with the Tobacco Farm Life Museum in recognizing a young producer with the “Innovative Young Farmer of the Year” award. • Provided scholarships to youth in our service territory. • Utilized the Association’s Grant Program to fund organizations across the territory for programs that included FFA and 4-H projects, local food banks, veterans and projects for non-profit organizations. • Partnered with Ripe Revival, a non-profit focused on reviving communities through food, on various outreach efforts to reach underserved communities. • Sponsored Ag Days at NC State University and NC A&T State University. • Hosted annual Pull for Youth sporting clays event, a fundraiser for NC 4-H and FFA. • Provided internships and job shadowing opportunities for students.
<p>Credit & Service Methods: Ensure methods are in place to make sure that credit and services offered to YBS farmers are provided in a safe and sound manner, and within the Association’s risk-bearing capacity.</p>	<p>The Association’s YBS program includes customized loan underwriting standards, loan guarantees, additional co-makers, and other credit enhancements to ensure that credit and services are provided in a safe and sound manner, and within the Association’s risk-bearing capacity.</p>

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

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

PricewaterhouseCoopers LLP (PwC), the Association's independent auditor 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*). PwC has provided to the Committee the written disclosures required by professional standards.

The Committee discussed with PwC its independence from AgCarolina Farm Credit, ACA. The Committee also reviewed the non-audit services provided by PwC, if any, 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/ Ellis W. Taylor
Chairman of the Audit Committee

Members of Audit Committee

A. Blake Brown
B. Derek Potter
Gary L. Rouse
Michael T. Stone
Robert E. Turner, Jr.

March 11, 2025



Report of Independent Auditors

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes



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

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

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

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

Other Information

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

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

PriceWaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	December 31,		
	2024	2023	2022
Assets			
Cash	\$ 41	\$ 4	\$ 93
Investments in debt securities:			
Held to maturity	2,313	2,409	—
Loans	2,818,333	2,613,222	1,362,645
Allowance for loan losses	(13,915)	(12,418)	(9,034)
Net loans	2,804,418	2,600,804	1,353,611
Loans held for sale	—	3,632	—
Accrued interest receivable	41,837	37,921	17,522
Equity investments in other Farm Credit institutions	44,811	42,599	16,607
Premises and equipment, net	19,780	20,321	14,722
Other property owned	641	—	—
Accounts receivable	21,819	22,887	8,922
Other assets	3,979	4,092	3,939
Total assets	\$ 2,939,639	\$ 2,734,669	\$ 1,415,416
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 2,351,268	\$ 2,155,900	\$ 1,072,805
Accrued interest payable	8,147	7,737	2,995
Patronage refunds payable	48,782	49,154	24,507
Accounts payable	3,293	4,346	2,539
Advanced conditional payments	31	4	37
Other liabilities	16,380	17,643	11,255
Total liabilities	2,427,901	2,234,784	1,114,138
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	21,058	26,442	35,739
Additional paid-in-capital	65,531	65,531	—
Retained earnings			
Allocated	347,247	333,127	194,581
Unallocated	78,066	74,972	70,958
Accumulated other comprehensive income (loss)	(164)	(187)	—
Total members' equity	511,738	499,885	301,278
Total liabilities and members' equity	\$ 2,939,639	\$ 2,734,669	\$ 1,415,416

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

Consolidated Statements of Comprehensive Income

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2024	2023	2022
Interest Income			
Loans	\$ 191,669	\$ 173,386	\$ 63,140
Investments	140	146	—
Total interest income	191,809	173,532	63,140
Interest Expense	96,191	85,629	27,252
Net interest income	95,618	87,903	35,888
Provision for (reversal of) allowance for loan losses	2,361	9,081	(4,513)
Net interest income after provision for (reversal of) allowance for loan losses	93,257	78,822	40,401
Noninterest Income			
Loan fees	5,975	5,318	2,581
Fees for financially related services	36	1,309	16
Patronage refunds from other Farm Credit institutions	21,740	23,023	14,611
Gains (losses) on sales of rural home loans, net	32	9	—
Gains (losses) on sales of premises and equipment, net	133	112	1,468
Gains (losses) on other transactions	24	(1,062)	(1,045)
Insurance Fund refunds	718	—	—
Other noninterest income	23	3	15
Total noninterest income	28,681	28,712	17,646
Noninterest Expense			
Salaries and employee benefits	31,356	29,132	15,505
Occupancy and equipment	1,916	1,837	1,248
Insurance Fund premiums	2,216	3,660	2,017
Purchased services	11,134	2,560	1,799
Data processing	982	850	431
Other operating expenses	7,975	7,887	3,891
(Gains) losses on other property owned, net	32	11	—
Total noninterest expense	55,611	45,937	24,891
Income before income taxes	66,327	61,597	33,156
Provision for income taxes	75	76	13
Net income	\$ 66,252	\$ 61,521	\$ 33,143
Other comprehensive income net of tax			
Employee benefit plans adjustments	23	7	—
Comprehensive income	\$ 66,275	\$ 61,528	\$ 33,143

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2021	\$ 36,457	\$ —	\$ 177,724	\$ 79,711	\$ —	\$ 293,892
Comprehensive income				33,143		33,143
Capital stock/participation certificates issued/(retired), net	(1,002)					(1,002)
Dividends declared/paid	284			(284)		—
Patronage distribution						
Cash				(24,500)		(24,500)
Nonqualified retained earnings			7,924	(7,924)		—
Patronage distribution adjustment			8,933	(9,188)		(255)
Balance at December 31, 2022	\$ 35,739	\$ —	\$ 194,581	\$ 70,958	\$ —	\$ 301,278
Cumulative effect of change in accounting principle				4,357		4,357
Comprehensive income				61,521	7	61,528
Capital stock/participation certificates issued/(retired), net	(12,476)					(12,476)
Dividends declared/paid	586			(586)		—
Patronage distribution						
Cash				(49,000)		(49,000)
Nonqualified retained earnings			11,529	(11,529)		—
Equity re-characterized due to merger	2,593	65,531	126,268		(194)	194,198
Patronage distribution adjustment			749	(749)		—
Balance at December 31, 2023	\$ 26,442	\$ 65,531	\$ 333,127	\$ 74,972	\$ (187)	\$ 499,885
Comprehensive income				66,252	23	66,275
Capital stock/participation certificates issued/(retired), net	(5,920)					(5,920)
Dividends declared/paid	536			(536)		—
Patronage distribution						
Cash				(48,500)		(48,500)
Nonqualified retained earnings			13,365	(13,365)		—
Patronage distribution adjustment			755	(757)		(2)
Balance at December 31, 2024	\$ 21,058	\$ 65,531	\$ 347,247	\$ 78,066	\$ (164)	\$ 511,738

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

Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 66,252	\$ 61,521	\$ 33,143
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	1,895	1,857	1,256
Amortization (accretion) of net deferred loan costs (fees)	(420)	—	—
Amortization (accretion) of yield mark resulting from merger	(8,355)	(11,073)	—
Provision for (reversal of) allowance for loan losses	2,361	9,081	(4,513)
(Gains) losses on sales of premises and equipment, net	(133)	(112)	(1,468)
(Gains) losses on loans held for sale, net	(26)	(9)	—
(Gains) losses on other transactions	(24)	1,062	1,045
Changes in operating assets and liabilities:			
Origination of loans held for sale	(1,924)	(4,903)	—
Proceeds from sales of loans held for sale, net	5,581	958	—
(Increase) decrease in accrued interest receivable	(3,916)	(10,392)	(2,987)
(Increase) decrease in accounts receivable	1,068	(1,504)	12,385
(Increase) decrease in other assets	113	244	628
Increase (decrease) in accrued interest payable	410	2,218	1,213
Increase (decrease) in accounts payable	(1,053)	(468)	815
Increase (decrease) in other liabilities	(1,215)	2,205	43
Total adjustments	(5,638)	(10,836)	8,417
Net cash provided by (used in) operating activities	60,614	50,685	41,560
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	96	90	—
Net (increase) decrease in loans	(193,339)	(155,866)	(81,722)
(Increase) decrease in equity investments in other Farm Credit institutions	(2,212)	(11,745)	(5,698)
Net cash acquired in business combination	—	11	—
Purchases of premises and equipment	(1,449)	(1,144)	(1,084)
Proceeds from sales of premises and equipment	228	151	2,142
Proceeds from sales of other property owned	1,192	—	—
Net cash provided by (used in) investing activities	(195,484)	(168,503)	(86,362)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	189,674	181,722	71,783
Net increase (decrease) in advanced conditional payments	27	(33)	(89)
Capital stock and participation certificates issued/(retired), net	(5,920)	(12,476)	(1,002)
Patronage refunds and dividends paid	(48,874)	(51,484)	(25,803)
Net cash provided by (used in) financing activities	134,907	117,729	44,889
Net increase (decrease) in cash	37	(89)	87
Cash, beginning of period	4	93	6
Cash, end of period	\$ 41	\$ 4	\$ 93
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	\$ 1,833	\$ —	\$ —
Estimated cash dividends or patronage distributions declared or payable	48,500	49,000	24,500
Dividends declared or payable in shares of preferred stock	536	586	284
Cumulative effect of change in accounting principle	—	4,357	—
Employee benefit plans adjustments (Note 9)	(23)	(7)	—
Acquisition-related transactions:			
Assets acquired	—	(1,123,133)	—
Liabilities assumed	—	928,935	—
Equity re-characterized due to merger	—	194,198	—
Supplemental information:			
Interest paid	\$ 90,086	\$ 73,070	\$ 26,039
Taxes (refunded) paid, net	—	145	11

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:** AgCarolina Farm Credit, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Beaufort, Bertie, Bladen, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Cumberland, Currituck, Dare, Duplin, Edgecombe, Franklin, Gates, Granville, Greene, Halifax, Harnett, Hertford, Hoke, Hyde, Johnston, Jones, Lenoir, Martin, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Robeson, Sampson, Scotland, Tyrrell, Vance, Wake, Warren, Washington, Wayne, and Wilson in the state of North Carolina.

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

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

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

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

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

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of 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 the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

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

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

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

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

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 Loan Losses

The allowance for loan losses 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 allowance for loan losses 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 allowance for loan losses 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 allowance for loan losses 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 allowance for loan losses that share common risk characteristics also consider 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 allowance for loan losses 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 allowance for loan losses methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

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

- D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.
- E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in

excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

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

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

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

Equity Investments in Other Farm Credit System Institutions

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

Investments in Debt Securities

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

Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost.

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 cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans

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

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

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

Multiemployer Defined Benefit Plans

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

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

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

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

Single Employer Defined Benefit Plan

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

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

Deferred Compensation Plan

The Association also sponsors a long-term deferred compensation program for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

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

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

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

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

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

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

L. **Valuation Methodologies:** FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It prescribes three levels of inputs that may be used to measure fair value.

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

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than a third-party valuation or internal model pricing.

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

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

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

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

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

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

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

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

Financial Instruments

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

Contracts with Customers

The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Association also does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets

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

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

Lessee

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

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

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

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

Lessor

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

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

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

Note 3 — Loans and Allowance for Loan Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for loans losses, 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	\$ 1,546,990	\$ 1,512,362	785,221
Production and intermediate-term	841,886	763,728	451,508
Agribusiness:			
Loans to cooperatives	29,738	40,299	3,156
Processing and marketing	204,044	128,145	64,436
Farm-related business	70,128	65,671	17,264
Rural infrastructure:			
Communication	33,673	23,207	3,062
Power and water/waste disposal	18,451	14,792	431
Rural residential real estate	64,838	57,200	36,787
Other:			
International	5,097	3,565	780
Lease receivables	3,447	4,209	—
Other	41	44	—
Total loans	<u>\$ 2,818,333</u>	<u>\$ 2,613,222</u>	<u>1,362,645</u>

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	\$ 46,148	\$ 246,115	\$ —	\$ —	\$ 46,148	\$ 246,115
Production and intermediate-term	68,641	570,772	—	—	68,641	570,772
Agribusiness	189,729	311	—	—	189,729	311
Rural infrastructure	52,407	—	—	—	52,407	—
Other	8,742	—	—	—	8,742	—
Total	<u>\$ 365,667</u>	<u>\$ 817,198</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 365,667</u>	<u>\$ 817,198</u>

	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	\$ 34,752	\$ 319,486	\$ 27,877	\$ –	\$ 62,629	\$ 319,486
Production and intermediate-term	64,260	617,010	–	–	64,260	617,010
Agribusiness	146,900	6,097	–	–	146,900	6,097
Rural infrastructure	38,348	–	–	–	38,348	–
Other	8,059	–	–	–	8,059	–
Total	\$ 292,319	\$ 942,593	\$ 27,877	\$ –	\$ 320,196	\$ 942,593

	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	\$ 13,242	\$ 28,649	\$ –	\$ –	\$ 13,242	\$ 28,649
Production and intermediate-term	28,567	197,085	–	–	28,567	197,085
Agribusiness	33,161	14,894	–	–	33,161	14,894
Rural infrastructure	3,505	–	–	–	3,505	–
Other	782	–	–	–	782	–
Total	\$ 79,257	\$ 240,628	\$ –	\$ –	\$ 79,257	\$ 240,628

Loan Quality

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

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

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

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

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

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

	December 31,		
	2024	2023	2022*
Real estate mortgage:			
Acceptable	93.03%	95.99%	95.15%
OAEM	3.59	2.91	3.88
Substandard/doubtful/loss	3.38	1.10	0.97
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production and intermediate-term:			
Acceptable	88.39%	93.16%	94.30%
OAEM	5.53	4.35	3.97
Substandard/doubtful/loss	6.08	2.49	1.73
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Agribusiness:			
Acceptable	92.63%	96.65%	96.75%
OAEM	3.99	3.03	3.25
Substandard/doubtful/loss	3.38	0.32	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural infrastructure:			
Acceptable	99.40%	97.41%	100.00%
OAEM	0.60	2.59	-
Substandard/doubtful/loss	-	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural residential real estate:			
Acceptable	97.99%	97.68%	98.62%
OAEM	1.57	1.90	1.31
Substandard/doubtful/loss	0.44	0.42	0.07
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Other:			
Acceptable	99.86%	98.68%	100.00%
OAEM	-	0.47	-
Substandard/doubtful/loss	0.14	0.85	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total loans:			
Acceptable	91.85%	95.29%	95.08%
OAEM	4.10	3.31	3.79
Substandard/doubtful/loss	4.05	1.40	1.13
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

Accrued interest receivable on loans of \$41,826, \$37,909, and \$17,522 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following table provides 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	>90 Days or more Past Due and Accruing
Real estate mortgage	\$ 4,127	\$ 2,929	\$ 7,056	\$ 1,539,934	\$ 1,546,990	\$ -
Production and intermediate-term	2,108	2,690	4,798	837,088	841,886	11
Agribusiness	110	166	276	303,634	303,910	-
Rural infrastructure	-	-	-	52,124	52,124	-
Rural residential real estate	677	-	677	64,161	64,838	-
Other	-	12	12	8,573	8,585	-
Total	<u>\$ 7,022</u>	<u>\$ 5,797</u>	<u>\$ 12,819</u>	<u>\$ 2,805,514</u>	<u>\$ 2,818,333</u>	<u>\$ 11</u>

	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	>90 Days or more Past Due and Accruing
Real estate mortgage	\$ 4,801	\$ 3,875	\$ 8,676	\$ 1,503,686	\$ 1,512,362	\$ -
Production and intermediate-term	5,956	3,705	9,661	754,067	763,728	-
Agribusiness	4,449	783	5,232	228,883	234,115	-
Rural infrastructure	-	-	-	37,999	37,999	-
Rural residential real estate	404	77	481	56,719	57,200	-
Other	170	66	236	7,582	7,818	-
Total	<u>\$ 15,780</u>	<u>\$ 8,506</u>	<u>\$ 24,286</u>	<u>\$ 2,588,936</u>	<u>\$ 2,613,222</u>	<u>\$ -</u>

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	>90 Days or more Past Due and Accruing
Real estate mortgage	\$ 2,264	\$ 2,468	\$ 4,732	\$ 789,928	\$ 794,660	\$ -
Production and intermediate-term	159	1,106	1,265	457,689	458,954	-
Agribusiness	-	-	-	85,341	85,341	-
Rural infrastructure	-	-	-	3,496	3,496	-
Rural residential real estate	237	-	237	36,683	36,920	-
Other	-	-	-	796	796	-
Total	\$ 2,660	\$ 3,574	\$ 6,234	\$ 1,373,933	\$ 1,380,167	\$ -

The following table provides the amortized cost for nonaccrual loans, with and without a related allowance for loan losses, and interest income recognized on nonaccrual loans during the period:

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	\$ 1,543	\$ 2,853	\$ 4,396	\$ 855
Production and intermediate-term	2,936	1,712	4,648	904
Agribusiness	636	106	742	145
Other	-	11	11	2
Total	\$ 5,115	\$ 4,682	\$ 9,797	\$ 1,906

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	\$ 2,031	\$ 4,454	\$ 6,485	\$ 1,552
Production and intermediate-term	3,680	1,045	4,725	1,131
Agribusiness	266	517	783	187
Rural residential real estate	77	-	77	18
Other	30	35	65	16
Total	\$ 6,084	\$ 6,051	\$ 12,135	\$ 2,904

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	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans:					
With a related allowance for credit losses:					
Real estate mortgage	\$ 1,169	\$ 1,167	\$ 66	\$ 1,390	\$ 132
Production and intermediate-term	935	1,540	130	1,112	106
Total	\$ 2,104	\$ 2,707	\$ 196	\$ 2,502	\$ 238
With no related allowance for credit losses:					
Real estate mortgage	\$ 5,336	\$ 7,007	\$ -	\$ 6,345	\$ 605
Production and intermediate-term	4,582	6,528	-	5,447	519
Total	\$ 9,918	\$ 13,535	\$ -	\$ 11,792	\$ 1,124
Total:					
Real estate mortgage	\$ 6,505	\$ 8,174	\$ 66	\$ 7,735	\$ 737
Production and intermediate-term	5,517	8,068	130	6,559	625
Total	\$ 12,022	\$ 16,242	\$ 196	\$ 14,294	\$ 1,362

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	\$ 3,937
Production and intermediate-term	5,003
Total	<u>\$ 8,940</u>

A summary of changes in the allowance for loan 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 Loan Losses:							
Balance at December 31, 2023	\$ 5,468	\$ 5,391	\$ 1,319	\$ 34	\$ 42	\$ 164	\$ 12,418
Charge-offs	(11)	(434)	(527)	-	-	-	(972)
Recoveries	64	41	3	-	-	-	108
Provision for loan losses	(176)	1,739	913	4	1	(120)	2,361
Balance at December 31, 2024	<u>\$ 5,345</u>	<u>\$ 6,737</u>	<u>\$ 1,708</u>	<u>\$ 38</u>	<u>\$ 43</u>	<u>\$ 44</u>	<u>\$ 13,915</u>
Allowance for Loan Losses:							
Balance at December 31, 2022	\$ 5,158	\$ 3,059	\$ 551	\$ 23	\$ 238	\$ 5	\$ 9,034
Cumulative effect of a change in accounting principle	(2,986)	(847)	(291)	(20)	(209)	(4)	(4,357)
Balance at January 1, 2023	<u>\$ 2,172</u>	<u>\$ 2,212</u>	<u>\$ 260</u>	<u>\$ 3</u>	<u>\$ 29</u>	<u>\$ 1</u>	<u>\$ 4,677</u>
Charge-offs	(257)	(1,148)	(13)	-	-	-	(1,418)
Recoveries	43	34	1	-	-	-	78
Provision for loan losses	3,510	4,293	1,071	31	13	163	9,081
Balance at December 31, 2023	<u>\$ 5,468</u>	<u>\$ 5,391</u>	<u>\$ 1,319</u>	<u>\$ 34</u>	<u>\$ 42</u>	<u>\$ 164</u>	<u>\$ 12,418</u>

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	\$ 6,977	\$ 5,573	\$ 624	\$ 3	\$ 307	\$ -	\$ 13,484
Charge-offs	(70)	(10)	-	-	-	-	(80)
Recoveries	22	121	-	-	-	-	143
Provision for loan losses	(1,771)	(2,625)	(73)	20	(69)	5	(4,513)
Balance at December 31, 2022	<u>\$ 5,158</u>	<u>\$ 3,059</u>	<u>\$ 551</u>	<u>\$ 23</u>	<u>\$ 238</u>	<u>\$ 5</u>	<u>\$ 9,034</u>
Allowance on loans evaluated for impairment:							
Individually	\$ 66	\$ 130	\$ -	\$ -	\$ -	\$ -	\$ 196
Collectively	5,092	2,929	551	23	238	5	8,838
Balance at December 31, 2022	<u>\$ 5,158</u>	<u>\$ 3,059</u>	<u>\$ 551</u>	<u>\$ 23</u>	<u>\$ 238</u>	<u>\$ 5</u>	<u>\$ 9,034</u>
Recorded investment in loans evaluated for impairment:							
Individually	\$ 6,452	\$ 5,381	\$ -	\$ -	\$ -	\$ -	\$ 11,833
Collectively	788,208	453,573	85,341	3,496	36,920	796	1,368,334
Balance at December 31, 2022	<u>\$ 794,660</u>	<u>\$ 458,954</u>	<u>\$ 85,341</u>	<u>\$ 3,496</u>	<u>\$ 36,920</u>	<u>\$ 796</u>	<u>\$ 1,380,167</u>

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 \$64,458, \$70,516, and \$23,020 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled \$109, \$135, and less than \$1 for 2024, 2023, and 2022 respectively. These amounts are classified as noninterest expense.

Loans held for sale were \$0, \$3,632, and \$0 at December 31, 2024, 2023, and 2022, respectively. Such loans are carried at the lower of cost or fair value.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2024				Percentage of Total by Loan Type
	Interest Rate Reduction	Maturity Extension	Payment Deferral	Total	
Real estate mortgage	\$ 2,224	\$ 5,649	\$ 11,747	\$ 19,620	1.27%
Production and intermediate-term	–	12,624	3,388	16,012	1.90%
Agribusiness	–	4,801	–	4,801	1.58%
Total	\$ 2,224	\$ 23,074	\$ 15,135	\$ 40,433	1.43%

The following tables describe the financial effects of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024:

	Interest Rate Reduction Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 7.52% to 7.36%
	Maturity Extension Financial Effect
Real estate mortgage	Added a weighted average 3.03 years to the life of loans
Production and intermediate-term	Added a weighted average 2.32 years to the life of loans
Agribusiness	Added a weighted average 0.67 years to the life of loans
	Payment Deferral Financial Effect
Real estate mortgage	Added a weighted average 0.31 years to the life of loans
Production and intermediate-term	Added a weighted average 0.33 years to the life of loans

The following tables set forth the amortized cost of loans to borrowers experiencing financial difficulty that were modified during 2024 and defaulted during the period presented:

	For the Year Ended December 31, 2024 Maturity Extension
Production and intermediate-term	\$ 574
Total	\$ 574

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the year:

	December 31, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	\$ 19,620	\$ –	\$ –	\$ 19,620
Production and intermediate-term	15,438	56	518	16,012
Agribusiness	4,801	–	–	4,801
Total	\$ 39,859	\$ 56	\$ 518	\$ 40,433

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024 was \$1,215. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were \$613 at December 31, 2024.

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

Troubled Debt Restructurings

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

principal may have been forgiven. When a restructured loan constituted a TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

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

Outstanding Recorded Investment	Year Ended December 31, 2022					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Pre-modification:						
Real estate mortgage	\$ 32	\$ –	\$ –	\$ 32		
Production and intermediate-term	–	5,270	–	5,270		
Total	\$ 32	\$ 5,270	\$ –	\$ 5,302		
Post-modification:						
Real estate mortgage	\$ 32	\$ –	\$ –	\$ 32	\$ –	
Production and intermediate-term	–	5,308	–	5,308		
Total	\$ 32	\$ 5,308	\$ –	\$ 5,340	\$ –	

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

Year Ended December 31, 2022	
Defaulted Troubled Debt Restructurings	
Real estate mortgage	\$ 32
Production and intermediate-term	3,994
Total	\$ 4,026

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	\$ 3,373	\$ 805
Production and intermediate-term	5,264	4,750
Total loans	\$ 8,637	\$ 5,555
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, which were acquired in the Association's merger that was effective January 1, 2023, follows. See Note 14, *Merger Activity*, for further information.

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 2,313	\$ –	\$ (297)	\$ 2,016	5.95 %

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 2,409	\$ –	\$ (274)	\$ 2,135	5.95 %

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	2,313	2,016	5.95
Total	<u>\$ 2,313</u>	<u>\$ 2,016</u>	<u>5.95%</u>

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

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

Equity Investments in Other Farm Credit Institutions

Equity investments in other Farm Credit 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.

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$43,542, \$41,337, and \$15,878 at December 31, 2024, 2023, and 2022, respectively. The Association owned 7.74 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled \$47.0 billion and shareholders' equity totaled \$1.7 billion. The Bank's earnings were \$283 million for 2024, \$265 million for 2023, and \$412 million for 2022. In addition, the Association had investments of \$1,269 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	\$ 3,806	\$ 3,806	\$ 2,469
Buildings and improvements	17,670	17,631	13,565
Furniture and equipment	10,727	10,115	6,256
	<u>32,203</u>	<u>31,552</u>	<u>22,290</u>
Less: accumulated depreciation	12,423	11,231	7,568
Total	<u>\$ 19,780</u>	<u>\$ 20,321</u>	<u>\$ 14,722</u>

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank

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

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

interest rate is periodically adjusted by the Bank based upon an agreement between the Bank and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31,		
	2024	2023	2022
Line of credit	\$ 2,705,000	\$ 2,705,000	\$ 1,240,000
Outstanding principal under the line of credit	2,351,268	2,155,900	1,072,805
Interest rate	4.33%	4.20%	2.67%

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. 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 two 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 does not always make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation, the total balance of which would not exceed \$7,139, representing the total outstanding value of capital stock and participation certificates at December 31, 2024.

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.

The Association provides customers, through its Preferred Stock Program, the ability to purchase Class A Preferred Stock (Preferred Stock) at the Preferred Stock's par value of five dollars per share to holders of any class of Association common stock or participation certificates. The minimum initial subscription of Preferred Stock is one hundred shares for a total of five hundred dollars. Preferred Stock is a non-voting class of stock that pays a quarterly dividend based on dividend rates set in advance by the Board of Directors. All dividends are paid in shares of stock at par value at the end of the record date, normally each quarter end, provided that holders have a Preferred Stock outstanding balance at the time of the record date. Holders of Preferred Stock must also have an outstanding loan with the Association, and upon loan payoff must retire all shares of Preferred Stock within 90 days.

- B. 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 loan losses 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%	16.63%	17.28%	19.76%
Tier 1 Capital	6.0%	2.5%	8.5%	16.63%	17.28%	19.76%
Total Capital	8.0%	2.5%	10.5%	17.14%	17.86%	20.73%
Permanent Capital	7.0%	0.0%	7.0%	17.27%	18.16%	22.76%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	16.94%	17.63%	19.11%
URE and UREE Leverage	1.5%	0.0%	1.5%	16.68%	17.37%	18.81%

* 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.

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

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

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
A Preferred/Nonvoting	No	2,783,660	\$ 13,918
C Common/Voting	No	1,281,315	6,407
C Participation Certificates/Nonvoting	No	146,580	733
Total Capital Stock and Participation Certificates		4,211,555	\$ 21,058

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 may 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.

Qualified allocated equities shall be retired for a cash distribution solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2024, allocated members' equity consisted of \$347,247 of nonqualified retained surplus.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available patronage-sourced 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 and leases unless another proportionate patronage basis is approved by the Board.

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

Dividends

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

The rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividend paid on Classes E and C Common Stock or participation certificates for such year. The rate of dividends on Classes E 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. During 2024, stock dividends of \$536 were declared and distributed on Class A Preferred Stock.

All qualified and nonqualified surplus may only be retired at the discretion of the Board. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

Transfer

Classes A and D Preferred, Classes E and C Common Stock, and Class 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:

- a) **First**, to allocated surplus evidenced by nonqualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
- b) **Second**, to allocated surplus evidenced by qualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
- c) **Third**, to Class C Common Stock, Class E Common Stock, and Class C Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;
- d) **Fourth**, to Class D Preferred Stock issued and outstanding, if any; and
- e) **Fifth**, to Class A Preferred Stock issued and outstanding, if any.

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:

- a) **First**, to the holders of Class A Preferred Stock, if any, pro rata, until an amount equal to the aggregate par value of all shares then issued and outstanding, plus declared but unpaid dividends, has been distributed to such holders;
- b) **Second**, to the holders of Class D Preferred Stock, if any, pro rata, until an amount equal to the aggregate par value of all such shares then issued and outstanding has been distributed to such holders;

- c) **Third**, to the holders of Class C Common Stock, Class E Common Stock, and Class C Participation Certificates pro rata in proportion to the number of shares or units of each such class of stock or participation certificates then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;
- d) **Fourth**, to the 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;
- e) **Fifth**, to the 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; and
- f) **Sixth**, insofar as is practicable, all unallocated surplus issued after January 1, 1995, shall be distributed to patrons of the Association from the period beginning January 1, 1995 through the date of liquidation.

D. Accumulated Other Comprehensive Income (AOCI):

	Changes in Accumulated Other Comprehensive Income by Component (a)					
	For the Year Ended December 31,					
	2024		2023		2022	
Employee Benefit Plans:						
Balance at beginning of period	\$	(187)	\$	–	\$	–
Equity re-characterized due to merger		–		(194)		–
Other comprehensive income before reclassifications		9		(7)		–
Amounts reclassified from AOCI		14		14		–
Net current period OCI		23		7		–
Balance at end of period	\$	(164)	\$	(187)	\$	–

	Reclassifications Out of Accumulated Other Comprehensive Income (b)						
	For the Year Ended December 31,						
	2024	2023	2022	Income Statement Line Item			
Defined Benefit Pension Plans:							
Periodic pension costs	\$	(14)	\$	(14)	\$	–	See Note 9.
Amounts reclassified	\$	(14)	\$	(14)	\$	–	–

(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 Value		
	Level 1	Level 2	Level 3					
Recurring assets								
Assets held in trust funds	\$	3,352	\$	–	\$	–	\$	3,352
Nonrecurring assets								
Nonaccrual loans*	\$	–	\$	–	\$	3,819	\$	3,819
Other property owned	\$	–	\$	–	\$	663	\$	663

	December 31, 2023							
	Fair Value Measurement Using					Total Fair Value		
	Level 1	Level 2	Level 3					
Recurring assets								
Assets held in trust funds	\$	3,581	\$	–	\$	–	\$	3,581
Nonrecurring assets								
Nonaccrual loans**	\$	–	\$	–	\$	5,370	\$	5,370
Other property owned	\$	–	\$	–	\$	–	\$	–

	December 31, 2022					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 3,860	\$ –	\$ –	\$ –	\$ –	\$ 3,860
Nonrecurring assets						
Impaired loans***	\$ –	\$ –	\$ 2,675	\$ –	\$ –	\$ 2,675
Other property owned	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –

*Carrying value of nonaccrual loans is the balance of loans with a related specific reserve (\$5,115) less related specific reserves (\$1,962) associated with nonaccrual loans plus nonaccrual loans with no specific reserve with an associated charge-off (\$666).

**Carrying value of nonaccrual loans is the balance of loans with a related specific reserve (\$6,084) less related specific reserves (\$2,044) associated with nonaccrual loans plus nonaccrual loans with no specific reserve with an associated charge-off (\$1,330).

***Carrying value of impaired loans is the balance of loans with a related specific reserve (\$2,104) less related specific reserves (\$196) associated with impaired loans plus impaired loans with no specific reserve with an associated charge-off (\$767). 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 to be filed. As such, the following information is not available for the plans:

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

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$1,354 for 2024, \$1,439 for 2023, and \$899 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 in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$694 for 2024, \$724 for 2023, and \$380 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. This 401(k) plan requires the Association to match 100 percent of employee optional contributions up to a maximum employee contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were \$1,690, \$1,594, and \$908 for the years ended December 31, 2024, 2023 and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

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

The Association sponsors a nonqualified long-term deferred compensation program for certain Association employees and a nonqualified supplemental 401(k) plan. The deferred compensation program provides deferred compensation benefits to encourage focus on strategies that are in the long-term best interest of the Association and its shareholders. Under the program the funds are set up in a Trust owned by the Association. Compensation is deferred until a later date upon which the employee meets certain vesting guidelines, employment is terminated, or by Board approval. All current and future assets used by the Association to fund this program will remain general assets of the Association until payment or distribution is made. Employer contributions to this plan were \$318, \$130, and \$250 for the years ended December 31, 2024, 2023, and 2022, respectively. At December 31, 2024, 2023, and 2022, the Association had a deferred compensation liability related to this plan of \$3,162, \$3,411 and \$3,818 included within Other Liabilities on the Consolidated Balance Sheets. Expenses of the nonqualified 401(k) plan included in noninterest expenses were \$375, \$50, and \$9 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 \$37,305. During 2024, \$22,202 of new loans were made and repayments totaled \$24,193. In addition, net loans of \$19,452 were no longer 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, \$621,707 of commitments to extend credit and \$401 of commercial letters of credit were outstanding.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled \$1,661 with expiration dates ranging from January 1, 2025 to November 17, 2027. The maximum potential amount of future payments that may be required under these guarantees was \$1,661.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 75	\$ 76	\$ 12
State	—	—	1
Total Current	75	76	13
Deferred:			
Federal	—	—	—
State	—	—	—
Total Deferred	—	—	—
Total provision (benefit) for income taxes	\$ 75	\$ 76	\$ 13

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	\$ 13,929	\$ 12,698	\$ 6,963
State tax, net	—	—	1
Non-pat tax	—	(67)	—
Effect of non-taxable FLCA subsidiary	(3,888)	(2,618)	(1,168)
Patronage distributions	(10,185)	(10,080)	(5,145)
Change in deferred tax asset			
valuation allowance	1,654	1,904	(702)
Deferred tax rate change	—	—	—
Other	(1,435)	(1,761)	64
Provision (benefit) for income taxes	\$ 75	\$ 76	\$ 13

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

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for loan losses	\$ 1,733	\$ 1,247	\$ 1,058
Nonaccrual loan interest	380	1,077	334
Loss carryforward	3,780	3,004	—
Deferred Income – Merger	614	1,508	—
Depreciation	—	1	—
Gross deferred tax assets	6,507	6,837	1,392
Less: valuation allowance	(6,506)	(6,836)	(962)
Gross deferred tax assets, net of valuation allowance	1	1	430
Deferred income tax liabilities:			
Special patronage	(1)	(1)	(430)
Gross deferred tax liabilities	(1)	(1)	(430)
Net deferred tax asset (liability)	\$ —	\$ —	\$ —

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately \$9.1 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

At December 31, 2024, the Association has federal loss carryforwards totaling approximately \$16.5 million that expire in varying amounts beginning in 2032. Any portion of the Federal loss carryforwards generated post 2017 does not expire. The Association also has state loss carryforwards totaling approximately \$8.0 million that expire in varying amounts beginning in 2030. The valuation allowance at December 31, 2024 was primarily related to federal and state loss carryforwards that, in the judgement of management, are more likely than not to expire before realized. In evaluating the Association's ability to recover its deferred income tax assets, it considers all available evidence, both positive and negative, including operating results, ongoing tax planning and forecasts of future taxable income on a jurisdiction by jurisdiction basis.

The Association recorded a valuation allowance of \$6,506, \$6,836, and \$962 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	\$ 23,477	\$ 23,348	\$ 24,065	\$ 24,728	\$ 95,618
Provision for (reversal of) allowance for loan losses	1,364	291	1,534	(828)	2,361
Noninterest income (expense), net and taxes	(5,578)	(5,584)	(7,243)	(8,600)	(27,005)
Net income	\$ 16,535	\$ 17,473	\$ 15,288	\$ 16,956	\$ 66,252

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 22,369	\$ 21,700	\$ 21,271	\$ 22,563	\$ 87,903
Provision for (reversal of) allowance for loan losses	8,581	1,546	817	(1,863)	9,081
Noninterest income (expense), net and taxes	(4,041)	(4,981)	(4,945)	(3,334)	(17,301)
Net income	\$ 9,747	\$ 15,173	\$ 15,509	\$ 21,092	\$ 61,521

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 8,154	\$ 8,852	\$ 9,109	\$ 9,773	\$ 35,888
Provision for (reversal of) allowance for loan losses	-	-	(444)	(4,069)	(4,513)
Noninterest income (expense), net and taxes	(2,279)	(2,888)	(3,412)	1,321	(7,258)
Net income	\$ 5,875	\$ 5,964	\$ 6,141	\$ 15,163	\$ 33,143

Note 14 — Merger Activity

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

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of December 31, 2024 and 2023. The Consolidated Statements of Income, Members' Equity, and Cash Flows include the merged Association after January 1, 2023 and do not include the results of Cape Fear prior to January 1, 2023. Information in the Notes to the Consolidated Financial Statements for 2022 does not include balances and transactional activity for Cape Fear.

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

Management believes that because the stock in each association is fixed in value (although subject to impairment), the AgCarolina stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, AgCarolina undertook a process to identify and estimate the acquisition date fair value of Cape Fear's equity interests instead of the acquisition date fair value of AgCarolina's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from Cape Fear, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield materially different results. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. In addition, no material amounts of intangible assets were acquired. As a result, management recorded no goodwill. A net increase of \$194.2 million was recorded in stockholders' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Cape Fear's net assets as of the date of acquisition. There were no subsequent changes to these fair values.

	Cape Fear
Assets:	
Net loans	\$ 1,077,161
Accrued interest receivable	10,007
Other assets	35,965
Total assets	\$ 1,123,133
Liabilities:	
Notes payable	\$ 893,556
Accrued interest payable	2,524
Other liabilities	32,855
Total liabilities	\$ 928,935
Fair value of net assets acquired	\$ 194,198

Fair value adjustments to Cape Fear's assets and liabilities included an \$80.5 million decrease to loans and a \$32.3 million decrease to notes payable to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences will be accreted or amortized into net interest income over the remaining life of the respective loans and debt instruments on an effective yield basis.

Note 15 — Subsequent Events

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

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