
AgCredit Agricultural Credit Association

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly report of AgCredit Agricultural Credit Association, 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/ Brian J. Ricker
Chief Executive Officer

/s/ Daniel J. Lucke
Chief Financial Officer

/s/ Dustin J. Sonnenberg
Chairman of the Board

May 9, 2025

AgCredit Agricultural Credit Association

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2025. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material changes to or weaknesses in the internal control over financial reporting as of March 31, 2025.

/s/ Brian J. Ricker
Chief Executive Officer

/s/ Daniel J. Lucke
Chief Financial Officer

May 9, 2025

AgCredit Agricultural Credit Association

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgCredit Agricultural Credit Association (Association) for the period ended March 31, 2025, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2024 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio consists predominantly of grains (primarily soybeans, corn, and wheat), livestock, and landlords, which constitute 67 percent of the entire portfolio as of March 31, 2025. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk, along with the risk associated with large loans, is reduced by members' off-farm income, utilization of crop insurance, and the use of FSA, USDA, Business and Industry, SBA, and Farmer Mac loan guarantees. As of March 31, 2025, the Association had \$999,508 of guaranteed loan volume, which is 28.43 percent of loans as compared to \$926,459 of guaranteed volume or 29.19 percent of the portfolio at March 31, 2024. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

The total loan volume of the Association as of March 31, 2025, was \$3,516,076, a decrease of \$26,303 as compared to \$3,542,379 at December 31, 2024. The decrease in loan value primarily relates to decreases in production and intermediate (PRIT) and other partially offset by increases in real estate mortgage and processing & marketing.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from \$11,471 at December 31, 2024, to \$16,103 at March 31, 2025. As a percent of total loans, nonaccrual loans were 0.46% and 0.32% at March 31, 2025 and December 31, 2024, respectively.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACL). The ACL at March 31, 2025, was \$9,891 or 0.28% of total loans compared to \$8,942 or 0.25% of total loans at December 31, 2024, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

The Association's primary source of funding is provided by AgFirst Farm Credit Bank (the Bank) in the form of notes payable. See *Funding Sources* section below for additional detail on this relationship.

For the three months ended March 31, 2025

Net income for the three months ended March 31, 2025, was \$17,300, a decrease of \$1,187 as compared to net income of \$18,487 for the same period ended in 2024. Major changes in the components of net income when comparing Q1 2025 to Q1 2024 are identified below in the commentary for net interest income, provision for credit losses, noninterest income, and noninterest expense.

For the three months ended March 31, 2025, net interest income was \$22,735, an increase of \$975, and the net interest margin was 2.65%, an increase of 23 basis points as compared to the same period ended in 2024. The increase in net interest income was primarily the result of the change in the rate applied to notes payable, increased rates earned on our own funds, and loan growth.

The provision for credit losses for the three months ended March 31, 2025, was \$950, an increase of \$305 from the provision for credit losses of \$645 for the same period ended during the prior year primarily related to a significant change in economic factors, specifically an increase in USA BBB spreads in the current and future quarters.

Noninterest income decreased \$319 to \$6,828 during the first three months of 2025 compared with the first three months of 2024 primarily due to a decrease in the patronage rate paid out by AgFirst partially offset by an increase in fee income as well as a FCS Insurance Corporation refund in the current year.

For the three months ended March 31, 2025, noninterest expense increased \$1,526 to \$11,301 compared with the first three months of 2024 primarily due to an increase in purchased service fees charged by AgFirst from 34 bps to 50 bps.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2025, was \$3,094,150 as compared to \$3,146,465 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was \$569,112, an increase of \$17,094 from a total of \$552,018 at December 31, 2024. The increase is due primarily to 2025 year-to-date earnings. Total capital stock and participation certificates were \$13,772 on March 31, 2025, compared to \$13,945 on December 31, 2024.

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

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	18.73%	18.48%	18.64%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	18.41%	18.22%	18.25%
Tier 1 Capital Ratio	8.50%	18.41%	18.22%	18.25%
Total Regulatory Capital Ratio	10.50%	18.82%	18.54%	18.66%
Tier 1 Leverage Ratio**	5.00%	13.70%	13.99%	14.22%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	13.47%	13.75%	13.96%

**Include full capital conservation buffers.*

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

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

REGULATORY MATTERS

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

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

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

Note: The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be materially 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 Quarterly and Annual Reports are available on the Association's website, www.agcredit.net, or may be obtained upon request free of charge by calling 1-800-837-3678, extension 2206, or writing Dan Lucke, Chief Financial Officer, AgCredit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

AgCredit Agricultural Credit Association

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2025 <i>(unaudited)</i>	December 31, 2024 <i>(audited)</i>
Assets		
Cash	\$ 541	\$ 47
Investments in debt securities:		
Held to maturity	65,672	63,681
Loans	3,516,076	3,542,379
Allowance for credit losses on loans	(9,891)	(8,942)
Net loans	3,506,185	3,533,437
Other investments	9,107	7,921
Accrued interest receivable	51,097	52,651
Equity investments in other Farm Credit institutions	57,643	57,598
Premises and equipment, net	7,194	7,223
Other property owned	362	486
Accounts receivable	6,972	26,242
Other assets	3,965	3,779
Total assets	\$ 3,708,738	\$ 3,753,065
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 3,094,150	\$ 3,146,165
Accrued interest payable	9,962	9,972
Patronage refunds payable	264	26,106
Accounts payable	1,161	6,125
Advanced conditional payments	1,624	1,564
Other liabilities	32,465	11,115
Total liabilities	3,139,626	3,201,047
Commitments and contingencies (Note 5)		
Members' Equity		
Capital stock and participation certificates	13,772	13,945
Retained earnings		
Allocated	397,175	396,760
Unallocated	158,165	141,313
Total members' equity	569,112	552,018
Total liabilities and members' equity	\$ 3,708,738	\$ 3,753,065

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

AgCredit Agricultural Credit Association

Consolidated Statements of Comprehensive Income

(unaudited)

For the Three Months
Ended March 31,
2025 2024

(dollars in thousands)

Interest Income

Loans	\$ 51,235	\$ 46,782
Investments	707	311
Total interest income	<u>51,942</u>	<u>47,093</u>

Interest Expense

Net interest income	22,735	21,760
Provision for credit losses	950	645
Net interest income after provision for credit losses	<u>21,785</u>	<u>21,115</u>

Noninterest Income

Loan fees	651	302
Fees for financially related services	39	31
Patronage refunds from other Farm Credit institutions	5,687	6,544
Gains (losses) on other transactions	(22)	191
Insurance Fund refunds	399	—
Other noninterest income	74	79
Total noninterest income	<u>6,828</u>	<u>7,147</u>

Noninterest Expense

Salaries and employee benefits	5,088	5,022
Occupancy and equipment	339	355
Insurance Fund premiums	545	473
Guarantee fees	325	378
Purchased services	3,431	2,170
Data processing	146	81
Other operating expenses	1,418	1,296
(Gains) losses on other property owned, net	9	—
Total noninterest expense	<u>11,301</u>	<u>9,775</u>

Income before income taxes	17,312	18,487
Provision for income taxes	12	—

Net income	\$ 17,300	\$ 18,487
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Other comprehensive income	—	—
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Comprehensive income	\$ 17,300	\$ 18,487
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The accompanying notes are an integral part of these consolidated financial statements.

AgCredit Agricultural Credit Association

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
<i>(dollars in thousands)</i>		Allocated	Unallocated	
Balance at December 31, 2023	\$ 14,113	\$ 363,983	\$ 127,583	\$ 505,679
Comprehensive income			18,487	18,487
Capital stock/participation certificates issued/(retired), net	(58)			(58)
Dividends declared/paid			(43)	(43)
Patronage distribution adjustment		2,093	(1,814)	279
Balance at March 31, 2024	\$ 14,055	\$ 366,076	\$ 144,213	\$ 524,344
Balance at December 31, 2024	\$ 13,945	\$ 396,760	\$ 141,313	\$ 552,018
Comprehensive income			17,300	17,300
Capital stock/participation certificates issued/(retired), net	(173)			(173)
Dividends declared/paid			(34)	(34)
Patronage distribution adjustment		415	(414)	1
Balance at March 31, 2025	\$ 13,772	\$ 397,175	\$ 158,165	\$ 569,112

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

AgCredit Agricultural Credit Association

Notes to the Consolidated Financial Statements

*(dollars in thousands, except as noted)
(unaudited)*

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of AgCredit Agricultural Credit Association and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2024, are contained in the 2024 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 4, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or Adopted Accounting Pronouncements

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

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

	March 31, 2025	December 31, 2024
Real estate mortgage	\$ 1,955,995	\$ 1,949,163
Production and intermediate-term	706,075	760,341
Agribusiness:		
Loans to cooperatives	3,985	11,884
Processing and marketing	366,205	323,378
Farm-related business	38,637	40,017
Rural infrastructure:		
Communication	49,703	50,866
Power and water/waste disposal	14,961	14,166
Rural residential real estate	144,864	144,317
Other:		
International	503	1,035
Lease receivables	2,349	2,427
Other (including Mission Related)	232,799	244,785
Total loans	\$ 3,516,076	\$ 3,542,379

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly. The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations.

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	March 31, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	97.16%	97.29%
OAEM	1.08	0.98
Substandard/doubtful/loss	1.76	1.73
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	90.55%	92.79%
OAEM	5.87	4.15
Substandard/doubtful/loss	3.58	3.06
	100.00%	100.00%
Agribusiness:		
Acceptable	92.03%	91.76%
OAEM	5.91	5.91
Substandard/doubtful/loss	2.06	2.33
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Rural residential real estate:		
Acceptable	98.16%	98.11%
OAEM	1.29	1.32
Substandard/doubtful/loss	0.55	0.57
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Total loans:		
Acceptable	95.52%	96.01%
OAEM	2.52	2.11
Substandard/doubtful/loss	1.96	1.88
	100.00%	100.00%

Accrued interest receivable on loans of \$49,745 and \$51,333 at March 31, 2025 and December 31, 2024, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

March 31, 2025						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	\$ 11,334	\$ 2,753	\$ 14,087	\$ 1,941,907	\$ 1,955,994	\$ –
Production and intermediate-term	8,031	2,007	10,038	696,038	706,076	1,062
Agribusiness	95	–	95	408,732	408,827	–
Rural infrastructure	–	–	–	64,664	64,664	–
Rural residential real estate	434	74	508	144,356	144,864	–
Other	21,558	–	21,558	214,093	235,651	–
Total	\$ 41,452	\$ 4,834	\$ 46,286	\$ 3,469,790	\$ 3,516,076	\$ 1,062

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	\$ 16,047	\$ 2,007	\$ 18,054	\$ 1,931,109	\$ 1,949,163	\$ –
Production and intermediate-term	3,650	585	4,235	756,106	760,341	43
Agribusiness	49	–	49	375,230	375,279	–
Rural infrastructure	–	–	–	65,032	65,032	–
Rural residential real estate	630	89	719	143,598	144,317	–
Other	16,055	–	16,055	232,192	248,247	–
Total	\$ 36,431	\$ 2,681	\$ 39,112	\$ 3,503,267	\$ 3,542,379	\$ 43

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

March 31, 2025			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 277	\$ 8,310	\$ 8,587
Production and intermediate-term	1,877	5,436	7,313
Rural residential real estate	49	154	203
Total	\$ 2,203	\$ 13,900	\$ 16,103

December 31, 2024			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 285	\$ 6,749	\$ 7,034
Production and intermediate-term	1,984	2,240	4,224
Rural residential real estate	49	164	213
Total	\$ 2,318	\$ 9,153	\$ 11,471

The Association recognized \$61 and \$23 of interest income on nonaccrual loans during the three months ended March 31, 2025 and March 31, 2024, respectively.

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

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

	Three Months Ended March 31,	
	2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	\$ 8,942	\$ 7,115
Charge-offs	(4)	—
Recoveries	—	—
Provision for credit losses on loans	953	669
Balance at end of period	<u>\$ 9,891</u>	<u>\$ 7,784</u>
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	\$ 571	\$ 476
Provision for unfunded commitments	(3)	(23)
Balance at end of period	<u>\$ 568</u>	<u>\$ 453</u>
Total allowance for credit losses	<u>\$ 10,459</u>	<u>\$ 8,237</u>

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three months ended March 31, 2025 and 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 2025 and 2024. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

The Association had no loans held for sale at March 31, 2025 and December 31, 2024.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing overall risk including concentration through diversification. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point probability of default scale used to also grade loans, falls below 9. The FCA requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At March 31, 2025, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

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

	March 31, 2025	December 31, 2024
	Amortized Cost	
RABs	\$ 5,121	\$ 5,213
ABSs	60,551	58,468
Total	<u>\$ 65,672</u>	<u>\$ 63,681</u>

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

	Amortized Cost
In one year or less	\$ —
After one year through five years	10,961
After five years through ten years	20,244
After ten years	34,467
Total	<u>\$ 65,672</u>

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

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

Equity Investments in Other Farm Credit System Institutions

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

The Association is required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 9.71% of the issued stock and allocated retained earnings of the Bank as of March 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled \$47.1 billion and shareholders' equity totaled \$1.9 billion. The Bank's earnings were \$66 million for the first three months of 2025. In addition, the Association held investments of \$3,231 related to other Farm Credit institutions.

Note 4 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

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

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

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

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

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

March 31, 2025					
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 3,208	\$ —	\$ —	\$	3,208
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 316	\$	316
Other property owned	\$ —	\$ —	\$ 362	\$	362
Other investments	\$ —	\$ —	\$ 9,107	\$	9,107

December 31, 2024					
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 3,086	\$ —	\$ —	\$	3,086
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 438	\$	438
Other property owned	\$ —	\$ —	\$ 486	\$	486
Other investments	\$ —	\$ —	\$ 7,921	\$	7,921

Valuation Techniques

Assets held in trust funds

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

Nonaccrual loans

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

Other property owned

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

Other investments

There are no observable market values for the Association's Rural Business Investment Company (RBIC) investments. These investments are measured at cost, adjusted for any observable sales and impairment.

Note 5 — Commitments and Contingent Liabilities

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 remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 6 — Subsequent Events

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