AgCarolina Farm Credit, ACA

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly 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

May 9, 2025

AgCarolina Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of 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 weaknesses in the internal control over financial reporting as of March 31, 2025.

/s/ Evan J. Kleinhans
Chief Executive Officer

/s/ Matthew J. McFarlin
Chief Financial Officer

May 9, 2025

AgCarolina Farm Credit, ACA

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 AgCarolina Farm Credit, ACA (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 encompasses a well-diversified range of agricultural commodities, including poultry, field crops, forestry, swine, and corn. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diversity of enterprises in the Association's portfolio. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, lessens the level of dependency on any single given commodity. Concentration risk is further mitigated by a portfolio of participation loans purchased or originated and sold as well as through the Association's use of USDA and Farmer Mac guarantees.

The total loan volume of the Association as of March 31, 2025, was $2,794,074, a decrease of $24,259 or 0.86 percent as compared to $2,818,333 at December 31, 2024. The decrease in loan volume was primarily driven by a decline in the Association's production and intermediate term portfolio, partially offset by growth in the real estate mortgage portfolio.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. While overall credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory, the portfolio has experienced stress in recent periods due to low commodity prices and production negatively impacted by weather conditions. Nonaccrual loans increased from $9,797 at December 31, 2024, to $16,999 at March 31, 2025. As a percent of total loans, nonaccrual loans were 0.61 percent and 0.35 percent at March 31, 2025 and December 31, 2024, respectively. The increase in nonaccrual loans was attributed to the transfer of several loans from accrual to nonaccrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The allowance for loan losses at March 31, 2025, was $17,014 or 0.61 percent of total loans compared to $13,915 or 0.49 percent 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 allowance for loan losses within the Association's Annual Report and discussion of significant provision for loan losses within the *Results of Operations* below.

RESULTS OF OPERATIONS

For the three months ended March 31, 2025

Net income for the three months ended March 31, 2025, was $13,904, a decrease of $2,631 or 15.91 percent as compared to net income of $16,535 for the same period ended in 2024. Major changes in the components of net income are identified as follows:

For the three months ended March 31, 2025, net interest income was $24,091, an increase of $614 or 2.62 percent, and the net interest margin was 3.50%, a decrease of 18 basis points as compared to the same period ended in 2024. The increase in net interest income from the prior year was primarily due to a $4,093 increase in interest income on loans, partially offset by a $3,478 increase in interest expense. The decline in net interest margin was primarily driven by a decrease in the impact of the fair value merger valuation adjustment.

The provision for loan losses for the three months ended March 31, 2025, was $3,355, an increase of $1,991 or 145.97 percent from the provision for loan losses of $1,364 for the same period ended during the prior year.

Noninterest income increased $327 or 4.38 percent to $7,796 during the first three months of 2025 compared with the first three months of 2024 primarily due to a $691 increase in fees for financially related services, a $452 increase in insurance fund refunds, a $108 increase in loan fees, and a $96 increase in gains on sales of premises and equipment, partially offset by a $1,001 decrease in patronage refunds from other Farm Credit institutions.

For the three months ended March 31, 2025, noninterest expense increased $1,581 or 12.14 percent to $14,609 compared with the first three months of 2024 primarily due to a $1,038 increase in purchased services, a $311 increase in salaries and employee benefits, and a $205 increase in other operating expenses.

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 $2,300,456 as compared to $2,351,268 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was $526,774, an increase of $15,036 or 2.94 percent from a total of $511,738 at December 31, 2024. The increase was attributed to total comprehensive income of $13,907, as well as net member capital stock and participation certificates issued of $1,131, offset by a $2 adjustment to the 2024 patronage distribution accrual. Total capital stock and participation certificates were $22,302 on March 31, 2025, compared to $21,058 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%	16.45%	17.27%	17.53%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	15.81%	16.63%	16.66%
Tier 1 Capital Ratio	8.50%	15.81%	16.63%	16.66%
Total Regulatory Capital Ratio	10.50%	16.29%	17.14%	17.12%
Tier 1 Leverage Ratio**	5.00%	16.23%	16.94%	17.03%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	15.98%	16.68%	16.76%

**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: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-951-3276, ext. 7189, or writing Matthew J. McFarlin, AgCarolina Farm Credit, ACA, P. O. Box 14789, Raleigh, NC 27620, or accessing the website, *www.agcarolina.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgCarolina Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2025 *(unaudited)*	December 31, 2024 *(audited)*
Assets		
Cash	**$ 1**	$ 41
Investments in debt securities:		
Held to maturity	**2,288**	2,313
Loans	**2,794,074**	2,818,333
Allowance for loan losses	**(17,014)**	(13,915)
Net loans	**2,777,060**	2,804,418
Accrued interest receivable	**36,019**	41,837
Equity investments in other Farm Credit institutions	**44,913**	44,811
Premises and equipment, net	**19,817**	19,780
Other property owned	**516**	641
Accounts receivable	**5,033**	21,819
Other assets	**4,113**	3,979
Total assets	**$ 2,889,760**	$ 2,939,639
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 2,300,456**	$ 2,351,268
Accrued interest payable	**8,269**	8,147
Patronage refunds payable	**473**	48,782
Accounts payable	**1,340**	3,293
Advanced conditional payments	**144**	31
Other liabilities	**52,304**	16,380
Total liabilities	**2,362,986**	2,427,901
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**22,302**	21,058
Additional paid-in-capital	**65,531**	65,531
Retained earnings		
Allocated	**348,062**	347,247
Unallocated	**91,040**	78,066
Accumulated other comprehensive income (loss)	**(161)**	(164)
Total members' equity	**526,774**	511,738
Total liabilities and members' equity	**$ 2,889,760**	$ 2,939,639

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

AgCarolina Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2025	2024
Interest Income		
Loans	**$ 49,143**	$ 45,050
Investments	**34**	35
Total interest income	**49,177**	45,085
Interest Expense	**25,086**	21,608
Net interest income	**24,091**	23,477
Provision for loan losses	**3,355**	1,364
Net interest income after provision for loan losses	**20,736**	22,113
Noninterest Income		
Loan fees	**1,792**	1,684
Fees for financially related services	**698**	7
Patronage refunds from other Farm Credit institutions	**4,739**	5,740
Gains (losses) on sales of rural home loans, net	**—**	13
Gains (losses) on sales of premises and equipment, net	**114**	18
Gains (losses) on other transactions	**(1)**	5
Insurance Fund refunds	**452**	—
Other noninterest income	**2**	2
Total noninterest income	**7,796**	7,469
Noninterest Expense		
Salaries and employee benefits	**8,199**	7,888
Occupancy and equipment	**482**	503
Insurance Fund premiums	**576**	523
Purchased services	**3,216**	2,178
Data processing	**223**	231
Other operating expenses	**1,910**	1,705
(Gains) losses on other property owned, net	**3**	—
Total noninterest expense	**14,609**	13,028
Income before income taxes	**13,923**	16,554
Provision for income taxes	**19**	19
Net income	**$ 13,904**	$ 16,535
Other comprehensive income net of tax		
Employee benefit plans adjustments	**3**	3
Comprehensive income	**$ 13,907**	$ 16,538

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

AgCarolina Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings: Allocated	Retained Earnings: Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	$ 26,442	$ 65,531	$ 333,127	$ 74,972	$ (187)	$ 499,885
Comprehensive income				16,535	3	16,538
Capital stock/participation certificates issued/(retired), net	(323)					(323)
Dividends declared/paid	149			(149)		—
Patronage distribution adjustment			756	(756)		—
Balance at March 31, 2024	$ 26,268	$ 65,531	$ 333,883	$ 90,602	$ (184)	$ 516,100
Balance at December 31, 2024	**$ 21,058**	**$ 65,531**	**$ 347,247**	**$ 78,066**	**$ (164)**	**$ 511,738**
Comprehensive income				**13,904**	**3**	**13,907**
Capital stock/participation certificates issued/(retired), net	**1,131**					**1,131**
Dividends declared/paid	**113**			**(113)**		**—**
Patronage distribution adjustment			**815**	**(817)**		**(2)**
Balance at March 31, 2025	**$ 22,302**	**$ 65,531**	**$ 348,062**	**$ 91,040**	**$ (161)**	**$ 526,774**

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

AgCarolina Farm Credit, ACA

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 AgCarolina Farm Credit, ACA 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 loan losses (Note 2, *Loans and Allowance for Loan Losses*) and financial instruments (Note 5, *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 Loan Losses

A summary of loans outstanding at period end follows:

	March 31, 2025	December 31, 2024
Real estate mortgage	$ 1,562,697	$ 1,546,990
Production and intermediate-term	797,128	841,886
Agribusiness:		
Loans to cooperatives	36,711	29,738
Processing and marketing	202,818	204,044
Farm-related business	66,118	70,128
Rural infrastructure:		
Communication	34,757	33,673
Power and water/waste disposal	18,464	18,451
Rural residential real estate	67,603	64,838
Other:		
International	4,322	5,097
Lease receivables	3,415	3,447
Other (including mission related)	41	41
Total loans	$ 2,794,074	$ 2,818,333

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	93.21%	93.03%
OAEM	2.64	3.59
Substandard/doubtful/loss	4.15	3.38
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	86.16%	88.39%
OAEM	5.60	5.53
Substandard/doubtful/loss	8.24	6.08
	100.00%	100.00%
Agribusiness:		
Acceptable	86.05%	92.63%
OAEM	10.49	3.99
Substandard/doubtful/loss	3.46	3.38
	100.00%	100.00%
Rural infrastructure:		
Acceptable	99.42%	99.40%
OAEM	0.58	0.60
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	98.39%	97.99%
OAEM	0.83	1.57
Substandard/doubtful/loss	0.78	0.44
	100.00%	100.00%
Other:		
Acceptable	99.92%	99.86%
OAEM	–	–
Substandard/doubtful/loss	0.08	0.14
	100.00%	100.00%
Total loans:		
Acceptable	90.68%	91.85%
OAEM	4.25	4.10
Substandard/doubtful/loss	5.07	4.05
	100.00%	100.00%

Accrued interest receivable on loans of $36,008 and $41,826 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	$ 6,518	$ 3,580	$ 10,098	$ 1,552,599	$ 1,562,697	$ –
Production and intermediate-term	12,199	2,771	14,970	782,158	797,128	–
Agribusiness	626	774	1,400	304,247	305,647	–
Rural infrastructure	–	–	–	53,221	53,221	–
Rural residential real estate	531	65	596	67,007	67,603	–
Other	–	–	–	7,778	7,778	–
Total	$ 19,874	$ 7,190	$ 27,064	$ 2,767,010	$ 2,794,074	$ –

	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	$ 7,022	$ 5,797	$ 12,819	$ 2,805,514	$ 2,818,333	$ 11

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

	March 31, 2025		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ 3,006	$ 3,767	$ 6,773
Production and intermediate-term	7,073	2,309	9,382
Agribusiness	674	100	774
Rural residential real estate	–	65	65
Other	–	5	5
Total	$ 10,753	$ 6,246	$ 16,999

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ 1,543	$ 2,853	$ 4,396
Production and intermediate-term	2,936	1,712	4,648
Agribusiness	636	106	742
Other	–	11	11
Total	$ 5,115	$ 4,682	$ 9,797

The Association recognized $777 and $82 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 loan losses is as follows:

	March 31, 2025	March 31, 2024
Allowance for Loan Losses:		
Balance at beginning of period	$ 13,915	$ 12,418
Charge-offs	(317)	(15)
Recoveries	61	4
Provision for loan losses	3,355	1,364
Balance at end of period	$ 17,014	$ 13,771

The increase in allowance was primarily attributed to an increase in the specific reserve driven by an increase in nonaccrual loans.

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 three months ended March 31, 2025, disaggregated by loan type and type of modification granted:

	For the Three Months Ended March 31, 2025			
	Maturity Extension	Payment Deferral	Total	Percentage of Total by Loan Type
Real estate mortgage	$ –	$ 3,963	$ 3,963	0.25%
Production and intermediate-term	12,800	–	12,800	1.61%
Total	$ 12,800	$ 3,963	$ 16,763	0.60%

The following tables describe the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025:

	Maturity Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 3.1 months to the life of loans

	Payment Deferral
	Financial Effect
Real estate mortgage	Provided a weighted average 1.1 months of payment deferrals

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2025 and received a modification in the twelve months before default:

	For the Three Months Ended March 31, 2025
	Maturity Extension
Production and intermediate-term	$ 1,050
Total	$ 1,050

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2025:

	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ 18,700	$ –	$ –	$ 18,700
Production and intermediate-term	18,880	–	–	18,880
Agribusiness	4,545	–	–	4,545
Total	$ 42,125	$ –	$ –	$ 42,125

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2025 was $348. There were no additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified at March 31, 2025. Such commitments totaled $613 at December 31, 2024.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three months ended March 31, 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 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 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 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	$ 2,288	$ 2,313

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	–
After five years through ten years	–
After ten years	2,288
Total	$ 2,288

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

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

Equity Investments in Other Farm Credit Institutions

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

Associations are 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 7.77% 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 $1,371 related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component *(a)*			
	Three Months Ended March 31,			
		2025		2024
Employee Benefit Plans:				
Balance at beginning of period	$	(164)	$	(187)
Other comprehensive income before reclassifications		–		–
Amounts reclassified from AOCI		3		3
Net current period other comprehensive income		3		3
Balance at end of period	$	(161)	$	(184)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended March 31,				
		2025		2024	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$	(3)	$	(3)	Salaries and employee benefits
Net amounts reclassified	$	(3)	$	(3)	

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

Note 5 — 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 could also 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
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 3,103	$ –	$ –	$ 3,103
Nonrecurring assets				
Nonaccrual loans*	$ –	$ –	$ 7,148	$ 7,148
Other property owned	$ –	$ –	$ 538	$ 538

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 3,352	$ –	$ –	$ 3,352
Nonrecurring assets				
Nonaccrual loans**	$ –	$ –	$ 3,819	$ 3,819
Other property owned	$ –	$ –	$ 663	$ 663

**Carrying value of nonaccrual loans is the balance of loans with a related specific reserve ($10,753) less related specific reserves ($4,694) associated with nonaccrual loans plus nonaccrual loans with no specific reserve with an associated charge-off ($1,089).*

***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).*

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.

Note 6 — 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 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 7 — Subsequent Events

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