Farm Credit of Florida, ACA

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly report of Farm Credit of Florida, 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/ John Gregory
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

/s/ Bobby G. Lines
Chairman of the Board

May 9, 2025

Farm Credit of Florida, 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/ John Gregory
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

May 9, 2025

Farm Credit of Florida, 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 Farm Credit of Florida, 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 is diversified over a range of agricultural commodities in the northern and southern regions of Florida. The commodities include but are not limited to cattle, citrus, dairy, equine, field crops, nurseries, sugar, timber, tropical fruits, and vegetables with no significant single concentration. The largest commodity in the Association's loan portfolio is equine representing 16.9% of the portfolio. Repayment ability remains closely related to the commodities produced by our borrowers with some having supplemental nonfarm income. Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of repayment dependency on a single agricultural commodity.

On August 5th 2024, Hurricane Debby made landfall near Steinhatchee, in Florida's Big Bend region, as a Category 1 hurricane. Debby brought storm surge that caused widespread flooding to the immediate coastal strip and affected more than 2.2 million acres of agricultural lands, most of it used for grazing. The storm also brought heavy rain and flooding to counties in the North and Southwest areas of the State impacting beef cattle, dairy, poultry, field and row crops, citrus, and nursery/greenhouse commodity groups. Impact to the Association's overall portfolio from Hurricane Debby is not expected to be material.

Hurricane Helene made landfall in the Big Bend region near Perry, Florida as a Category 4 hurricane with a devastating coastal storm surge and raced through rural North Florida on September 26th 2024. The wind and heavy rains impacted beef cattle, dairies, poultry, field and row crops, nurseries, timber, and agricultural processing plants. In addition to crop and animal losses, fences, barns, poultry houses, irrigation systems and farm equipment were damaged or destroyed. Certain poultry integrators are offering incentives to producers to subsidize rebuilding efforts. The ultimate recoveries associated with pending insurance claims will impact borrowers' capital structures. Damage and risk assessments are continuing, however, minimal credit quality deterioration and credit losses are expected.

Hurricane Milton made landfall in Siesta Key near Sarasota, Florida as a Category 3 hurricane on October 9th, 2024 bringing storm surge, high winds, heavy rainfall, and deadly tornadoes to the central, south and southwest regions of the State. The effects of the storm and tornadoes impacted citrus, beef cattle, dairy, field and row crops and nursery/greenhouse commodity groups. Damages and portfolio risks are continuing to be assessed, however, some credit quality deterioration and credit losses are expected.

The more southerly oriented storms produced significant impacts to citrus and nursery operations. Citrus trees were still in the process of recovering from the stress of earlier Hurricane Ian, and many operators had started oxytetracycline injections to assist in battling greening. With the 2024 storms, several groves experienced excess moisture that increased fruit drop above and beyond the greening related impacts. These variables made it difficult to quantify the ultimate benefit derived from the tree injection process and could influence future production strategies. The Association continues to assess the impact to the overall portfolio from these hurricanes. Loss reduction options are available for some of our customers to help to mitigate the losses associated with these storm events. These include loan guarantees, crop insurance, and state and federal disaster relief. The overall impacts to our loan portfolio are not expected to be material, and the Association is well capitalized with adequate allowance for credit losses, allowing us to withstand stress in our loan portfolio.

United States agricultural products are expected to be negatively impacted by the proposed tariffs including reduction in export demand, increase in input costs and loss in market share. According to the American Farm Bureau Federation, exports make up about 20% of America's farm income. Approximately half of the U.S. soybean crop is exported, with China being a historical major purchaser. The Association has limited exposure to soybeans which represent less than 1% of the portfolio. Management will monitor for potential impacts to the overall portfolio from the proposed tariffs.

Inflation declined in the last half of 2023 as interest rates have risen, and despite a slight uptick in early 2024, the overall cooling economy has continued the downward trend of the all items CPI inflation rate to 2.4% for the 12 months ending March 2025. Over the last 12 months, the all items less food and energy index rose 2.8%, with the energy index decreasing 3.3% and the food index increasing 3.0%. Consumer spending continues to be resilient overall, despite signs of stress like higher default rates on consumer debt and higher credit card balances. The Florida unemployment rate was 3.6% at the end of February 2025, comparing favorably to the national average of 4.1% which is slightly above the level when Florida's economy entered the pandemic with an unemployment rate of 2.7%. Florida's unemployment rate has rebounded after exceeding 14% earlier in 2020.

The Federal Open Market Committee (FOMC) raised its target range for the fed funds rate by 525 bps in 2022 and 2023 including increasing the balance sheet run-off of Treasury securities and agency debt to combat inflation. However, recent indicators suggest that economic activity has continued to expand at a solid pace, job gains have slowed and the unemployment rate has moved up but remains low. Inflation has made progress towards the FOMC's objective resulting in a 100 bps fed funds rate cut during the tail end of 2024. Most forecasts indicate two 25 bps fed funds rate cuts towards the end of 2025. In addition, the FOMC has curtailed the maximum monthly balance sheet run-off of Treasuries and agency debt. The FOMC seeks to achieve maximum employment and inflation at 2% over the longer run.

Most commodity groups within the portfolio have experienced generally favorable operating results over the last two production seasons; however, citrus producers remain impacted by citrus greening disease, the residual impact of Hurricane Ian and the most recent impact of Hurricane Milton. The various challenges from citrus greening disease have caused reduced production and declines in overall profitability for most producers. The final USDA production report indicated a 62% decrease in production for the 2022/2023 orange crop, following a 22% decline the previous season. The 2023/2024 season report indicated a 14% rebound in orange production, however, the March forecast for the 2024/2025 season projects a 35% decrease to 11.6 million boxes due to the ongoing production challenges combined with the effects of Hurricane Milton. UF's Institute of Food and Agricultural Sciences (IFAS) estimates that Hurricane Milton will result in citrus production losses ranging from $23 million to $55 million. Despite the stresses within the production environment, the Association's citrus portfolio has continued to perform satisfactorily with performance issues isolated to only a few stressed growers. The dairy industry has also remained under stress due to supply and demand dynamics, reduced government price supports as well as high feed and fuel costs. Most of the Association's dairy loans are to the fluid milk producers who had experienced depressed commodity prices for several years. Pricing began a trend of modest improvement in the second half of 2024, but the 2025 forecasted national average all milk price was recently adjusted downward based on stock levels. The Association will continue to monitor the prospective impacts of input costs, trade negotiations, and Avian Influenza on the outlook for the industry.

The horticultural or nursery segment has remained satisfactory, although future sales and profits will likely be influenced by recent volatility in mortgage interest rates and consumer sentiment. Performance in this sector could soften further as big box home improvement retailers see sales declines and home construction and sales continue to slow. The forestry industry has also experienced challenges as packaging and housing, including renovation and repair markets, has slowed domestically and global trade remains a concern. The outcome of tariffs on Canadian lumber could impact domestic prices. The beef cattle industry has strengthened as smaller herd sizes and ongoing strong demand has led to strong prices while feed and transportation cost increases have moderated.

The total loan volume of the Association as of March 31, 2025, was $1,606,707, a decrease of $1,253 or 0.08 percent as compared to $1,607,960 at December 31, 2024. The decrease in total loan volume during the period is primarily attributed to a decline in nonaccrual loan volume along with liquidations on several large loan relationships and negative impacts of higher interest rates on new loan volume.

The Association remains 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, which may strengthen our capital position. As of March 31, 2025, participations purchased totaled $510,044 and participations sold totaled $142,520, resulting in $367,524 net participations purchased.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality improved compared to year end 2024 as a result of a decrease in substandard loan volume offset by an increase in OAEM loans. The increase in OAEM loans is from downgrades mostly in the tropical fruits and nursery commodity groups. Acceptable and OAEM credit quality, as a percentage of the total loan portfolio, was 99.64 percent as of March 31, 2025, compared to 99.54 percent on December 31, 2024.

Nonaccrual loans decreased from $3,376 at December 31, 2024, to $2,688 at March 31, 2025. As a percent of total loans, nonaccrual loans were 0.17 percent and 0.21 percent at March 31, 2025 and December 31, 2024, respectively. The decrease in nonaccrual loans is attributed to liquidations in the dairy commodity group. Other property owned decreased $232 or 23.60 percent to $751 on March 31, 2025 from $983 on December 31, 2024. Distributions of equity investments in two companies in the tree fruits and nuts commodity group were received during 2025.

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 (ACLL). The ACLL at March 31, 2025, was $5,027 or 0.31 percent of total loans compared to $4,430 or 0.28 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 ACL within the Association's Annual Report and discussion of provision for credit loss 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 $6,974, a decrease of $2,131 as compared to net income of $9,105 for the same period ended in 2024. The decrease is primarily attributed to an increase in noninterest expense along with an increase in provision for credit losses expense.

For the three months ended March 31, 2025, net interest income was $13,001, a decrease of $244, and the net interest margin was 3.26%, a decrease of 14 basis points as compared to the same period ended in 2024. The decrease in net interest income was primarily the result of lower interest recoveries on nonaccrual loan liquidations and lower interest income on a decline in loan volume during the period.

The provision for credit losses for the three months ended March 31, 2025, was $654, an increase in expense of $616 from the provision for credit losses of $38 for the same period ended during the prior year. The increase in expense is attributed to higher reserves required from deterioration in macroeconomic forecasts of future conditions.

Noninterest income decreased $322 to $4,201 during the first three months of 2025 compared with the first three months of 2024 primarily due to a decrease in patronage refunds from other Farm Credit institutions offset by Insurance Funds refunds received during the period.

In March 2025, the Association recorded $243 of insurance premium refunds from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. These payments are nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act.

For the three months ended March 31, 2025, noninterest expense increased $949 to $9,574 compared with the first three months of 2024 primarily due to increases in purchased services and salaries and employee benefits. The increase in purchased services expense resulted from an increase in the Bank's cost of services provided to the Association. The increase in salaries and employee benefits is from increases in the number of employees and recruitment 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 $1,237,633 as compared to $1,246,458 at December 31, 2024. The decrease during the period of $8,825 is primarily attributed to a decrease in loan volume during the period along with receipt of 2024 patronage dividends due from AgFirst Farm Credit Bank offset by an increase in members' equity resulting from net income for the three months ended March 31, 2025.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was $375,683, an increase of $6,972 from a total of $368,711 at December 31, 2024. The increase is primarily attributed to net income during the period. Total capital stock and participation certificates were $2,802 on March 31, 2025, compared to $2,804 on December 31, 2024. The decrease is attributed to retirement of capital stock on loans liquidated in the ordinary course of business.

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

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	19.10%	19.62%	18.79%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	19.05%	19.57%	18.69%
Tier 1 Capital Ratio	8.50%	19.05%	19.57%	18.69%
Total Regulatory Capital Ratio	10.50%	19.35%	19.87%	19.27%
Tier 1 Leverage Ratio**	5.00%	21.25%	21.98%	20.89%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	17.63%	18.28%	17.15%

**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 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 (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.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.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2025 *(unaudited)*	December 31, 2024 *(audited)*
Assets		
Cash	**$ 14**	$ 16
Investments in debt securities:		
Held to maturity	**1,596**	1,612
Loans	**1,606,707**	1,607,960
Allowance for credit losses on loans	**(5,027)**	(4,430)
Net loans	**1,601,680**	1,603,530
Accrued interest receivable	**10,125**	9,843
Equity investments in other Farm Credit institutions	**25,909**	25,865
Premises and equipment, net	**8,337**	8,040
Other property owned	**751**	983
Accounts receivable	**2,881**	11,791
Other assets	**2,192**	2,089
Total assets	**$ 1,653,485**	$ 1,663,769
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,237,633**	$ 1,246,458
Accrued interest payable	**4,744**	4,568
Patronage refunds payable	**427**	20,255
Accounts payable	**3,763**	4,695
Advanced conditional payments	**5,487**	9,918
Other liabilities	**25,748**	9,164
Total liabilities	**1,277,802**	1,295,058
Commitments and contingencies (Note 6)		
Members' Equity		
Protected borrower stock	**445**	445
Capital stock and participation certificates	**2,357**	2,359
Additional paid-in-capital	**7,873**	7,873
Retained earnings		
Allocated	**153,232**	153,271
Unallocated	**211,896**	204,884
Accumulated other comprehensive income (loss)	**(120)**	(121)
Total members' equity	**375,683**	368,711
Total liabilities and members' equity	**$ 1,653,485**	$ 1,663,769

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2025	2024
Interest Income		
Loans	**$ 26,636**	$ 26,518
Investments	**25**	25
Total interest income	**26,661**	26,543
Interest Expense	**13,660**	13,298
Net interest income	**13,001**	13,245
Provision for credit losses	**654**	38
Net interest income after provision for credit losses	**12,347**	13,207
Noninterest Income		
Loan fees	**222**	202
Fees for financially related services	**1,396**	1,206
Patronage refunds from other Farm Credit institutions	**2,303**	2,985
Gains (losses) on sales of rural home loans, net	**17**	27
Gains (losses) on sales of premises and equipment, net	**(8)**	9
Gains (losses) on other transactions	**—**	60
Insurance Fund refunds	**243**	—
Other noninterest income	**28**	34
Total noninterest income	**4,201**	4,523
Noninterest Expense		
Salaries and employee benefits	**5,918**	5,704
Occupancy and equipment	**363**	347
Insurance Fund premiums	**309**	302
Purchased services	**1,906**	1,217
Data processing	**50**	51
Other operating expenses	**1,028**	1,000
(Gains) losses on other property owned, net	**—**	4
Total noninterest expense	**9,574**	8,625
Net income	**$ 6,974**	$ 9,105
Other comprehensive income net of tax		
Employee benefit plans adjustments	**1**	2
Comprehensive income	**$ 6,975**	$ 9,107

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	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	$ 445	$ 2,399	$ 7,873	$ 147,634	$ 193,037	$ (144)	$ 351,244
Comprehensive income					9,105	2	9,107
Capital stock/participation certificates issued/(retired), net		(24)					(24)
Patronage distribution adjustment				649	(651)		(2)
Balance at March 31, 2024	$ 445	$ 2,375	$ 7,873	$ 148,283	$ 201,491	$ (142)	$ 360,325
Balance at December 31, 2024	**$ 445**	**$ 2,359**	**$ 7,873**	**$ 153,271**	**$ 204,884**	**$ (121)**	**$ 368,711**
Comprehensive income					**6,974**	**1**	**6,975**
Capital stock/participation certificates issued/(retired), net		**(2)**					**(2)**
Patronage distribution adjustment				**(39)**	**38**		**(1)**
Balance at March 31, 2025	**$ 445**	**$ 2,357**	**$ 7,873**	**$ 153,232**	**$ 211,896**	**$ (120)**	**$ 375,683**

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

Farm Credit of Florida, 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 Farm Credit of Florida, 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 credit losses (Note 2, *Loans and Allowance for Credit 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 Credit Losses

A summary of loans outstanding at period end follows:

	March 31, 2025	December 31, 2024
Real estate mortgage	$ 871,756	$ 875,948
Production and intermediate-term	268,134	261,688
Agribusiness:		
Loans to cooperatives	35,679	33,171
Processing and marketing	188,887	191,830
Farm-related business	41,921	43,584
Rural infrastructure:		
Communication	83,499	82,457
Power and water/waste disposal	74,008	75,279
Rural residential real estate	20,411	20,733
Other:		
International	18,274	19,065
Other (including Mission Related)	4,138	4,205
Total loans	$ 1,606,707	$ 1,607,960

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	97.58%	98.06%
OAEM	1.89	1.31
Substandard/doubtful/loss	0.53	0.63
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	93.55%	92.83%
OAEM	6.13	6.58
Substandard/doubtful/loss	0.32	0.59
	100.00%	100.00%
Agribusiness:		
Acceptable	94.08%	94.38%
OAEM	5.85	5.55
Substandard/doubtful/loss	0.07	0.07
	100.00%	100.00%
Rural infrastructure:		
Acceptable	96.18%	96.18%
OAEM	3.82	3.82
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.25%	99.45%
OAEM	–	0.16
Substandard/doubtful/loss	0.75	0.39
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	96.24%	96.45%
OAEM	3.40	3.09
Substandard/doubtful/loss	0.36	0.46
	100.00%	100.00%

Accrued interest receivable on loans of $10,091 and $9,829 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	$ 350	$ 1,850	$ 2,200	$ 869,556	$ 871,756	$ –
Production and intermediate-term	2,239	312	2,551	265,583	268,134	–
Agribusiness	–	–	–	266,487	266,487	–
Rural infrastructure	–	–	–	157,507	157,507	–
Rural residential real estate	73	80	153	20,258	20,411	–
Other	–	–	–	22,412	22,412	–
Total	$ 2,662	$ 2,242	$ 4,904	$ 1,601,803	$ 1,606,707	$ –

	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	$ 1,172	$ 758	$ 1,930	$ 874,018	$ 875,948	$ –
Production and intermediate-term	334	978	1,312	260,376	261,688	–
Agribusiness	–	–	–	268,585	268,585	–
Rural infrastructure	–	–	–	157,736	157,736	–
Rural residential real estate	–	80	80	20,653	20,733	–
Other	–	–	–	23,270	23,270	–
Total	$ 1,506	$ 1,816	$ 3,322	$ 1,604,638	$ 1,607,960	$ –

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		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 1,893	$ 1,893
Production and intermediate-term	512	9	521
Agribusiness	–	194	194
Rural residential real estate	–	80	80
Total	$ 512	$ 2,176	$ 2,688

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 1,908	$ 1,908
Production and intermediate-term	512	677	1,189
Agribusiness	–	199	199
Rural residential real estate	–	80	80
Total	$ 512	$ 2,864	$ 3,376

The Association recognized $74 and $146 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	$ 4,430	$ 9,366
Charge-offs	–	(14)
Recoveries	9	30
Provision for credit losses on loans	588	47
Balance at end of period	$ 5,027	$ 9,429
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 940	$ 897
Provision for unfunded commitments	66	(9)
Balance at end of period	$ 1,006	$ 888
Total allowance for credit losses	$ 6,033	$ 10,317

Based on the Association's historical default and loss severity experience, updated loss rate assumptions over the remaining lives of the loans in the portfolio were adopted during the second quarter of 2024 which reduced the amount of required Allowance for Credit Losses.

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 short-term surplus funds and reducing interest rate risk. 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 risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to the 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	$ 1,374	$ 1,374
ABSs	222	238
Total	$ 1,596	$ 1,612

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

	Amortized Cost
In one year or less	$ 11
After one year through five years	21
After five years through ten years	190
After ten years	1,374
Total	$ 1,596

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 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.

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 4.37% 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 $1,431 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	$ (121)	$ (144)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	1	2
Net current period other comprehensive income	1	2
Balance at end of period	$ (120)	$ (142)

	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	$ (1)	$ (2)	Salaries and employee benefits
Net amounts reclassified	$ (1)	$ (2)	

(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 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
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,548	$ –	$ –	$ 1,548
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 138	$ 138
Other property owned	$ –	$ –	$ 751	$ 751

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,691	$ –	$ –	$ 1,691
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 138	$ 138
Other property owned	$ –	$ –	$ 983	$ 983

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 that the Association will incur a loss or the loss is not estimable, no liability has been recorded for 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.