2024
Annual Report

AgHeritage
Farm Credit Services

FARM CREDIT

ONE MISSION | MANY VOICES

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

DEEP ROOTS IN RURAL AMERICA

Farm Credit is a nationwide network of customer-owned financial institutions that provides loans and related financial services to U.S. farmers and ranchers, farmer-owned cooperatives, rural homebuyers, agribusinesses and rural infrastructure providers.

As customer-owned cooperatives, Farm Credit institutions are governed by the customers they serve and have a specific mission to support rural communities and agriculture – in good times and bad. Farm Credit loans help U.S. agricultural producers feed the world, rural businesses grow and the rural economy thrive. Our infrastructure lending helps bring clean water to rural families, modern telecommunications to help rural businesses compete and reliable energy to rural communities.

Farm Credit's mission remains just as vital today as it was when we made our first loan more than 100 years ago. For more information about Farm Credit and how we support rural communities and agriculture, please visit **www.farmcredit.com.**

SUPPORT

Make loans to more than 500,000 customers, including farmers, ranchers, farmer-owned co-ops and agribusinesses in every state. Also finance exports of U.S. agriculture products.

RURAL COMMUNITIES

Support development of rural infrastructure, including water, telecommunications, electricity and transportation across the country.

AGRICULTURE

Serve approximately 40 percent of the agriculture sector's credit needs.

CREDIT & FINANCIAL SERVICES

Make loans for agriculture real estate and home mortgages, farm operations, equipment purchases, agribusiness operations, U.S. agricultural exports and infrastructure construction and operations. Provide financial services, including, crop insurance, credit life insurance and more.

RELIABLE & CONSISTENT

Provide a steady source of capital needed to support customers through good times and bad.

TODAY & TOMORROW

Lead the way in providing credit to young, beginning and small farmers and ranchers.

BIO-STAR:

Was designed to portray Farm Credit as a strong, unified national network ready to meet the challenges of a changing and competitive financial industry.

The BioStar is a symbol of progress and commitment consisting of five visual elements: three leaves, a root system and a star. The leaves represent the three types of lending done by the Farm Credit System – long-term real estate, short-term operating and cooperative financing. The roots represent our member-borrowers, and the star represents light and direction. The prefix "Bio" describes life, while the suffix "Star" captures the strong energetic shape within the symbol.

AGHERITAGE
FARM CREDIT SERVICES

AT A GLANCE

SERVING **6,674** MEMBERS ACROSS 24 COUNTIES

9 *branch locations*

Batesville	Brinkley	Lonoke
Pocahontas	McGehee	Newport
Pine Bluff	Searcy	Stuttgart

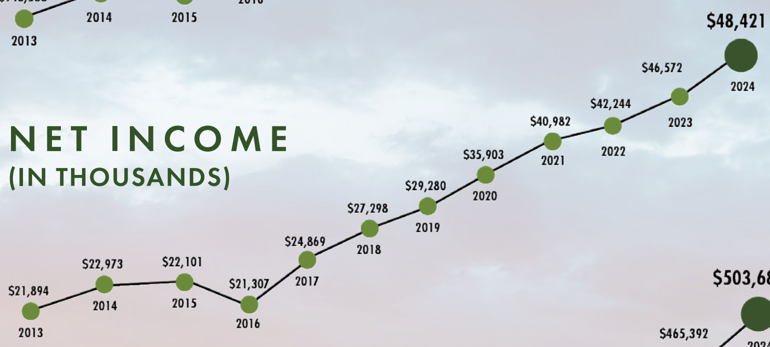
TOTAL ASSETS
(IN THOUSANDS)

ASSETS & GROWTH

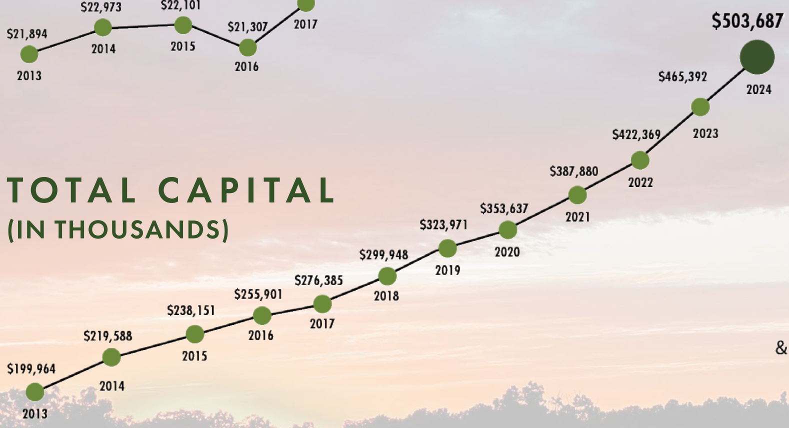
$2.80 BILLION

IN TOTAL OWNED & MANAGED ASSETS

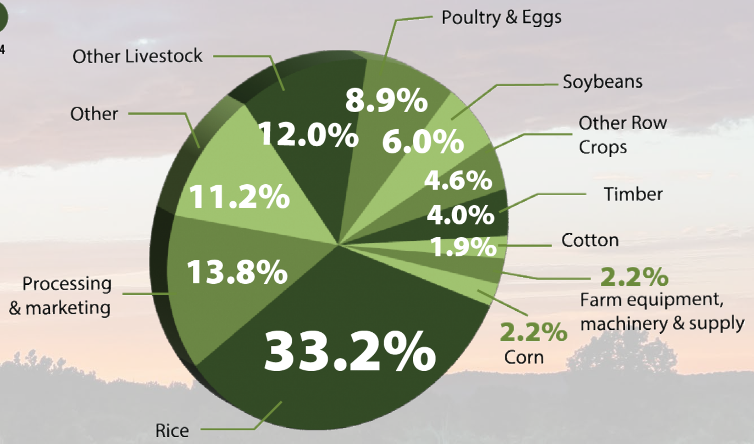
NET INCOME
(IN THOUSANDS)



TOTAL CAPITAL
(IN THOUSANDS)

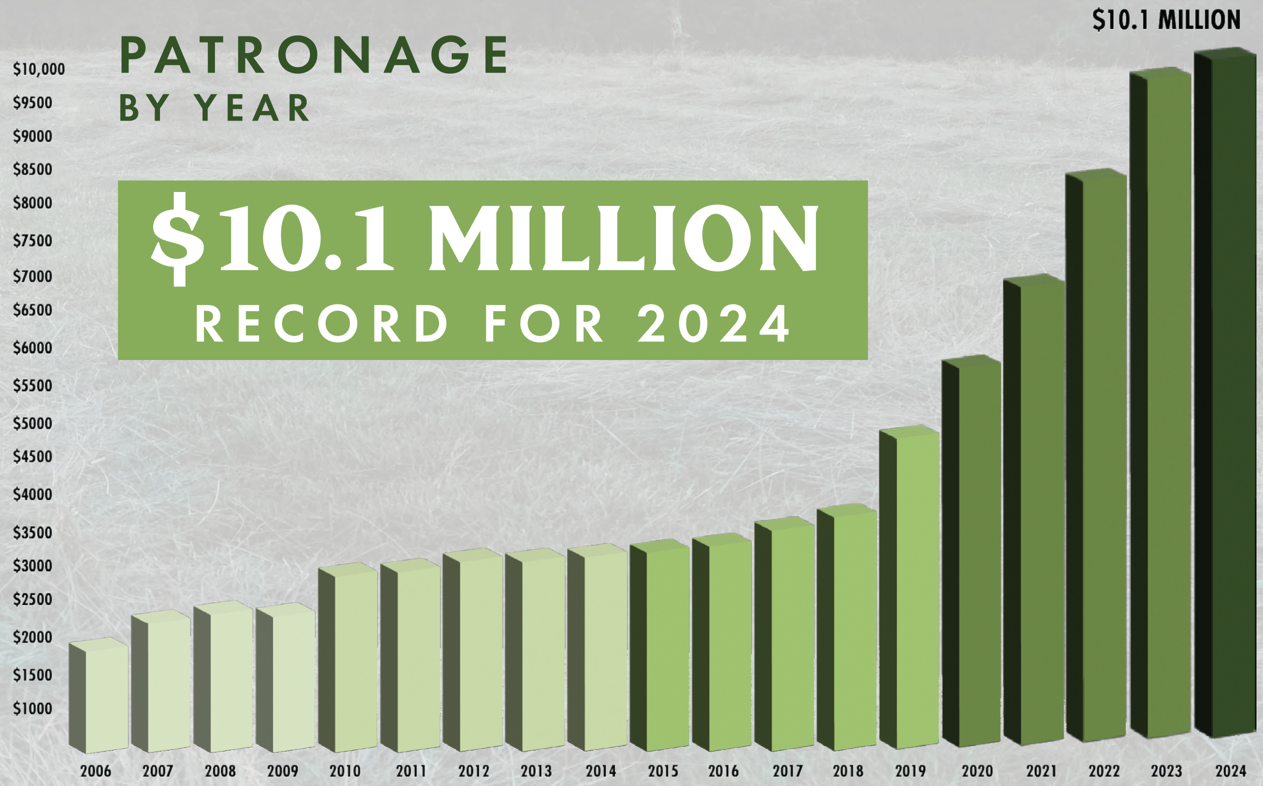


OUR PORTFOLIO



PATRONAGE
BY YEAR

$10.1 MILLION
RECORD FOR 2024



Board of Directors

SCAN ME

Learn more about our Board of Directors on our website!

Jerry Burkett
Southern Region
Chairman

Jeff Rutledge
Northern Region
Vice Chairman

Russell Bonner
Central Region

Dow Brantley
Central Region

Chuck Culver
Outside Director

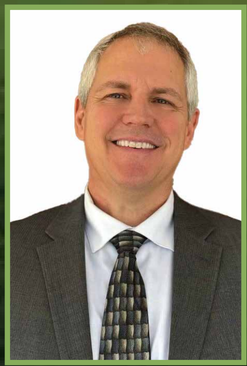
Derek Haigwood
Northern Region

Mark Isbell
Central Region

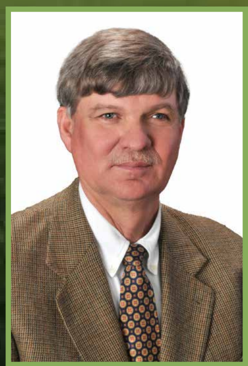
Brandon Martin
Central Region

Sandra Morgan
Outside Director

Rhonda Stone
Northern Region



Harrell Wilson
Southern Region



Scott Young
Southern Region

Senior Leadership

Learn more about our Senior Leadership team on our website!

SCAN ME

Left to Right:

Drue Ford - Executive Vice President & Chief Credit Officer

Leslie Brown - Senior Vice President & Chief Human Capital Officer

Drew Taylor - Senior Vice President & Chief Business Officer

Blake Swindle - Executive Vice President & Chief Operating Officer

Greg Cole - President & Chief Executive Officer

IN MEMORIAM: KENNETH LEE SUMNER 1969–2024

AgHeritage Executive Vice President and Chief Financial Officer Kenneth Lee Sumner, of Lonoke, passed on October 22, 2024. He was born July 2, 1969 in Stuttgart to Richard and Mary Sumner. A graduate of Carlisle High School, he held a Bachelor of Science degree in accounting from University of Arkansas Little Rock, completed the Graduate School of Banking at Louisiana State University and was a Certified Public Accountant.

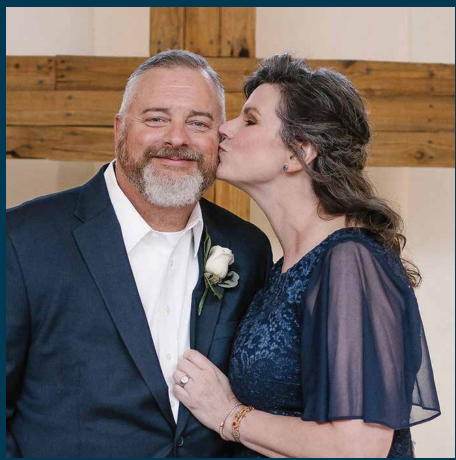
Ken married the love of his life, Angela Pinson Sumner, in 1995 and together they had two children. This December they would have celebrated their 29th wedding anniversary. He was an avid outdoorsman and was a member of the Arkansas Waterfowl Association. He was a member of the Lonoke Baptist church and spent 24 years helping teach Sunday School.

He was a very caring and kind man, completely devoted to his family.

Ken joined AgHeritage in August 2009, and his contributions to the company were immense and irreplaceable. We are grieving the loss of our friend and team member and his absence is significant for all of us.

Ken was predeceased by his grandparents, his father, and his sister, Martha Ann Sumner. In addition to Angela, left to cherish his memory are his mother, his son Matthew Reid Sumner, his daughter Mary Katherine King and her husband Tanner, and numerous aunts, uncles, nephews and nieces.

We extend our heartfelt condolences to Ken's family and friends.



At AgHeritage, we are a cooperative, which makes us different from other lenders in Arkansas. When we succeed, you succeed — and as we grow, you win.

This year, we returned $10.1 millon in profit sharing to our customer-owners.

AgHeritage®
Farm Credit Services

Batesville 800-572-8165
McGehee 800-689-6978
Pocahontas 800-689-6976
Brinkley 800-689-1304
Newport 800-698-5867
Searcy 800-689-6977
Lonoke 800-689-1309
Pine Bluff 833-313-6877
Stuttgart 800-689-1307

Follow us on social media @AgHeritageFCS | agheritagefcs.com

EQUAL HOUSING LENDER

Customer Spotlight:
ARVA Intelligence at Glennoe Farmland Properties

At the Glennoe Farmland Partners Field Site near Humphrey in Arkansas County, data is growing alongside the soybeans.

As a research farm and day-to-day row crop operation, Glennoe Farms serves as a data collection point for Arva Intelligence, which uses the information to optimize crop field value and help farmers create new revenue streams from the generation of environmental assets. Arva Intelligence grew out of a 2016 research collaboration at Glennoe Farms between the University of Arkansas, Berkeley Lab and Oak Ridge National Laboratory, with the goal of increasing regenerative agriculture practices that benefit both the environment and farms and improving long-term viability of the land while maintaining or increasing crop yields.

"We started Arva Intelligence out of all of that research and the work that we did," said co-founder Jay McEntire. "We received initial funding from the Department of Energy to do research and start to apply machine learning to the data we were collecting. The idea is that we can improve agriculture, and make agriculture more profitable and sustainable, by using data more effectively."

AgHeritage Director Mark Isbell, well-known for his dedication to sustainable farming practices, is a founding board member of Arva Intelligence. "I first met Jay when his previous tenant called me and said, 'My landlord won't stop talking about sustainability," Isbell said, laughing. "They said, 'Would you please talk to him a little bit?'"

Isbell and McEntire met to discuss their overlapping interests. "My focus for Arva is to make sure that we're able to return real value to farmers. Having grown up as a farmer and been a farmer all of my life, it's not always easy. There are plenty of challenges out there for us, so we need all of the different opportunities that we can find. Of course we can be more efficient, be more productive, make higher yields, but also we can find a way to monetize what we're doing when it comes to regenerative farming and sustainability. With Arva, we can find that value in the marketplace, and make sure it gets back to the farmer."

In the fields at Glennoe Farms, eddy covariance flux towers measure real-time carbon dioxide (CO2), methane (CH4) and nitrous oxide (N2O) fluxes in agricultural soils and the atmosphere. The towers capture the impact of farming practices and land management decisions throughout the entire season and crop cycle, showing real-time data on the positive benefits of regenerative agriculture.

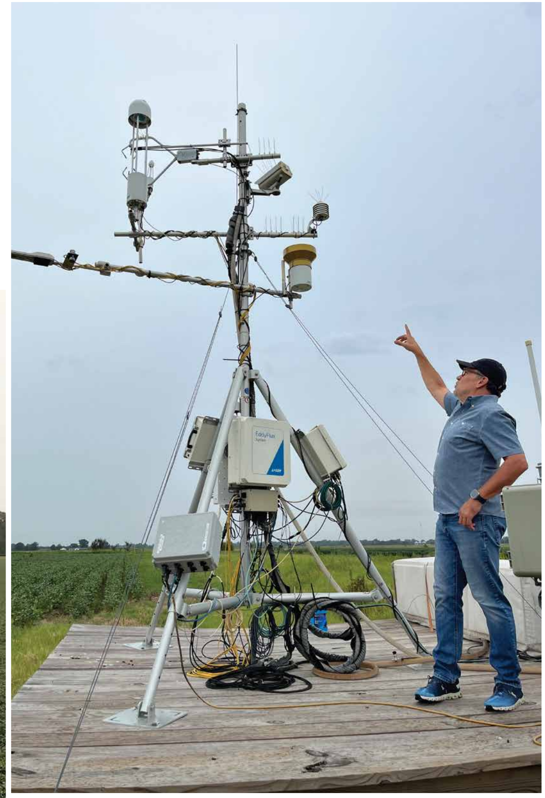
Arva Director of Environmental Assets Audrey Barrett Bixler explains how farmers can benefit: "Our two main requirements are to make sure the work benefits the farmer and also has a positive impact on the environment," she said. "Environmental assets are something that are created by the work that the farmer is doing on the field. Arva's role is to ensure that farmers are getting paid for adopting these more sustainable land management practices. We measure the greenhouse gas benefits associated with, for example, a farmer implementing alternate wetting and drying in their rice fields. We also measure water reductions associated with that practice and additional biodiversity benefits."

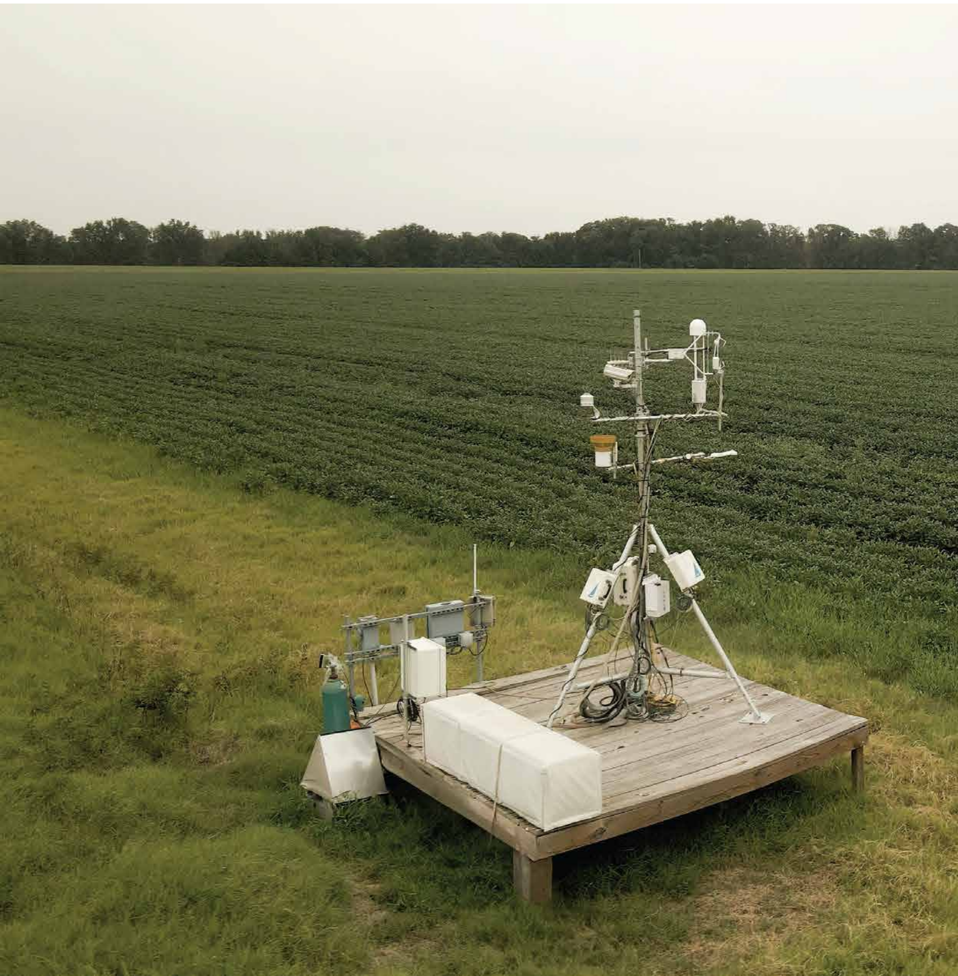
A 10,000-acre partnership with Riceland Foods begun in 2022 expanded to 50,000 acres in 2023. Riceland Foods and Nestlé Purina have a partnership to encourage sustainable rice farming practices, the Nestlé Purina-Riceland Sustainable Rice Program, which rewards farmers for reducing greenhouse gas emissions and water usage. Arva Intelligence works to provide data insights and measurement for Nestlé, Mars and Walmart programs in Arkansas.

"The work with Nestlé Purina and the Riceland farmers ensures Nestlé can produce more sustainable dog food and cat food, using sustainability-grown rice from right here in Arkansas," Barrett Bixler said. "Arva was created to utilize data to make it easier for farmers to adopt more regenerative practices that are both benefiting the environment and also ensuring that there are not going to be any limitations or risks to their yield."

Kyle Stovesand, AgHeritage VP of Lending & Branch Manager, Stuttgart, is excited about the possibilities presented by Arva Intelligence. "We work with Glenoe Farmland Partners on everything they deal with out here on a daily basis," he said. "Being more 'sustainable' is overwhelming to some farmers, who are just trying to make a living growing a crop and making a profit. They are experts, but at times need more support to optimize their practices based on growing demands and needs. That's where Arva can come in — in an operation with the farmer, Arva can provide them with expert analysis back on what they can do with their land as far as minimum tillage. They can evaluate the gas emissions that their rice crop produces after it's harvested or flooded, identify things they can do to minimize those emissions and gain great sustainability on their farm without a minimum worry on the farmer. The environmental assets can even put profits back into the farmer's hands."

Arva Intelligence received the 2024 Friend of the Farmer Award from Riceland Foods in early November for their work in Arkansas. "'Arva' means 'plowed field' in Latin," Barrett Bixler said. "The mission of Arva is to enroll these farmers into as many programs as they're eligible for, so they can receive the benefits of the hard work that they're already doing on the field. By working with AgHeritage, an organization that understands farming and the benefits of creating environmental assets, the barriers to adopting more regenerative practices are reduced, and the farmer has more opportunities to engage in this space and also receive the financial awards that come with it."





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AgHeritage Farm Credit Services, ACA

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear AgHeritage Farm Credit Services Customer-Owners,

We are pleased to report AgHeritage Farm Credit Services, ACA (AgHeritage FCS) experienced robust business performance and generated strong financial ratios in terms of capital, efficiency ratio, asset growth, credit quality, and earnings. The Association also continues to achieve excellent customer satisfaction survey results. Your cooperative has grown to $2.59 billion in assets and enjoys a strong market share position confirming we are achieving our vision of being the agricultural lender of choice in our local marketplace.

The Association paid $10.1 million in patronage based on 2024 earnings to eligible customer-owners in February 2025. The Board of Directors remains committed to our customer-owners in sharing the success of your cooperative. The $10.1 million payout allows retention of a portion of earnings to provide for future growth and capital stability. Your cooperative has distributed a portion of its annual earnings to its customer-owners for nineteen consecutive years. AgHeritage has distributed $86.55 million to customer-owners and plans to continue patronage distributions well into the future.

We generally experienced good growing conditions and favorable harvest weather for the 2024 crop. Given these conditions, we generally had above average yields for crops grown in our area. However, current crop prices relative to costs of production will cause cash flows to be strained for many borrowers. Our borrowers generally had strong balance sheets going into these conditions, which should help support credit quality. We do expect some decline in credit quality in the short term, but our expectations are that the decline will not be significant. Land values in our area are stable to higher.

Last year, we made significant investments in human capital and staff development, and new technology systems. These investments allow us to continue to grow our business model, enhance customer service, improve efficiencies, and improve risk management and succession.

The Annual Report provides detailed documentation supporting the financial results of the Association. We encourage you to review it carefully, and if you have questions, contact our corporate office or any branch location.

AgHeritage FCS is proud to be your lending cooperative providing both customer and stockholder value to our customer-owners. We want to thank you for allowing us to serve your credit and financial services needs today and tomorrow. We also want to thank our staff for their dedication and hard work. Serving agriculture and rural America is not just our mission; it’s our passion.

Sincerely,

Gregory W. Cole
President and Chief Executive Officer
AgHeritage Farm Credit Services, ACA

March 6, 2025

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

AgHeritage Farm Credit Services, ACA

(dollars in thousands)

As of December 31,	2024	2023	2022	2021	2020
Condensed Consolidated Statement of Condition Data					
Loans	**$ 2,435,283**	$ 2,125,055	$ 2,103,328	$ 1,927,312	$ 1,739,013
Allowance for credit losses on loans	**7,014**	5,925	11,295	9,823	10,919
Net loans	**2,428,269**	2,119,130	2,092,033	1,917,489	1,728,094
Investment in AgriBank, FCB	**83,828**	77,478	58,535	46,626	38,276
Investment securities	**23**	50	65	315	590
Other assets	**79,032**	60,477	48,823	40,484	38,416
Total assets	**$ 2,591,152**	$ 2,257,135	$ 2,199,456	$ 2,004,914	$ 1,805,376
Obligations with maturities of one year or less	**$ 38,661**	$ 36,880	$ 31,943	$ 21,229	$ 18,138
Obligations with maturities greater than one year	**2,048,804**	1,754,863	1,745,144	1,595,805	1,433,565
Total liabilities	**2,087,465**	1,791,743	1,777,087	1,617,034	1,451,703
Capital stock and participation certificates	**3,594**	3,632	3,514	3,324	3,093
Unallocated retained earnings	**500,729**	462,378	419,681	385,814	351,796
Accumulated other comprehensive loss	**(636)**	(618)	(826)	(1,258)	(1,216)
Total members' equity	**503,687**	465,392	422,369	387,880	353,673
Total liabilities and members' equity	**$ 2,591,152**	$ 2,257,135	$ 2,199,456	$ 2,004,914	$ 1,805,376

For the year ended December 31,	2024	2023	2022	2021	2020
Condensed Consolidated Statement of Income Data					
Net interest income	**$ 67,901**	$ 62,710	$ 55,461	$ 49,256	$ 45,175
Provision for credit losses	**6,059**	2,614	1,593	(70)	4,031
Other expenses, net	**13,421**	13,524	11,624	8,344	5,241
Net income	**$ 48,421**	$ 46,572	$ 42,244	$ 40,982	$ 35,903
Key Financial Ratios					
For the Year					
Return on average assets	**2.0%**	2.0%	2.0%	2.1%	2.1%
Return on average members' equity	**10.0%**	10.4%	10.4%	11.1%	10.6%
Net interest income as a percentage of average earning assets	**3.0%**	2.9%	2.7%	2.6%	2.8%
Net charge-offs (recoveries) as a percentage of average loans	**0.2%**	0.0%	(0.0%)	0.1%	0.0%
At Year End					
Members' equity as a percentage of total assets	**19.4%**	20.6%	19.2%	19.3%	19.6%
Allowance for credit losses on loans as a percentage of loans	**0.3%**	0.3%	0.5%	0.5%	0.6%
Common equity tier 1 ratio	**15.8%**	16.1%	15.5%	16.2%	16.8%
Tier 1 capital ratio	**15.8%**	16.1%	15.5%	16.2%	16.8%
Total capital ratio	**16.1%**	16.4%	16.0%	16.7%	17.3%
Permanent capital ratio	**15.8%**	16.2%	15.6%	16.3%	16.9%
Tier 1 leverage ratio	**17.1%**	17.6%	16.8%	17.5%	18.1%
Net Income Distributed					
For the Year					
Paid for prior year's patronage:					
Cash	**$ 9,970**	$ 8,475	$ 6,928	$ 5,964	$ 4,959

MANAGEMENT'S DISCUSSION AND ANALYSIS

AgHeritage Farm Credit Services, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgHeritage Farm Credit Services, ACA (the Association) and its subsidiaries, AgHeritage Farm Credit Services, FLCA and AgHeritage Farm Credit Services, PCA, and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2025, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 55 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the customers the System serves.

The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports, contact us at:

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119 East Third Street, Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations, including inflationary indicators, in the agricultural, international, rural, and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve and U.S. Treasury in implementing monetary policy
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Length and severity of an epidemic or pandemic
- Changes in our assumptions for determining the allowance for credit losses and fair value measurements
- Industry outlooks for agricultural conditions

AGRICULTURAL AND ECONOMIC CONDITIONS

We generally experienced good growing conditions and favorable harvest weather for the 2024 crop. Given these conditions, we generally had above average yields for crops grown in our area. However, current crop prices relative to costs of production will cause cash flows to be strained for many borrowers. Our borrowers generally had strong balance sheets going into these conditions, which should help support credit quality. We do expect some decline in credit quality in the short term, but our expectations are that the decline will not be significant. Land values in our area are stable to higher.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $2.4 billion at December 31, 2024, an increase of $310.2 million from December 31, 2023.

Components of Loans

(in thousands)

As of December 31,	**2024**	2023	2022
Accrual loans:			
Real estate mortgage	**$ 1,251,133**	$ 1,095,028	$ 1,150,340
Production and intermediate-term	**575,061**	463,545	510,391
Agribusiness	**494,202**	458,038	350,626
Other	**109,785**	99,453	86,566
Nonaccrual loans	**5,102**	8,991	5,405
Total loans	**$ 2,435,283**	$ 2,125,055	$ 2,103,328

The other category is primarily composed of rural infrastructure and rural residential real estate loans.

The increase in total loans from December 31, 2023, was primarily due to growth in the real estate mortgage and production and intermediate-term loan portfolios.

We may purchase or sell participation interests with other parties to diversify risk, manage principal and accrued interest on loans, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Loan Participations Purchased and Sold

(in thousands)

As of December 31,	**2024**	2023	2022
Participations purchased	**$ 628,993**	$ 580,604	$ 474,871
Participations sold	**(421,998)**	(463,961)	(225,050)

We have no loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interest that are held in lieu of retaining a subordinated participation interest in the loans sold.

The Association participates in asset pool programs to effectively leverage District capital and other cooperative benefits, as well as manage concentration risk and portfolio growth. During 2024, we sold AgriBank participations of $33.2 million, representing a participation interest across the majority of our loan portfolio. These loan participations were added to the asset pool program established by AgriBank in 2023. In the past, we sold AgriBank participation interests primarily in real estate loans as part of asset pool programs. During the fourth quarter of 2023, we purchased the loans totaling $9.2 million from these prior asset pool programs back from AgriBank. Additionally, during the fourth quarter of 2023 we sold AgriBank participations of $210.3 million, representing a participation interest across the majority of our loan portfolio. The total outstanding participation interests in loans sold to AgriBank as part of asset pool programs were $205.4 million, $202.2 million, and $10.3 million at December 31, 2024, 2023, and 2022, respectively.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve certain counties in Arkansas. At December 31, 2024, 78.1% of our total loan portfolio was in Arkansas. The remainder of our portfolio was purchased outside of the state to support rural America and to diversify our portfolio risk. At December 31, 2024, approximately 36.6% of our total loan portfolio was in Lonoke, Lawrence, Arkansas, Randolph, Pulaski, and White counties. No other counties comprised more than 5.0% of our total loan portfolio at December 31, 2024.

Agricultural Industry Concentrations

As of December 31,	**2024**	2023	2022
Rice	**33.2%**	33.5%	36.3%
Processing and marketing	**13.8%**	12.8%	10.2%
Other livestock	**12.0%**	10.8%	9.8%
Poultry and eggs	**8.9%**	9.4%	10.5%
Soybeans	**6.0%**	6.5%	6.8%
Other row crops	**4.6%**	5.0%	5.0%
Timber	**4.0%**	4.4%	3.2%
Farm equipment, machinery, and supply	**2.2%**	2.1%	2.5%
Corn	**2.2%**	2.0%	2.3%
Cotton	**1.9%**	2.5%	2.6%
Other	**11.2%**	11.0%	10.8%
Total	**100.0%**	100.0%	100.0%

Industry categories are based on the borrower's primary intended industry at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2023. Adversely classified loans increased to 2.4% of the portfolio at December 31, 2024, from 1.5% of the portfolio at December 31, 2023. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2024, $27.8 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Effective January 1, 2023, we adopted Accounting Standards Update 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(dollars in thousands)

As of December 31,	**2024**	2023	2022
Loans:			
Nonaccrual	**$ 5,102**	$ 8,991	$ 5,405
Accruing loans 90 days or more past due	**--**	255	--
Total nonperforming loans	**5,102**	9,246	5,405
Other property owned	**446**	--	--
Total nonperforming assets	**$ 5,548**	$ 9,246	$ 5,405
Total nonperforming loans as a percentage of total loans	**0.2%**	0.4%	0.3%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.4%	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**56.4%**	89.1%	94.1%
Total delinquencies as a percentage of total loans[1]	**0.3%**	0.2%	0.1%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Our nonperforming assets have decreased from December 31, 2023, and remained at acceptable levels. Total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The decrease in nonaccrual loans was primarily due to repayments on one nonaccrual real estate mortgage loan as well as one nonaccrual production and intermediate-term relationship which was partially charged-off and subsequently transferred to other property owned during the year ended December 31, 2024. The decrease was partially offset by two relationships in the production and intermediate-term and agribusiness loan types that transferred to nonaccrual during the year ended December 31, 2024. Nonaccrual loans remained at an acceptable level at December 31, 2024, 2023, and 2022.

The increase in other property owned was due to the nonaccrual production and intermediate-term relationship noted above. The properties held as collateral for this relationship were transferred into other property owned during the year ended December 31, 2024.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection.

Allowance for Credit Losses on Loans

Effective January 1, 2023, the allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses incurred on loans in our portfolio that were probable and estimable as of December 31, 2022.

Allowance for Credit Losses on Loans Coverage Ratios

As of December 31,	**2024**	2023	2022
Allowance for credit losses on loans as a percentage of:			
Loans	**0.3%**	0.3%	0.5%
Nonaccrual loans	**137.5%**	65.9%	209.0%
Total nonperforming loans	**137.5%**	64.1%	209.0%
Net charge-offs (recoveries) as a percentage of average loans	**0.2%**	0.0%	(0.0%)
Adverse assets to capital and allowance for credit losses on loans	**11.9%**	7.0%	3.6%

Total allowance for credit losses on loans was $7.0 million, $5.9 million, and $11.3 million at December 31, 2024, 2023, and 2022, respectively. The increase from December 31, 2023, was primarily related to an increase in the general reserves for production and intermediate-term loans primarily due to growth in the portfolio, a slight decline in credit quality, and forecast of future economic conditions. The increases in the allowance for credit losses on loans as a percentage of nonaccrual loans and total nonperforming loans were due to the decrease in nonaccrual loans and the increase in the allowance for credit losses on loans previously discussed. The increase in adverse assets to capital and allowance for credit losses on loans was due to the decline in credit quality previously discussed.

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31,	**2024**	2023	2022
Net income	**$ 48,421**	$ 46,572	$ 42,244
Return on average assets	**2.0%**	2.0%	2.0%
Return on average members' equity	**10.0%**	10.4%	10.4%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31,			Increase (decrease) in net income	
(in thousands)	**2024**	2023	2022	**2024 vs 2023**	2023 vs 2022
Net interest income	**$ 67,901**	$ 62,710	$ 55,461	**$ 5,191**	$ 7,249
Provision for credit losses	**6,059**	2,614	1,593	**(3,445)**	(1,021)
Non-interest income	**16,791**	15,294	13,014	**1,497**	2,280
Non-interest expense	**29,217**	27,422	23,822	**(1,795)**	(3,600)
Provision for income taxes	**995**	1,396	816	**401**	(580)
Net income	**$ 48,421**	$ 46,572	$ 42,244	**$ 1,849**	$ 4,328

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31,		**2024 vs 2023**		2023 vs 2022
Changes in volume	**$**	**3,790**	$	2,706
Changes in interest rates		**1,011**		4,917
Changes in nonaccrual interest income and other		**390**		(374)
Net change	**$**	**5,191**	$	7,249

Net interest income included income on nonaccrual loans that totaled $520 thousand, $130 thousand, and $504 thousand in 2024, 2023, and 2022, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 3.0%, 2.9%, and 2.7% in 2024, 2023, and 2022, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Credit Losses

The “Provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The provision for credit losses for the year ended December 31, 2024, was $6.1 million and was primarily due to the establishment of specific reserves, which were subsequently charged off, for three relationships in the production and intermediate-term and agribusiness loan types. There was also an increase in the general reserves for production and intermediate-term loans due to growth in the portfolio, a slight decline in credit quality, and forecast of future economic conditions. This is compared to a provision for credit losses of $2.6 million for the year ended December 31, 2023, which was primarily due to specific reserves being established for certain loans in our capital markets portfolio. Additionally, a change to a pessimistic outlook in the forecast net farm income in the livestock sector, primarily within the poultry industry, contributed to the provision for credit losses on loans during the year ended December 31, 2023. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Expense

Components of Non-Interest Expense

(dollars in thousands)

For the year ended December 31,		**2024**		2023		2022
Salaries and employee benefits	**$**	**13,725**	$	12,634	$	11,673
Other operating expense:						
Purchased and vendor services		**4,687**		4,158		2,773
Communications		**287**		281		366
Occupancy and equipment		**2,217**		1,659		1,413
Advertising and promotion		**786**		672		682
Examination		**756**		667		609
Farm Credit System insurance		**1,920**		3,276		3,422
Other		**4,656**		3,703		2,844
Other non-interest expense		**183**		372		40
Total non-interest expense	**$**	**29,217**	$	27,422	$	23,822
Operating rate[1]		**1.3%**		1.2%		1.1%

[1]Salaries and employee benefits and other operating expense divided by average earning assets.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2024, we had $535.6 million available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. We also fund our portfolio from equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31,		**2024**		2023		2022
Average balance	**$**	**1,914,673**	$	1,819,701	$	1,722,870
Average interest rate		**3.9%**		3.4%		2.1%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute.

CAPITAL ADEQUACY

Total members' equity was $503.7 million, $465.4 million, and $422.4 million at December 31, 2024, 2023, and 2022, respectively. Total members' equity increased $38.3 million from December 31, 2023, primarily due to net income for the year, partially offset by patronage distribution accruals.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

As of December 31,	**2024**	2023	2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.8%**	16.1%	15.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.8%**	16.1%	15.5%	6.0%	2.5%	8.5%
Total capital ratio	**16.1%**	16.4%	16.0%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.8%**	16.2%	15.6%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**17.1%**	17.6%	16.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.9%**	17.5%	16.7%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of retained earnings and allowance for credit losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 10 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target range is subject to revision as circumstances change. Our optimum total capital target range is 14% to 20%, as defined in our 2025 capital plan.

If the capital ratios fall below the total 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. We do not foresee any events that would result in this prohibition in 2025.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A GFA, as described in Note 5 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank retained earnings. As of December 31, 2024, we were required by AgriBank to maintain an investment equal to 3.1% of the average quarterly balance of our note payable. The required investment will remain unchanged for 2025 at 3.1%. In addition to the required investment based on the note payable, we are also required to hold additional investment in AgriBank for asset pool programs we participate in, which are typically capitalized at a higher rate that is mutually agreed upon in the asset pool program agreements.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

We purchase certain business services, primarily financial reporting, from AgriBank. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

AgCountry Capital Markets: We have a relationship with AgCountry Capital Markets, which involves purchasing participation interests in loans to large eligible borrowers. AgCountry Farm Credit Services, ACA is the lead lender and facilitating agent of these participations. We make an independent credit decision to purchase these loans based on our capacity and preferences.

Capital Markets Collaboration: We participate in the Capital Markets Collaboration (CMC) with three other AgriBank District associations, which involves purchasing participation interests in loans to eligible borrowers. GreenStone Farm Credit Services, ACA is the lead lender and facilitating agent of these participations. The CMC focuses on generating revenue and portfolio growth for the financial benefit of all four participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development or configuration and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $370 thousand at December 31, 2024, 2023, and 2022.

SunStream Business Services: We have a relationship with SunStream Business Services (SunStream), a System service corporation, which involves purchasing the following services: financial and retail information technology, collateral, and tax reporting. As of December 31, 2024, 2023, and 2022, our investment in SunStream was $490 thousand, $490 thousand, and $400 thousand, respectively. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $50.0 million. Refer to Note 10 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2024, 2023, and 2022, our investment in Foundations was $13 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Unincorporated Business Entity (UBE)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

PW PropCo Holdings, LLC: As of December 31, 2024, we held a minority non-controlling interest in a limited liability company established for the purpose of acquiring and selling collateral acquired through the loan collection process, primarily for legal liability purposes. The name of this LLC is PW PropCo Holdings, LLC.

Programs

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT

AgHeritage Farm Credit Services, ACA

We prepare the Consolidated Financial Statements of AgHeritage Farm Credit Services, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Jerry Burkett
Chairperson of the Board
AgHeritage Farm Credit Services, ACA

Gregory W. Cole
President and Chief Executive Officer
AgHeritage Farm Credit Services, ACA

Chris A. Hanner
Interim Chief Financial Officer
AgHeritage Farm Credit Services, ACA

March 6, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AgHeritage Farm Credit Services, ACA

The AgHeritage Farm Credit Services, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective 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 and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. In making the assessment, management used the 2013 framework in *Internal Control — Integrated Framework*, 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 concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

Greg Cole

Gregory W. Cole
President and Chief Executive Officer
AgHeritage Farm Credit Services, ACA

Chris A. Hanner
Interim Chief Financial Officer
AgHeritage Farm Credit Services, ACA

March 6, 2025

REPORT OF AUDIT COMMITTEE

AgHeritage Farm Credit Services, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of AgHeritage Farm Credit Services, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2024, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended the audited Consolidated Financial Statements be included in the Annual Report for the year ended December 31, 2024.

Sandra Morgan

Sandra Morgan
Chairperson of the Audit Committee
AgHeritage Farm Credit Services, ACA

Additional Audit Committee members:
Derek Haigwood
Mark Isbell
Jeff Rutledge
Rhonda Stone

March 6, 2025

pwc

Report of Independent Auditors

To the Board of Directors of AgHeritage Farm Credit Services, ACA:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 6, 2025

CONSOLIDATED STATEMENTS OF CONDITION

AgHeritage Farm Credit Services, ACA

(in thousands)

As of December 31,	**2024**	2023	2022
ASSETS			
Loans	**$ 2,435,283**	$ 2,125,055	$ 2,103,328
Allowance for credit losses on loans	**7,014**	5,925	11,295
Net loans	**2,428,269**	2,119,130	2,092,033
Investment in AgriBank, FCB	**83,828**	77,478	58,535
Investment securities	**23**	50	65
Accrued interest receivable	**47,847**	39,348	32,664
Other assets	**31,185**	21,129	16,159
Total assets	**$ 2,591,152**	$ 2,257,135	$ 2,199,456
LIABILITIES			
Note payable to AgriBank, FCB	**$ 2,048,804**	$ 1,754,863	$ 1,745,144
Accrued interest payable	**19,948**	16,937	12,526
Patronage distribution payable	**10,100**	10,000	8,449
Other liabilities	**8,613**	9,943	10,968
Total liabilities	**2,087,465**	1,791,743	1,777,087
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**3,594**	3,632	3,514
Unallocated retained earnings	**500,729**	462,378	419,681
Accumulated other comprehensive loss	**(636)**	(618)	(826)
Total members' equity	**503,687**	465,392	422,369
Total liabilities and members' equity	**$ 2,591,152**	$ 2,257,135	$ 2,199,456

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgHeritage Farm Credit Services, ACA

(in thousands)

For the year ended December 31,	2024	2023	2022
Interest income	**$ 142,657**	$ 125,003	$ 90,939
Interest expense	**74,756**	62,293	35,478
Net interest income	**67,901**	62,710	55,461
Provision for credit losses	**6,059**	2,614	1,593
Net interest income after provision for credit losses	**61,842**	60,096	53,868
Non-interest income			
Patronage income	**9,988**	10,506	9,414
Financially related services income	**214**	263	270
Fee income	**5,357**	4,147	2,987
Other non-interest income	**1,232**	378	343
Total non-interest income	**16,791**	15,294	13,014
Non-interest expense			
Salaries and employee benefits	**13,725**	12,634	11,673
Other operating expense	**15,309**	14,416	12,109
Other non-interest expense	**183**	372	40
Total non-interest expense	**29,217**	27,422	23,822
Income before income taxes	**49,416**	47,968	43,060
Provision for income taxes	**995**	1,396	816
Net income	**$ 48,421**	$ 46,572	$ 42,244
Other comprehensive (loss) income			
Employee benefit plans activity	**$ (18)**	$ 208	$ 432
Total other comprehensive (loss) income	**(18)**	208	432
Comprehensive income	**$ 48,403**	$ 46,780	$ 42,676

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgHeritage Farm Credit Services, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2021	$ 3,324	$ 385,814	$ (1,258)	$ 387,880
Net income	--	42,244	--	42,244
Other comprehensive income	--	--	432	432
Unallocated retained earnings designated for patronage distributions	--	(8,377)	--	(8,377)
Capital stock and participation certificates issued	410	--	--	410
Capital stock and participation certificates retired	(220)	--	--	(220)
Balance as of December 31, 2022	3,514	419,681	(826)	422,369
Cumulative effect of change in accounting principle	--	6,151	--	6,151
Net income	--	46,572	--	46,572
Other comprehensive income	--	--	208	208
Unallocated retained earnings designated for patronage distributions	--	(10,026)	--	(10,026)
Capital stock and participation certificates issued	293	--	--	293
Capital stock and participation certificates retired	(175)	--	--	(175)
Balance as of December 31, 2023	3,632	462,378	(618)	465,392
Net income	**--**	**48,421**	**--**	**48,421**
Other comprehensive loss	**--**	**--**	**(18)**	**(18)**
Unallocated retained earnings designated for patronage distributions	**--**	**(10,070)**	**--**	**(10,070)**
Capital stock and participation certificates issued	**435**	**--**	**--**	**435**
Capital stock and participation certificates retired	**(473)**	**--**	**--**	**(473)**
Balance as of December 31, 2024	**$ 3,594**	**$ 500,729**	**$ (636)**	**$ 503,687**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AgHeritage Farm Credit Services, ACA

(in thousands)

For the year ended December 31,		2024		2023		2022
Cash flows from operating activities						
Net income	**$**	**48,421**	$	46,572	$	42,244
Depreciation on premises and equipment		**903**		778		571
(Gain) loss on sale of premises and equipment, net		**(52)**		6		(19)
Net amortization of (discounts) premiums on loans		**(3)**		9		(92)
Provision for credit losses		**6,059**		2,614		1,593
Stock patronage received from AgriBank, FCB		**(2,630)**		(2,806)		(6,806)
Changes in operating assets and liabilities:						
Increase in accrued interest receivable		**(9,238)**		(7,416)		(8,671)
(Increase) decrease in other assets		**(9,416)**		(3,167)		1,863
Increase in accrued interest payable		**3,011**		4,411		6,800
(Decrease) Increase in other liabilities		**(1,348)**		(1,552)		2,952
Net cash provided by operating activities		**35,707**		39,449		40,435
Cash flows from investing activities						
Increase in loans, net		**(316,532)**		(22,018)		(175,758)
Purchases of investment in AgriBank, FCB, net		**(3,720)**		(16,137)		(5,103)
Purchases of investment in other Farm Credit institutions, net		**--**		(90)		(71)
Proceeds from investment securities		**27**		15		250
Proceeds from sales of other property owned		**1,967**		--		--
Purchases of premises and equipment, net		**(1,045)**		(2,395)		(2,212)
Net cash used in investing activities		**(319,303)**		(40,625)		(182,894)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**293,941**		9,719		149,339
Patronage distributions paid		**(9,970)**		(8,475)		(6,928)
Capital stock and participation certificates (retired) issued, net		**(375)**		(68)		48
Net cash provided by financing activities		**283,596**		1,176		142,459
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental information						
Interest paid	**$**	**71,745**	$	57,882	$	28,678
Taxes paid, net[1]		**8,593**		2,050		449

[1] The 2024 amount paid includes a prepayment of taxes.

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AgHeritage Farm Credit Services, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2025, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 55 borrower-owned cooperative lending institutions (associations). The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. The AgriBank District associations consist of Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund reach the “secure base amount”, which is defined in the Farm Credit Act as 2.0% of the aggregate outstanding insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums and, under certain circumstances, is required to transfer excess funds to establish Allocated Insurance Reserves Accounts (AIRAs). The FCSIC may also distribute all or a portion of the AIRAs to the System banks, which AgriBank passes on as income to the associations. The basis for assessing premiums is insured debt. Nonaccrual loans and impaired investment securities are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

AgHeritage Farm Credit Services, ACA (the Association) and its subsidiaries, AgHeritage Farm Credit Services, FLCA and AgHeritage Farm Credit Services, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Arkansas, Ashley, Bradley, Chicot, Cleburne, Cleveland, Desha, Drew, Fulton, Independence, Izard, Jackson, Jefferson, Lawrence, Lincoln, Lonoke, Monroe, Prairie, Pulaski, Randolph, Sharp, Stone, White, and Woodruff in the state of Arkansas.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life, term life, and credit disability insurance to borrowers and those eligible to borrow. We refer our borrowers and those eligible to borrow to a preferred vendor for crop hail and multi-peril crop insurance effective December 2024. Prior to December 2024, we offered crop hail and multi-peril crop insurance to our borrowers and those eligible to borrow. We also offer fee appraisals to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of AgHeritage Farm Credit Services, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until certain modifications are completed or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Generally, loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, and the interest is determined to be both uncollectible and the loss is known, we immediately reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on nonaccrual loans is applied to reduce the carrying amount in the loan, except in those cases where the collection of the carrying amount is fully expected and certain other criteria are met. In these circumstances, interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. In situations when more than two types of modifications are granted on the same loan we only report the two most material modification types.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not have otherwise considered, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all the conditions have been met to be accounted for as a sale.

Allowance for Credit Losses: Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses (ACL) comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Allowance for Credit Losses on Loans
Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

The ACLL is increased through provisions for credit losses on loans and loan recoveries and is decreased through reversals of provision for credit losses on loans and loan charge-offs. The provision activity is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts.

We employ a disciplined process and methodology to establish the ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged-off against the ACLL. For more information see the Collateral Dependent Loans policy in the significant accounting policies section of this report.

In estimating the pooled component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. For reporting purposes, the portfolio is classified by loan type. We utilize a model to calculate an expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the loss given default, based on historical experience. Loan borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments.

In order to calculate this estimated migration of loans from performing to loss, we utilize a single economic scenario over a reasonable and supportable forecast period of three years. The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, and real gross domestic product levels. Subsequent to the forecast period, our model applies a smoothed reversion to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast. Consideration of these factors, as well as the imprecision inherent in the process and methodology may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on quarterly evaluation of factors such as loan loss history, estimated probability of default, estimated loss given default, portfolio quality, and current economic and environmental conditions.

Allowance for Credit Losses on Unfunded Commitments
Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in “Other liabilities” in the Consolidated Statements of Condition. The related provision is included as part of the “Provision for credit losses” in the Consolidated Statements of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Allowance for Credit Losses on Investment Securities
Quarterly, we evaluate the held-to-maturity investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses on investment securities is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the United States (U.S.) government or other governmental agencies, we have not recognized an allowance for credit losses on investment securities as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

Collateral Dependent Loans: Collateral dependent loans are loans secured by collateral, including but not limited to real estate, equipment, inventory, livestock, and income-producing property. We measure the expected credit losses based on the fair value of collateral at the reporting date when we determine that foreclosure is probable. Under the fair value practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

The fair value of the collateral is adjusted for the estimated costs to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon in-house or independent third-party appraisals or on in-house collateral valuations. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan’s expected credit loss measurements and, where appropriate, records an adjustment.

Additionally, when a borrower is experiencing financial difficulty, we apply the fair value practical expedient measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized by the FCA to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investment securities upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We consider an investment security contractually past due when any payment of principal or interest required by the investment security is not received on or before the due date. The accrual of interest income is suspended for investments that are in default or for which the collectability of principal or interest is doubtful. When an investment security is in default and the interest is determined to be uncollectible, we immediately reverse any accrued interest.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in “Other assets” in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses on loans. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in “Other non-interest expense” in the Consolidated Statements of Comprehensive Income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in “Other assets” in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Depreciation and maintenance and repair expenses are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

Leases: We are the lessee in operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded in the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in “Other assets” in the Consolidated Statements of Condition and the lease liabilities are included in “Other liabilities” in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income.

We participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefit eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

We participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income. Service costs are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are included in “Other assets” in the Consolidated Statements of Condition and deferred tax liabilities are included in “Other liabilities” in the Consolidated Statements of Condition. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. We evaluate the need for an allowance for credit losses on unfunded commitments, which is included in “Other liabilities” in the Consolidated Statements of Condition. For more information see the allowance for credit losses on unfunded commitments policy in the significant accounting policies section of this report.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standard to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 3: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands)

As of December 31,	**2024**		2023		2022	
	Amortized Cost	%	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 1,252,316**	**51.5%**	$ 1,099,108	51.7%	$ 1,150,764	54.7%
Production and intermediate-term	**577,509**	**23.7%**	468,026	22.0%	510,439	24.3%
Agribusiness	**495,466**	**20.3%**	458,072	21.6%	355,041	16.9%
Other	**109,992**	**4.5%**	99,849	4.7%	87,084	4.1%
Total	**$ 2,435,283**	**100.0%**	$ 2,125,055	100.0%	$ 2,103,328	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate loans.

Throughout Note 3 accrued interest receivable on loans of $47.8 million and $39.3 million at December 31, 2024, and 2023, respectively, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Portfolio Concentrations

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions. We lend primarily within agricultural industries.

As of December 31, 2024, amortized cost on loans plus commitments, reduced by government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 6.2% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property.

Participations

We may purchase or sell participation interests with other parties to diversify risk, manage portfolio size, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(in thousands)	Participations		Participations		Participations		Participations	
As of December 31, 2024	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (115,698)**	**$ 82,692**	**$ (100,344)**	**$ 1,534**	**$ --**	**$ 84,226**	**$ (216,042)**
Production and intermediate-term	**--**	**(52,600)**	**48,773**	**(34,994)**	**--**	**--**	**48,773**	**(87,594)**
Agribusiness	**--**	**(50,038)**	**390,015**	**(59,020)**	**--**	**--**	**390,015**	**(109,058)**
Other	**--**	**(9,304)**	**105,979**	**--**	**--**	**--**	**105,979**	**(9,304)**
Total	**$ --**	**$ (227,640)**	**$ 627,459**	**$ (194,358)**	**$ 1,534**	**$ --**	**$ 628,993**	**$ (421,998)**

	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
As of December 31, 2023	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (119,112)	$ 76,735	$ (92,208)	$ --	$ --	$ 76,735	$ (211,320)
Production and intermediate-term	--	(52,049)	46,752	(37,202)	--	--	46,752	(89,251)
Agribusiness	--	(60,640)	349,981	(83,402)	--	--	349,981	(144,042)
Other	--	(10,397)	107,136	(8,951)	--	--	107,136	(19,348)
Total	$ --	$ (242,198)	$ 580,604	$ (221,763)	$ --	$ --	$ 580,604	$ (463,961)

	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
As of December 31, 2022	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (32,707)	$ 70,703	$ (100,451)	$ --	$ --	$ 70,703	$ (133,158)
Production and intermediate-term	--	(6,271)	47,088	(18,851)	--	--	47,088	(25,122)
Agribusiness	--	(9,098)	273,545	(48,901)	--	--	273,545	(57,999)
Other	--	--	83,535	(8,771)	--	--	83,535	(8,771)
Total	$ --	$ (48,076)	$ 474,871	$ (176,974)	$ --	$ --	$ 474,871	$ (225,050)

Credit Quality and Delinquency

Credit risk arises from the potential inability of a borrower to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. We manage credit risk associated with our lending activities through an analysis of the credit risk profile of an individual borrower based on management established underwriting standards and board approved lending policies. The evaluation of the borrower's credit risk profile may include analysis of several factors including, but not limited to, credit history, repayment capacity, financial position, and collateral. Real estate mortgage loans must be secured by first liens on the real estate. As required by the FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

We use a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing loss given default. Probability of default is our assumption of the probability that a borrower will experience a default during the life of the loan. Each of the 14 probability of default categories carries a distinct percentage of default probability and is associated with a FCA Uniform Classification System credit quality category. The loss given default is our assumption as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified as nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. We review the probability of default category periodically in accordance with our policy, or when a credit action is taken.

We utilize the FCA Uniform Classification System, which categorizes loans into five credit quality categories:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (special mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.

- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2024, 2023, or 2022.

The probability of default rate of the acceptable category reflects almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to special mention and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

Credit Quality of Loans at Amortized Cost[1]

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2024	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 1,221,609**	**97.6%**	**$ 14,368**	**1.1%**	**$ 16,339**	**1.3%**	**$ 1,252,316**	**100.0%**
Production and intermediate-term	**532,767**	**92.3%**	**27,220**	**4.7%**	**17,522**	**3.0%**	**577,509**	**100.0%**
Agribusiness	**450,849**	**91.0%**	**22,030**	**4.4%**	**22,587**	**4.6%**	**495,466**	**100.0%**
Other	**99,728**	**90.7%**	**7,752**	**7.0%**	**2,512**	**2.3%**	**109,992**	**100.0%**
Total	**$ 2,304,953**	**94.7%**	**$ 71,370**	**2.9%**	**$ 58,960**	**2.4%**	**$ 2,435,283**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2023	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 1,071,221	97.5%	$ 17,704	1.6%	$ 10,183	0.9%	$ 1,099,108	100.0%
Production and intermediate-term	437,438	93.4%	20,376	4.4%	10,212	2.2%	468,026	100.0%
Agribusiness	432,270	94.4%	14,196	3.1%	11,606	2.5%	458,072	100.0%
Other	82,870	83.0%	16,578	16.6%	401	0.4%	99,849	100.0%
Total	$ 2,023,799	95.3%	$ 68,854	3.2%	$ 32,402	1.5%	$ 2,125,055	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 1,146,433	98.2%	$ 18,718	1.6%	$ 2,544	0.2%	$ 1,167,695	100.0%
Production and intermediate-term	486,596	92.9%	32,228	6.2%	4,900	0.9%	523,724	100.0%
Agribusiness	340,456	95.3%	10,430	2.9%	6,367	1.8%	357,253	100.0%
Other	84,347	96.6%	1,325	1.5%	1,636	1.9%	87,308	100.0%
Total	$ 2,057,832	96.4%	$ 62,701	2.9%	$ 15,447	0.7%	$ 2,135,980	100.0%

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **As of December 31, 2024**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 2,793**	**$ 612**	**$ 3,405**	**$ 1,248,911**	**$ 1,252,316**	**$ --**
Production and intermediate-term	**2,387**	**1,079**	**3,466**	**574,043**	**577,509**	**--**
Agribusiness	**164**	**248**	**412**	**495,054**	**495,466**	**--**
Other	**118**	**--**	**118**	**109,874**	**109,992**	**--**
Total	**$ 5,462**	**$ 1,939**	**$ 7,401**	**$ 2,427,882**	**$ 2,435,283**	**$ --**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 3,157	$ 158	$ 3,315	$ 1,095,793	$ 1,099,108	$ --
Production and intermediate-term	928	12	940	467,086	468,026	--
Agribusiness	--	15	15	458,057	458,072	--
Other	311	255	566	99,283	99,849	255
Total	$ 4,396	$ 440	$ 4,836	$ 2,120,219	$ 2,125,055	$ 255

As of December 31, 2022		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	1,710	$	244	$	1,954	$	1,165,741	$	1,167,695	$	--
Production and intermediate-term		378		42		420		523,304		523,724		--
Agribusiness		177		--		177		357,076		357,253		--
Other		34		--		34		87,274		87,308		--
Total	$	2,299	$	286	$	2,585	$	2,133,395	$	2,135,980	$	--

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Nonaccrual Loans

Nonaccrual Loans by Loan Type

(in thousands) As of December 31,		**2024**		2023		2022
Real estate mortgage	**$**	**1,183**	$	4,080	$	424
Production and intermediate-term		**2,448**		4,481		48
Agribusiness		**1,264**		34		4,416
Other		**207**		396		517
Total	**$**	**5,102**	$	8,991	$	5,405

Additional Nonaccrual Loans Information

(in thousands)		**As of December 31, 2024** Amortized Cost Without Allowance		**For the year ended December 31, 2024** Interest Income Recognized
Real estate mortgage	**$**	**1,183**	**$**	**450**
Production and intermediate-term		**105**		**56**
Agribusiness		**1,016**		**6**
Other		**207**		**8**
Total	**$**	**2,511**	**$**	**520**

		As of December 31, 2023 Amortized Cost Without Allowance		For the year ended December 31, 2023 Interest Income Recognized
Real estate mortgage	$	4,080	$	125
Production and intermediate-term		123		--
Agribusiness		34		--
Other		395		5
Total	$	4,632	$	130

Reversals of interest income on loans that transferred to nonaccrual status were not material for the years ended December 31, 2024, or 2023.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Loans that both modify and are paid off or charged-off during the period, resulting in an amortized cost balance of zero at the end of the period, are not included in the disclosures below.

Loan Modifications at Amortized Cost

(dollars in thousands) **For the year ended December 31, 2024**		Term Extension		Combination - Interest Rate Reduction and Term Extension		Total	Percentage of Total Loans
Production and intermediate-term	**$**	**6,672**	**$**	**269**	**$**	**6,941**	**0.3%**
Agribusiness		**1,928**		**--**		**1,928**	**0.1%**
Total	**$**	**8,600**	**$**	**269**	**$**	**8,869**	**0.4%**
Loan modifications granted as a percentage of total loans		**0.4%**		**0.0%**		**0.4%**	

For the year ended December 31, 2023	Term Extension	Combination - Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans
Real estate mortgage	$ 272	$ --	$ 272	0.0%
Production and intermediate-term	1,803	--	1,803	0.1%
Agribusiness	4,919	--	4,919	0.2%
Total	$ 6,994	$ --	$ 6,994	0.3%

Financial Effect of Loan Modifications

For the year ended December 31, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)
Production and intermediate-term		
Term extension		**14**
Combination - interest rate reduction and term extension	**2.6%**	**84**
Agribusiness		
Term extension		**16**

For the year ended December 31, 2023	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)
Real estate mortgage		
Term extension		26
Production and intermediate-term		
Term extension		18
Agribusiness		
Term extension		22

The following table presents the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the year ended December 31, 2024, in which the modifications were within twelve months preceding the default. There were no loans to borrowers experiencing financial difficulty that defaulted during the year ended December 31, 2023, in which the modifications were within twelve months preceding the default.

Loan Modifications that Subsequently Defaulted

(in thousands) **For the year ended December 31, 2024**	Term Extension
Production and intermediate-term	**$ 172**

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications

(in thousands) **As of December 31, 2024**	Not Past Due or Less than 30 Days Past Due
Production and intermediate-term	**$ 6,941**
Agribusiness	**1,928**
Total	**$ 8,869**

As of December 31, 2023	Not Past Due or Less than 30 Days Past Due
Real estate mortgage	$ 272
Production and intermediate-term	1,803
Agribusiness	4,919
Total	$ 6,994

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was $702 thousand and $146 thousand at December 31, 2024, and 2023, respectively.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans were modified during the years ended December 31, 2024, and 2023 were $4.7 million and $3.3 million, respectively.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of U.S. net farm income, U.S. real gross domestic product, and U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) As of December 31,	2024	2023	2022
Allowance for Credit Losses on Loans			
Balance at beginning of year	**$ 5,925**	$ 11,295	$ 9,823
Cumulative effect of change in accounting principle	**--**	(6,784)	--
Provision for credit losses on loans	**5,709**	2,359	1,469
Loan recoveries	**43**	12	43
Loan charge-offs	**(4,663)**	(957)	(40)
Balance at end of year	**$ 7,014**	$ 5,925	$ 11,295
Allowance for Credit Losses on Unfunded Commitments			
Balance at beginning of year	**$ 633**	$ 238	$ 114
Cumulative effect of change in accounting principle	**--**	140	--
Provision for credit losses on unfunded commitments	**350**	255	124
Balance at end of year	**$ 983**	$ 633	$ 238
Total allowance for credit losses	**$ 7,997**	$ 6,558	$ 11,533

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by the provision for credit losses on loans which was partially offset by loan charge-offs. The provision for credit losses on loans for the year ended December 31, 2024, was primarily due to the establishment of specific reserves for three relationships in the production and intermediate-term and agribusiness loan types. There was also an increase in the general reserves for production and intermediate-term loans due to growth in the portfolio, a slight decline in credit quality, and forecast of future economic conditions. Loan charge-offs for the year ended December 31, 2024, were primarily driven by three relationships in the production and intermediate-term and agribusiness loan types.

Changes in Allowance for Credit Losses on Loans by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2023	**$ 2,337**	**$ 2,263**	**$ 1,058**	**$ 267**	**$ 5,925**
Provision for credit losses on loans	**(356)**	**2,392**	**3,726**	**(53)**	**5,709**
Loan recoveries	**12**	**20**	**--**	**11**	**43**
Loan charge-offs	**(116)**	**(980)**	**(3,567)**	**--**	**(4,663)**
Balance as of December 31, 2024	**$ 1,877**	**$ 3,695**	**$ 1,217**	**$ 225**	**$ 7,014**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2022	$ 5,377	$ 2,073	$ 3,294	$ 551	$ 11,295
Cumulative effect of change in accounting principle	(3,603)	(1,433)	(1,442)	(306)	(6,784)
Provision for credit losses on loans	559	2,497	(719)	22	2,359
Loan recoveries	6	6	--	--	12
Loan charge-offs	(2)	(880)	(75)	--	(957)
Balance as of December 31, 2023	$ 2,337	$ 2,263	$ 1,058	$ 267	$ 5,925

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2021	$ 5,191	$ 2,043	$ 2,387	$ 202	$ 9,823
Provision for credit losses on loans	165	38	907	359	1,469
Loan recoveries	28	15	--	--	43
Loan charge-offs	(7)	(23)	--	(10)	(40)
Balance as of December 31, 2022	$ 5,377	$ 2,073	$ 3,294	$ 551	$ 11,295

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Risk Loans: Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of December 31,	2022
Nonaccrual loans:	
Current as to principal and interest	$ 5,085
Past due	320
Total nonaccrual loans	5,405
Accruing restructured loans	--
Accruing loans 90 days or more past due	--
Total risk loans	$ 5,405
Volume with specific allowance	$ 4,424
Volume without specific allowance	981
Total risk loans	$ 5,405
Total specific allowance	$ 900

For the year ended December 31,	2022
Income on accrual risk loans	$ --
Income on nonaccrual loans	504
Total income on risk loans	$ 504
Average risk loans	$ 3,549

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2022 Recorded Investment[1]	As of December 31, 2022 Unpaid Principal Balance[2]	As of December 31, 2022 Related Allowance	For the year ended December 31, 2022 Average Impaired Loans	For the year ended December 31, 2022 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ 347	$ --
Production and intermediate-term	--	--	--	17	--
Agribusiness	4,416	4,541	891	1,560	--
Other	8	22	9	14	--
Total	$ 4,424	$ 4,563	$ 900	$ 1,938	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 424	$ 1,439	$ --	$ 1,013	$ 456
Production and intermediate-term	48	3,302	--	50	34
Agribusiness	--	--	--	--	--
Other	509	713	--	548	14
Total	$ 981	$ 5,454	$ --	$ 1,611	$ 504
Total impaired loans:					
Real estate mortgage	$ 424	$ 1,439	$ --	$ 1,360	$ 456
Production and intermediate-term	48	3,302	--	67	34
Agribusiness	4,416	4,541	891	1,560	--
Other	517	735	9	562	14
Total	$ 5,405	$ 10,017	$ 900	$ 3,549	$ 504

[1]The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.
[2]Unpaid principal balance represents the contractual principal balance of the loan.

Year End Recorded Investments by Loan Type

(in thousands) As of December 31, 2022	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Ending balance: individually evaluated for impairment	$ --	$ --	$ 891	$ 9	$ 900
Ending balance: collectively evaluated for impairment	$ 5,377	$ 2,073	$ 2,403	$ 542	$ 10,395
Recorded investment in loans outstanding:					
Ending balance	$ 1,167,695	$ 523,724	$ 357,253	$ 87,308	$ 2,135,980
Ending balance: individually evaluated for impairment	$ 424	$ 48	$ 4,416	$ 517	$ 5,405
Ending balance: collectively evaluated for impairment	$ 1,167,271	$ 523,676	$ 352,837	$ 86,791	$ 2,130,575

Troubled Debt Restructurings: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

There were no TDRs that occurred during the year ended December 31, 2022. There were no TDRs that defaulted during the year ended December 31, 2022, in which the modification was within twelve months of the reporting period.

TDRs Outstanding

(in thousands) As of December 31,	2022
Total TDRs:	
Real estate mortgage	$ 1
Other	335
Total TDRs	$ 336

Note: Accruing loans include accrued interest receivable.

All TDRs outstanding at December 31, 2022, were in nonaccrual status.

NOTE 4: INVESTMENT IN AGRIBANK

Our investment in AgriBank was $83.8 million, $77.5 million, and $58.5 million at December 31, 2024, 2023, and 2022, respectively. As of December 31, 2024, we were required by AgriBank to maintain an investment equal to 3.1% of the average quarterly balance of our note payable. We are also required to hold AgriBank stock based on a contractual agreement under any asset pool program in which we participate. The required investment amount varies by asset pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at AgriBank by distributing all available AgriBank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 5: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is at a variable rate as governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31,	**2024**	2023	2022
Line of credit	**$ 2,600,000**	$ 2,600,000	$ 2,300,000
Outstanding principal under the line of credit	**2,048,804**	1,754,863	1,745,144
Interest rate	**3.9%**	3.7%	2.9%

Our note payable is scheduled to mature on May 31, 2026. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2024, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31,	**2024**	2023	2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.8%**	16.1%	15.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.8%**	16.1%	15.5%	6.0%	2.5%	8.5%
Total capital ratio	**16.1%**	16.4%	16.0%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.8%**	16.2%	15.6%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**17.1%**	17.6%	16.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.9%**	17.5%	16.7%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets are calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for credit losses on loans and the allowance for credit losses on investment securities, if applicable, as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans, unfunded commitments, and investment securities subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated retained earnings not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total 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.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31,	**2024**	2023	2022
Class C common stock (at-risk)	**691,881**	701,103	679,454
Participation certificates (at-risk)	**26,843**	25,203	23,363

Under our bylaws, we are also authorized to issue Class B common stock and Class D common stock. Each of these classes of common stock is at-risk and nonvoting. Class B common stock has a $5.00 par value per share and the Class D common stock has a $1,000 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2024, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority.

- first, pro rata to holders of common stock and participation certificates
- second, any remaining assets of the Association after such distribution shall be distributed to present and former patrons on a patronage basis, to the extent practicable

Any impairment of capital stock shall be treated as impairing all shares of common stock and participations certificates pro rata.

All classes of stock are transferable to other customers who are eligible to hold such class of stock. Transfers of stock are only allowed if we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $10.1 million, $10.0 million, and $8.5 million at December 31, 2024, 2023, and 2022, respectively. The patronage distributions are paid in cash, generally during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

NOTE 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31,	2024	2023	2022
Current:			
Federal	$ **1,612**	$ 1,262	$ 849
State	**342**	323	251
Total current	$ **1,954**	$ 1,585	$ 1,100
Deferred:			
Federal	$ **(794)**	$ (159)	$ (250)
State	**(165)**	(30)	(34)
Total deferred	**(959)**	(189)	(284)
Provision for income taxes	$ **995**	$ 1,396	$ 816
Effective tax rate	**2.0%**	2.9%	1.9%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands)

For the year ended December 31,	2024	2023	2022
Federal tax at statutory rates	$ **10,378**	$ 10,073	$ 9,043
State tax, net	**140**	221	176
Patronage distributions	**(2,121)**	(2,100)	(1,774)
Effect of non-taxable entity	**(7,438)**	(6,820)	(6,516)
Other	**36**	22	(113)
Provision for income taxes	$ **995**	$ 1,396	$ 816

Refer to the income taxes policy in Note 2 for information on exemptions related to our non-taxable entity.

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31,	2024	2023	2022
Allowance for credit losses on loans	$ **1,210**	$ 494	$ 801
Accrued incentive	**180**	168	181
Accrued patronage income not received	**(77)**	(161)	--
Accrued pension asset	**(187)**	(307)	(476)
Other assets	**205**	178	202
Other liabilities	**(325)**	(325)	(358)
Deferred tax assets, net	$ **1,006**	$ 47	$ 350
Gross deferred tax assets	$ **1,595**	$ 840	$ 1,184
Gross deferred tax liabilities	$ **(589)**	$ (793)	$ (834)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2024, 2023, or 2022.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $9.6 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $395.5 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2024. In addition, we believe we are no longer subject to income tax examinations for years prior to 2021.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2024 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans for which AgriBank and District associations are participating employers. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: We participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31,	2024	2023	2022
Funded (unfunded) status	**$ 55,397**	$ (31,065)	$ (87,688)
Projected benefit obligation	**1,096,604**	1,245,052	1,204,130
Fair value of plan assets	**1,152,001**	1,213,987	1,116,442
Accumulated benefit obligation	**1,011,357**	1,140,936	1,083,610

For the year ended December 31,	2024	2023	2022
Total plan expense	**$ 41,090**	$ 55,535	$ 30,475
Our allocated share of plan expenses	**731**	964	530
Contributions by participating employers	**40,000**	45,000	90,385
Our allocated share of contributions	**713**	795	1,450

Note: The above chart represents the AgriBank District Retirement Plan that is a District-wide post-employment benefit plan in which we participate.

The funded (unfunded) status reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding.

Benefits paid to participants in the District were $127.5 million in 2024. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2025 is $14.7 million. Our allocated share of these pension contributions is expected to be $296 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands) As of December 31,	**2024**	2023	2022
Our unfunded status	**$ (2,704)**	$ (2,389)	$ (2,265)

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded status is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded. However, we have a Rabbi Trust to fund our future liability under this plan. A Rabbi Trust is a trust created for the purpose of supporting the nonqualified benefit obligation of employers to their employees. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for these plans, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $658 thousand, $615 thousand, and $542 thousand in 2024, 2023, and 2022, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2024, involved more than a normal risk of collectability. There were no material related party transactions other than the loan transactions disclosed in the following related party loans information table.

Related Party Loans Information

(in thousands) As of December 31,	**2024**	2023	2022
Total related party loans	**$ 66,973**	$ 47,835	$ 50,208
For the year ended December 31,	**2024**	2023	2022
Advances to related parties	**$ 45,780**	$ 40,714	$ 52,596
Repayments by related parties	**51,274**	40,964	47,420

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding table are related to those considered related parties at each respective year end.

As described in Note 5, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown in the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank was $9.9 million, $10.4 million, and $9.3 million in 2024, 2023, and 2022, respectively. Patronage income for 2024, 2023, and 2022 was received in cash and AgriBank stock.

In addition, we received compensation from AgriBank for servicing loans of $456 thousand, $137 thousand, and $71 thousand in 2024, 2023, and 2022, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

We purchase certain business services, primarily financial reporting, from AgriBank. We also purchase the following services from SunStream Business Services (SunStream): financial and retail information technology, collateral, and tax reporting. In addition, we purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the following table in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands)

As of December 31,		**2024**		2023		2022
Investment in AgriBank	**$**	**83,828**	$	77,478	$	58,535
Investment in SunStream		**490**		490		400
Investment in Foundations		**13**		13		13
For the year ended December 31,		**2024**		2023		2022
AgriBank District purchased services	**$**	**2,148**	$	1,919	$	1,524

NOTE 10: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2024, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $556.8 million. Additionally, we had $3.2 million of issued standby letters of credit as of December 31, 2024.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they have off-balance sheet credit risk because their contractual amounts are not reflected on the balance sheet until funded or drawn upon. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties, amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

We guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $50.0 million. The term of the line of credit is 36 months and scheduled to mature on June 30, 2027, and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. The outstanding balance on the SunStream line of credit at December 31, 2024, was $29.8 million. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

NOTE 11: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2024, 2023, or 2022.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of December 31, 2024	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans	**$ --**	**$ --**	**$ 1,894**	**$ 1,894**
Other property owned	**--**	**--**	**464**	**464**

As of December 31, 2023	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans	$ --	$ --	$ 3,381	$ 3,381

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans	$ --	$ --	$ 3,701	$ 3,701

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 6, 2025, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2024 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

AgHeritage Farm Credit Services, ACA
(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Little Rock	Leased	Headquarters
Batesville	Owned	Branch
Brinkley	Owned	Branch
Lonoke	Owned	Branch
McGehee	Owned	Branch
Newport	Owned	Branch
Pine Bluff	Leased	Branch
Pocahontas	Owned	Branch
Searcy	Owned	Branch
Stuttgart	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is included in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2024.

Description of Capital Structure

Information regarding our capital structure is included in Note 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is included in Notes 5, 6, 7, 8, and 10 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management’s Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

The **Audit Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of the Association’s internal audit program, the independence of the outside auditors and the processes for monitoring compliance with laws and regulations. The Audit Committee also oversees the adequacy of management’s actions with respect to recommendations arising from auditing activities.

The **Finance Committee** monitors our financial and capital planning, asset/liability management and funding and investment activities. Committee members serve as a resource to the Board by maintaining a more in-depth knowledge of our financial activities.

The **Executive Committee** addresses issues of board governance and the Board’s continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies and administers a planning process focused upon achieving our mission and maintaining a viable, competitive institution. The committee is authorized to take action on behalf of the Board on matters requiring board approval between normally scheduled board meetings, when necessary. Such authorization is to be reviewed and acted upon at the next board meeting.

The **Human Resources Committee** oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.

The **Board Risk Committee** oversees the ongoing monitoring of the Association's risk profile, conformance with risk appetite, and adherence to risk management policies and procedures.

Board of Directors as of December 31, 2024, including business experience during the last five years

Name	Principal occupation and other business affiliations
Jerry Burkett **Chairperson** **Board Service Began:** 2002 **Current Term Expires:** April 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Board member of Museum of the Arkansas Grand Prairie, preserves Arkansas County's heritage as a center for rice production and duck hunting Board member of Arkansas County Farm Bureau, involved in insurance and lobbying for farmers
Jeff Rutledge **Vice Chairperson** **Board Service Began:** 2017 **Current Term Expires:** April 2027	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Vice chairman of USA Rice Council, promotes U.S. rice industry Board member of Arkansas Rice Research and Promotion, provides support for research and promotion programs Board member of Arkansas Rice Council, a trade association for Arkansas's rice industry Board member of Arkansas Rice Federation, a trade association for Arkansas's rice industry Board member of Newport Levee Board, responsible for developing, promoting, and protecting waterborne transportation in Arkansas Board member of Jackson County Farm Bureau, involved in insurance and lobbying for farmers Vice president of Agricultural Council of Arkansas Board, an advocate of Arkansas's agricultural industry Board member of AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Russell Bonner **Board Service Began:** 2006 **Current Term Expires:** April 2026	**Principal occupation:** Self-employed grain farmer
Dow Brantley **Board Service Began:** 2020 **Current Term Expires:** April 2028	**Principal occupation:** Self-employed grain and cotton farmer Grain merchant **Other business affiliations:** Board member of Lonoke County Farm Bureau, involved in insurance and lobbying for farmers Board member of Arkansas Rice Federation, a trade association for Arkansas's rice industry Board member of Arkansas Rice Council, a trade association for Arkansas's rice industry Board member of USA Rice Federation, promotes U.S. rice industry Board member of USA Rice International Trade Policy, promotes U.S. rice industry Board member of Agriculture Policy Advisory Committee for USDA and USTR, provides advice on trade policy matters Board member of Agricultural Council of Arkansas, an advocate of Arkansas's agricultural industry
Ray C. "Chuck" Culver III **Outside Director** **Board Service Began:** 1992 **Current Term Expires:** April 2028	**Principal Occupation:** Retired in July 2024 as Institutional Development & External Relations Director, Division of Agriculture at the University of Arkansas System **Other business affiliations:** Board member of Butterfield Trail Village, a non-profit life care retirement community Board member of Butterfield Trail Village Foundation, provides support for Butterfield Trail Village Lay leader of Central United Methodist Church of Fayetteville, Arkansas
Derek Haigwood **Board Service Began:** 2022 **Current Term Expires:** April 2026	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Board member of Jackson County Farm Bureau, involved in insurance and lobbying for farmers
Mark Isbell **Board Service Began:** 2020 **Current Term Expires:** April 2028	**Principal Occupation:** Self-employed grain farmer **Other business affiliations:** Board member of Arva Intelligence, an ag data analytics company Board member of Field to Market, uniting the supply chain to deliver sustainable outcomes for agriculture Board member of Agricultural Council of Arkansas, an advocate of Arkansas's agricultural industry

Name	Principal occupation and other business affiliations
Brandon Martin **Board Service Began:** 2023 **Current Term Expires:** April 2027	**Principal Occupation:** Self-employed poultry, livestock, and hay farmer **Other business affiliations:** Board member of White County Farm Bureau, involved in insurance and lobbying for farmers Vice President of White County School Board
Sandra Morgan **Outside Director** **Board Service Began:** 2015 **Current Term Expires:** April 2026	**Principal Occupation:** Retired in December 2023 as Vice President of Accounting and Finance at Riceland Foods, Inc. Vice President and Chief Financial Officer at Riceland Foods, Inc. from August 2015 to July 2023
Rhonda Stone **Board Service Began:** 2021 **Current Term Expires:** April 2025	**Principal Occupation:** Vice President of Finance and Administration at Black River Technical College Self-employed grain farmer
Harrell Wilson **Board Service Began:** 2024 **Current Term Expires:** April 2028	**Principal Occupation:** Self-employed timber farmer President of Tri W Logging Co Inc., involved in logging and selling timber President of A&W Logging Co Inc., involved in logging Managing Partner of Frank & Grady LLLP, involved in buying and selling land Managing Partner of Wilson Bros Lumber LLC, involved in sawmilling **Other business affiliations:** General Partner of River Ridge Equipment, involved in logging equipment, repairs, and sales Board member of Camp Wyldewood, Christian camp and retreat center facility Board member of Cleveland County School Board Board member of Arkansas Forestry, an advocate of Arkansas's forestry industry Board member of Arkansas Forestry Association Education, an advocate of Arkansas's forestry industry Board member of University of Arkansas at Monticello Foundation, to advance and support educational and other activities
Scott Young **Board Service Began:** 2013 **Current Term Expires:** April 2025	**Principal Occupation:** Self-employed grain and timber farmer Partner in Dogwood Farms President and shareholder in Jim Young Farms, Inc. **Other business affiliations:** Vice chairperson of Ashley County Farm Bureau, involved in insurance and lobbying for farmers

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. Our Board of Directors has adopted a rate of $750 per day and $150 per conference call. Board members also received a $5,000 annual retainer fee, except for the Board Chairperson, Vice Chairperson, Audit Committee Chair, and Audit Committee members who received a retainer fee of $9,000, $7,500, $7,500, and $6,000, respectively.

Information regarding compensation paid to each director who served during 2024 follows:

	Number of Days Served		Compensation Paid for Service on a Board Committee		Total Compensation Paid in 2024
Name	Board Meetings	Other Official Activities		Name of Committee	
Russell Bonner	4.0	4.5	$ 375	Finance($375)	$ 11,375
Dow Brantley	8.0	6.5	675	Finance ($375), Executive($150), HR($150)	16,175
Jesse Briggs[1]	1.0	4.0	--		3,750
Jerry Burkett	9.0	19.0	1,050	Finance ($375), Audit ($375), HR($150), Executive($150)	30,600
Ray C. "Chuck" Culver III	9.0	8.0	--		17,750
Derek Haigwood	9.0	14.0	1,900	Audit Retainer ($1,000), Audit ($750), Executive($150)	24,300
Mark Isbell	9.0	7.5	2,275	Audit Retainer ($1,000), Audit ($750), Finance ($375), Executive($150)	18,825
Brandon Martin	8.0	15.5	375	Finance($375)	22,625
Sandra Morgan	9.0	12.0	3,400	Audit Chair Retainer ($2,500), Audit ($750), Executive($150)	23,700
Jeff Rutledge	8.0	26.5	2,050	Audit Retainer ($1,000), Audit ($750), HR($150), Executive($150)	34,975
Rhonda Stone	9.0	8.0	1,750	Audit Retainer ($1,000), Audit($750)	19,750
Harrell Wilson[2]	6.0	5.5	375	Finance($375)	13,625
Scott Young	9.0	4.0	150	HR($150)	14,900
					$ 252,350

[1] Term expired in April 2024

[2] Elected to the Board in May 2024

Senior Officers

Senior Officers as of December 31, 2024, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Gregory W. Cole President/Chief Executive Officer	**Business experience:** President/Chief Executive Officer since April 2008
Chris A. Hanner Interim Chief Financial Officer	**Business experience:** Interim Chief Financial Officer since October 2024 Controller since June 2000
Drue Ford EVP/Chief Credit Officer	**Business experience:** EVP/Chief Credit Officer since October 2006
Leslie J. Brown SVP/Chief Human Capital Officer	**Business experience:** SVP/Chief Human Capital Officer since February 2015
Blake Swindle EVP/Chief Operating Officer	**Business experience:** EVP/Chief Operating Officer since May 2022 SVP/Chief Commercial Lending Officer from March 2020 to May 2022 VP of Agribusiness Lending from 2015 to March 2020 **Other business affiliations:** Board member of Williams Baptist University Board of Trustees
Drew Taylor SVP/Chief Business Officer	**Business experience:** SVP/Chief Business Officer since January 2023 VP of Lending Services from January 2002 to January 2023

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our Chief Executive Officer (CEO), senior officer, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO, senior officer, and highly compensated individuals compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO, senior officers, and highly compensated individuals are compensated with a mix of direct cash and long-term incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of short-term and long-term incentives while keeping in mind their responsibilities to our members. Base salary and short-term incentives are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO, senior officers, and highly compensated individuals' base salaries reflect the employee's experience and level of responsibility. Compensation plans for all employees are subject to review and approval by the Human Resources Committee of our Board of Directors. Information is accumulated regarding competitive market conditions and used in assessing adequate compensation for all employees. The CEO's salary is reviewed and approved by the Board of Directors.

Short-term Incentives: The short-term incentive plan available only to the CEO and senior officers is paid annually based on performance criteria approved by our Human Resources Committee of the Board of Directors. The criteria related to the overall Association performance include return on assets, loan volume, capital ratios, retained earnings, operating rate, credit quality, credit administration, adverse assets to risk funds, borrower concentration, and customer satisfaction. Additional criteria related to personal performance include attainment of personal objectives and overall performance rating. The incentives are calculated after the end of the plan year (the plan year is the calendar year) and the incentives are paid out within 60 days of year-end. There were no material amendments to the plan during the last fiscal year. Highly compensated employees' short-term incentive plan is based on an adjusted pre-tax net income and the employee's individual performance. Individual performance includes a variety of objectives, including credit quality, fees, growth, and job competencies. There were no material changes to the plan during the last fiscal year.

Other Incentives: We have a retention incentive available to all employees, including the CEO, senior officers, and highly compensated individuals. The incentive is paid with an annual component and a long-term component, subject to the participant's employment after three years. Eligibility to participate in this incentive program includes the employee's most recent performance as well as specialized knowledge and strategic role of his/her position. Due to the retention nature of this incentive, it is reported in the compensation table, on the following page, in the period paid. In addition, we have a sales incentive plan that is available to all full-time branch employees. The incentives are paid for sales of insurance and leasing products, are paid monthly, and are subject to the cap set by the Farm Credit Administration (FCA).

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals, based on continuous dates of service with the Association or, in certain situations, with other participating District employers. These plans are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, or on the spot incentives, such as gift cards, may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year		Salary		Bonus		Deferred/ Perquisites		Other		Total
Gregory W. Cole, CEO	**2024**	**$**	**574**	**$**	**287**	**$**	**9**	**$**	**153**	**$**	**1,023**
Gregory W. Cole, CEO	2023		531		291		9		889		1,720
Gregory W. Cole, CEO	2022		501		260		9		(94)		676
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO											
Six[1]	**2024**	**$**	**1,095**	**$**	**386**	**$**	**44**	**$**	**297**	**$**	**1,822**
Five[2]	2023		954		369		32		205		1,560
Six[3]	2022		928		335		34		(191)		1,106

[1]Includes compensation for one individual who served as a senior officer until October 2024. Also includes a full year of compensation for one individual that became a senior officer in October 2024.

[2]In January 2023, the senior officer position of Chief Business Officer was created and an individual was promoted to this position.

[3]Includes compensation for one individual that resigned in February 2022.

The FCA Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers and highly compensated individuals included in the above table be available and disclosed to our members upon request.

The amount in the “Other” category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 8 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association’s future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Employer match on District-wide Nonqualified Deferred Compensation plan which is available for the CEO and other employees meeting certain eligibility criteria.
- Amounts related to vacation payouts to a former senior officer in 2024.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits can also be significantly impacted by changes in interest rates as of the measurement date.

Pension Benefits Attributable to the CEO and Senior Officers

(dollars in thousands) **2024** Name	Plan	Years of Credited Service		Present Value of Accumulated Benefits		Payments Made During the Reporting Period
Gregory W. Cole, CEO	AgriBank District Retirement Plan	**42.1**	**$**	**3,404**	**$**	**--**
Gregory W. Cole, CEO	AgriBank District Pension Restoration Plan	**42.1**		**2,490**		**--**
Aggregate Number of Senior Officers, excluding CEO						
Four	AgriBank District Retirement Plan	**25.4**	**$**	**1,364**	**$**	**--**

There is a senior officer in the Pension Restoration Plan whose balance is immaterial and not presented in the table above. Senior officers in the above table includes those who became senior officers during the year.

The change in composition of the aggregate number of senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is included in Note 9 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

119 East Third Street, Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

The total directors' travel, subsistence, and other related expenses were $206 thousand, $461 thousand, and $401 thousand in 2024, 2023, and 2022, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2025, or at any time during 2024.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2024 were $105 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers (YBS)

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is included in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

AgHeritage Farm Credit Services, ACA
(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the date the loan is originally made.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan is originally made.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $350 thousand in annual gross cash farm income of agricultural or aquatic products at the date the loan is originally made.

Demographics

We have compared counts of our YBS borrowers against the United States Department of Agriculture (USDA) 2022 Census of Agriculture (2022 Ag Census) data. The census reports at a county level the age, years on farm, and gross receipts. While not an exact comparison for YBS categories, the Ag Census is used as the best comparison available.

The Ag Census' Beginning category is the best comparison. The Ag Census does not quantify years of experience, but it does report a "New and Beginning" category with Principal Producer with Years on Any Operation into a category of 10 years or less which matches the YBS parameter of 10 years or less of experience. The Young category is the next best comparison by reporting operations with Principal Producer less than 35 years of age, while YBS parameters include those 35 years of age or less. The Small comparison is the least similar as the Ag Census counts the population of farms with sales less than $500,000, while YBS parameters include those with sales less than $350,000. Finally, the two disparate populations pose another analysis challenge. The census measures the total population regardless of borrowing characteristics, while we operate within a sub-group of the Ag Census based on farmers who both finance their operation and who finance with AgHeritage Farm Credit Services, ACA (AgHeritage FCS).

The following chart compares our 2024 YBS customers to the 2022 Ag Census:

Census Total Farms	Census 10 years or less	AgHeritage Beginning	% of Census Category
10,789	6,267	2,466	39.3%
	Census <35 Years Old	**AgHeritage Young**	**% of Census Category**
	1,874	1,465	78.2%
	Census Sales < $500k	**AgHeritage Small**	**% of Census Category**
	9,249	3,302	35.7%

The 2022 Ag Census reported 10,789 farms in the AgHeritage FCS LSA (local service area). The 2017 Ag Census versus 2022 Ag Census for our LSA showed increases in the number of Young and Beginning farms and a decrease in the number of Small farms. The number of Young farms increased 31%, Beginning farms increased 26%, while Small farms declined 14%. Compared to the 2022 USDA Ag Census, AgHeritage FCS portfolio based on YBS customers in 2024 had 2,466 (39.3%) Beginning borrowers, 1,465 (78.2%) Young borrowers, and 3,302 (35.7%) Small borrowers. AgHeritage FCS continued to experience an increase in 2024 for Young, Beginning, and Small borrowers.

Mission Statement

Management and the Board of Directors feel that it is strategically important to support and develop YBS programs. Our YBS Farmer Program mission is to develop and implement programs to attract Young, Beginning and Small and next generation farmers, ranchers, or producers or harvesters of aquatic products and to strive to reach numeric goals for YBS customers.

Quantitative Goals

(dollars thousands)

	2024 Goals		2024 Actual Results		2025 Goals		2026 Goals		2027 Goals	
	# Loans	Volume	# Loans	Volume	# Loans	Volume	# Loans	Volume	# Loans	Volume
Young	1,320	$ 320,000	1,465	$ 401,618	1,400	$ 360,000	1,420	$ 380,000	1,440	$ 400,000
Beginning	2,100	580,000	2,466	647,025	2,180	640,000	2,200	670,000	2,220	700,000
Small	2,640	360,000	3,302	553,281	3,060	480,000	3,080	500,000	3,100	520,000

Qualitative Goals

The following related services were offered to YBS farmers during 2024:

- crop insurance, both hail and multi-peril
- life insurance
- real estate appraisal services
- equipment and facility leasing

We made use of federal loan guarantee programs in providing loans and leases to YBS farmers. We maintain a Preferred Lender Program designation with the Farm Service Agency.

Outreach Programs

AgHeritage FCS practices an effective marketing plan for YBS farmers that focuses on building awareness, trust, and engagement through communication strategies. The plan identifies the unique needs and challenges faced by these farmers, such as limited access to capital, lack of experience, and the need for education on financial management. AgHeritage FCS leverages digital platforms, social media, and content marketing to the YBS prospects and current customers located in our loan servicing area. AgHeritage FCS looks to offer insights into sustainable farming practices, financial literacy, and credit management. Collaborating with agricultural influencers and local farming communities can help build credibility and foster a sense of community and support for YBS farmers. Additionally, hosting workshops and seminars that offer hands-on experience and networking opportunities can further engage young farmers. By creating a support system that emphasizes personalized customer service and flexible financial solutions, AgHeritage FCS can effectively position itself as a trusted partner for the YBS farming community.

In addition to loans made to YBS and Next Generation borrowers, our annual YBS reports have consistently shown active participation in a variety of YBS outreach efforts. These efforts include both staff time and monetary sponsorship through the following:

We encourage the use of Young and Beginning farmer programs like those offered by the Farm Service Agency and the Cooperative Extension Service.

We continue to sponsor an annual scholarship program for college bound or current college students with one winner from each branch office.

We continue to sponsor and participate in the annual Arkansas State University (ASU) Ag Business Conference and the University of Arkansas (UA) – Division of Agriculture's Women in Ag Conference.

We support the Arkansas Farm Family of the Year program. We have enjoyed having members each year who are honored at the local and state level by the Farm Family of the Year program. Implicit in the Farm Family of the Year is the next generation of farming. The honored families are typically multi-generational and include members who frequently fit within our YBS and Next Generation Farmer parameters.

AgHeritage FCS co-hosts a biennial Arkansas State-wide FCS Young Beginning Farmer Conference. This is a joint effort among all Arkansas Farm Credit associations. The conference was designed to provide attendees the opportunity to network with their peers and experienced professionals in finance, credit and economics. State and national expert speakers cover topics that impact YBS producers including the current economic outlook, strategic business planning and financial and risk management.

We sponsor and/or participate in a variety of other Young, Beginning and Small outreach activities including:

- AgHeritage FCS and other Arkansas Farm Credit Associations sponsor, support and participate in various Arkansas Grown activities. Arkansas Grown is an initiative of the Arkansas Department of Agriculture including:
    - Garden Program contest for Arkansas school gardens
    - Local Conversations brings together stakeholders to improve the quality of food reaching consumers
    - Arkansas Grown programs and scholarships
    - Farmers Market Promotion Program
    - Minorities in Ag, Natural Resources, and Related Services events
- ASU Student Leadership Conference
- Arkansas Women in Agriculture – sponsorship and attendance of conference and Annie's Project
- University Agriculture Department Scholarship Fundraisers – UA and ASU
- Arkansas Farm Family of the Year Program
- Arkansas Farm Bureau Ag Innovation Challenge
- Yearly contributions to FFA and 4-H
- Various FFA and 4-H events
- AgHeritage Next Generation Farmer Program
- AgHeritage Farm Credit Services Customer Scholarship Program / University Scholarship / Ken Shea Scholarship
- Junior Livestock Auction: State Fair Belt Buckle Sponsorship and Sale of Champions Sponsorship; Local Fair Livestock Sponsorships
- County Extension Meeting Sponsorships: Crop Production, Marketing, Beef, etc.
- Exhibit/Sponsorships/Attendance:
    - Arkansas Farm Bureau Annual Convention
    - Arkansas Foundation for Agriculture
    - Agricultural Council of Arkansas
    - National Ag Alumni Development Association Conference
    - Midsouth Gin Show

- Arkansas Cattlemen’s Conference; Local Conference
- Arkansas Agricultural Aviation Association
- Poultry Festival
- USA Rice Outlook Conference
- Crossett Rodeo Arena Sponsorship
- Arkansas Soybean Association Annual Meeting
- Arkansas Rice Council/Producers Annual Meeting
- Mid-South Chapter of the American Society of Farm Managers and Rural Appraisers
- Various local county fair associations: Belt Buckle Award sponsor
- Various rural community sports league sponsorships
- Various local golf tournaments
- Farm appreciation lunches

Safety and Soundness of the Program

We will limit the amount of risk classified loans that meet the Next Generation Farmer and/or YBS qualifications. The amount of volume for either will not exceed 25% of the Association’s risk funds. This limit is cumulative and not to be exceeded at any point.

The credit quality guidelines and quarterly monitoring ensure that credit offered to the YBS and Next Generation Farmer groups is provided in a safe and sound manner within our risk-bearing capacity.

FUNDS HELD PROGRAM

AgHeritage Farm Credit Services, ACA
(Unaudited)

AgHeritage Farm Credit Services, ACA (the Association), offers a Funds Held Program ("Funds Held") that provides for customers to make advance payments on designated real estate and intermediate-term loans. The following terms and conditions apply to all Funds Held unless the loan agreement or related documents, between the Association and customer, provide for other limitations.

Payment Application: Loan payments received by the Association before the loan has been billed will be placed into Funds Held upon request and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any.

When a loan installment becomes due, amounts in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum: The amount in Funds Held may not exceed 50% of each eligible loan. Eligible loans do not include operating lines of credit.

Interest Rate: Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time based upon the current interest rate environment. The interest rate may never exceed the interest rate charged on the related loan. Interest rates are currently reported on each customer's loan statement. Subject to change as previously stated, the current rate of interest is equal to the Federal Funds rate of interest as determined by the Federal Open Market Committee. If the Federal Funds rate is stated as a range, the rate of interest will be set within the range.

Withdrawals: Amounts in Funds Held may be withdrawn under the following conditions, depending on the customer's loan program:

- Customers can withdraw funds without a limit as to the number of withdrawals, however the loan officer must approve the withdrawal after receipt of a written customer request. Withdrawals must be for an eligible purpose under the Funds Held program. The minimum withdrawal amount is $100, unless the customer is withdrawing the full Funds Held balance.

- Customers required to assign income to their loan, such as poultry and dairy assignments, may withdraw amounts in excess of their next installment.

Association Options: In the event of default on any loan or if Funds Held exceeds the maximum limit as established above or if the Association discontinues the Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

Liquidation: Funds Held account balances are not insured. In the event of Association liquidation, all customers having balances in these uninsured accounts shall be notified according to FCA Regulations in effect at that time. Current applicable regulations state that the notice shall instruct that the funds ceased earning interest when the receivership was instituted and will be applied against the outstanding indebtedness of any loans of the customer unless, within 15 days' notice, the customer provides direction to the Association to apply the funds according to existing loan documents.

Questions: Please direct any questions regarding Funds Held to AgHeritage Farm Credit Services, ACA.

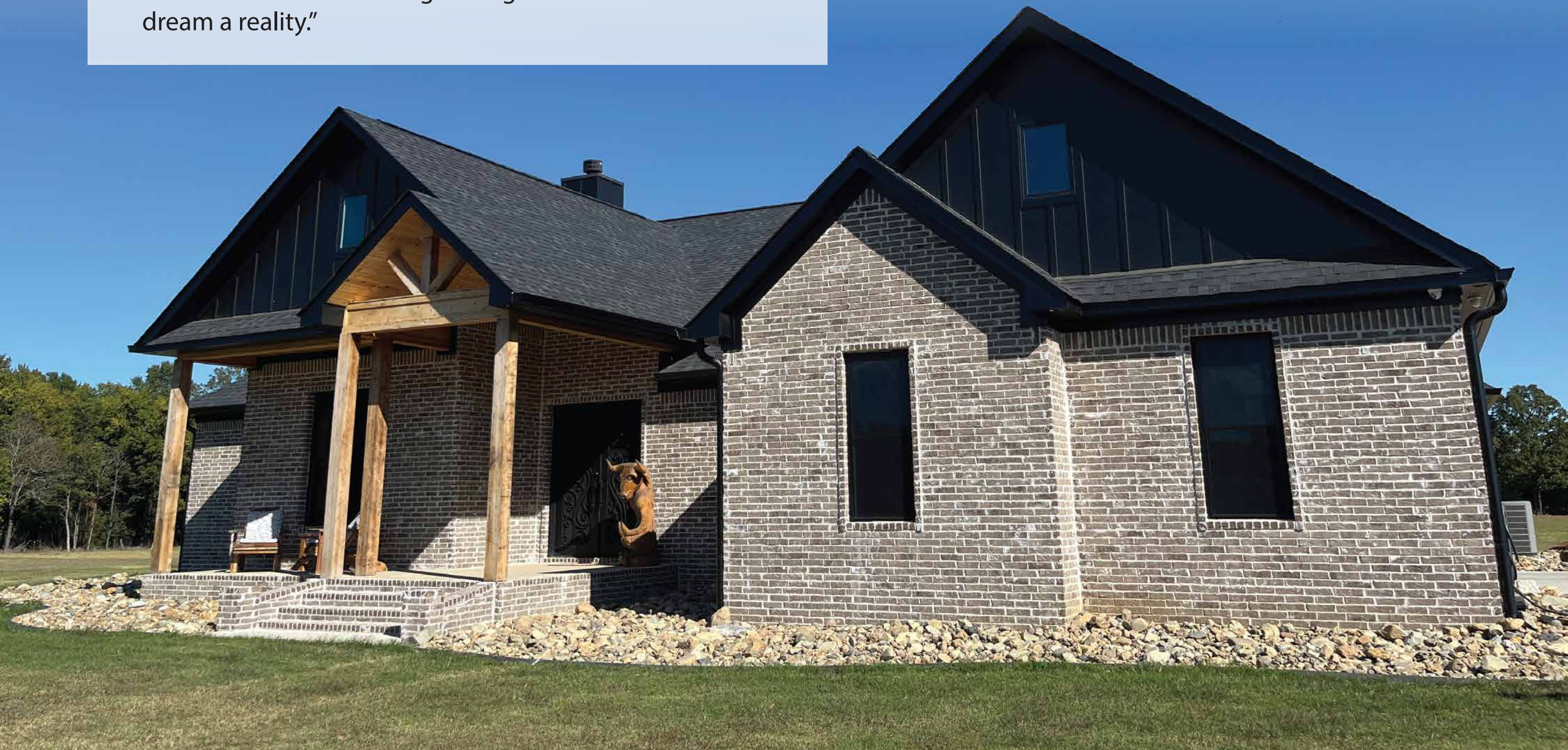
Customer Spotlight: The Ridinger Family

For Bill and Julie Ridinger, the journey to their rural lifestyle began with family trips to Greers Ferry for water skiing and camping. Living in Sherwood, they'd pack up the boat and camper for weekend getaways with their three children, Amber, Brandie, and Cole.

On these drives, they frequently passed a particular 57-acre property on Highway 5 near Mount Vernon. "One of these days, if that property ever comes up for sale, I'm going to buy it," Bill would often say. Nearly a decade later, it finally went on the market, and Bill, who had been working in a central Arkansas body shop, seized the chance to make it theirs, envisioning it as the ideal spot to launch his own business.

Initially, the couple financed the property through a conventional bank but soon sought a local lender when their loan was sold out of state. Bill reached out to Bert Leder, VP of Lending and Branch Manager, Searcy, and with his help, they refinanced the land. Later, when it came time to build their dream home, they worked with AgHeritage again, guided by Consumer Lending Officer Sydney Belew, using AgHeritage's one-time construction-to-permanent loan option, which allowed them to keep their land and home on a single fixed rate.

"One unique aspect of AgHeritage is that we handle our own inspections throughout the construction process. Watching the build progress from the ground up and working closely with customers is incredibly rewarding," said Sydney. "Their dream was to create a beautiful home on their property, financed with a local partner who believed in their vision. AgHeritage was able to make that dream a reality."



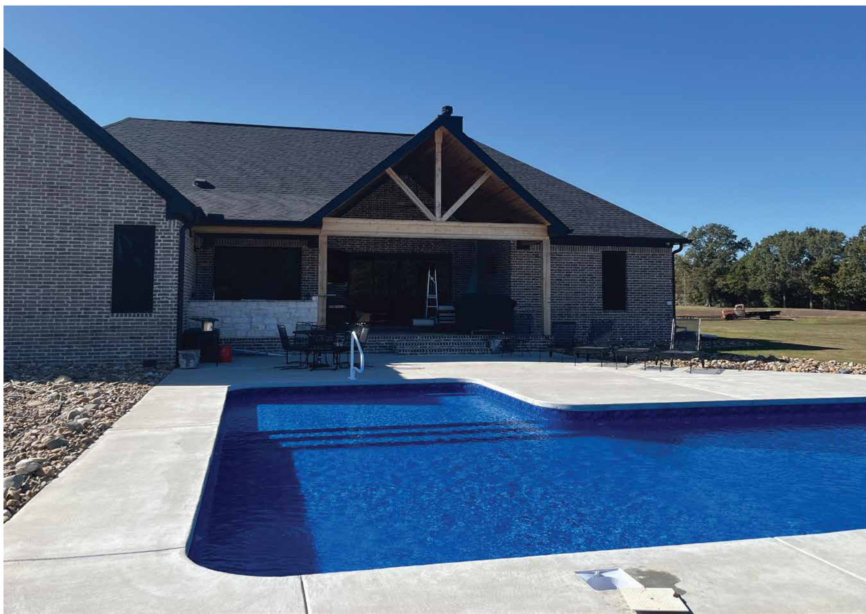
Before building their 2,600-square-foot house, they lived in a loft within their body shop, complete with a small kitchenette, bathroom, and living space. Despite the limited space, Julie managed to host Thanksgiving dinners, cooking with only toaster ovens and a microwave. "It was seven long years in that shop, but it was worth it," she recalls, as they eventually built the home they had always dreamed of.

Their house now boasts a split floor plan with a separate living space for Julie's mother, Beverly Riggleman, who moved to Arkansas from Oregon to join them. Thoughtfully designed with custom features, the home includes travertine flooring, a high-end kitchen, and unique furnishings. Through dealers, they sourced many of these items from Texas, Mexico, and Indonesia, including 130-year-old doors from Alexandria, Egypt, for the "saloon" and a coffee table crafted from an antique logging sled.

Now settled in White County, Bill and Julie embrace the quiet and privacy of their rural lifestyle, with ample opportunities for outdoor activities like deer hunting and tending to their chickens and hay. Having their three children grown, they find fulfillment in their new chapter, close to nature and community. They appreciate the choice they made to transition from suburban life, eagerly planning to expand their body shop with AgHeritage's support.

"We value having a local lender," Julie shared. "They made us feel comfortable and reassured us that everything was going to be okay, and if there was a problem they would work with us to get it figured out.

"AgHeritage treats us like family, not just a number, and has been there to support us through every step of achieving our dreams."



Heritage Talks

ARVA Intelligence

Scan to watch!

The Ridinger Family

Scan to watch!

Ways to Stay Connected

Our Heritage Magazine

Check out our recent issue and be sure to watch for our Summer 2025 edition!

Follow us on social!

AgHeritageFCS.com

2024 Future Legacy Young and Beginning Farmers Conference

The Future Legacy Young and Beginning Farmers Conference took place from February 19th to 20th, 2024 in Little Rock, Arkansas. The event, hosted by the Farm Credit Associations of Arkansas, drew over 50 attendees from across the state. The conference kicked off with representatives from each of the Farm Credit associations, discussing the significance of supporting young and beginning farmers.

Dr. Dave Kohl, Professor Emeritus at Virginia Tech and an expert in the agriculture industry, provided financial planning advice and highlighted key agricultural trends throughout the conference.

Partnering with Farm Credit of Western Arkansas and Farm Credit of Mid-America, we are delighted to offer this opportunity to support young, beginning, and small farmers in Arkansas.

The Future Legacy Young and Beginning Farmers Conference is a free biennial event that offers educational and networking opportunities, hosted by the Farm Credit Associations of Arkansas.

Scan to learn more about the Young, Beginning, and Small Farmer program and future conferences.

AgHeritage Farm Credit Services

2025 Photo Contest

Showcase your love of rural life!

Enter your favorite photo for a chance to win cash prizes!

The top three selections will be announced in November and awarded cash prizes:

$500 Grand Prize | $300 2nd Place | $200 3rd Place

Entry Period: January 27, 2025 - October 13, 2025 **Voting Period:** October 20, 2025 - October 31, 2025

How to Enter

*Photos must be submitted through our website at **agheritagefcs.com/photo-contest***

Only 3 entries per person will be accepted.

Scan Now To Enter

How to Vote

***All qualifying entries** will be posted to the AgHeritage website for online voting open to the general public to select 1st, 2nd, and 3rd places. So, encourage your friends and family to vote.*

Photo Rights

AgHeritage Farm Credit Services reserves the right to use any and all photos submitted for marketing and communication purposes, which may include our stockholder magazine, annual report, social media posts and other marketing materials.

Who Can Enter

The contest is open to AgHeritage customer-owners and the general public who live within our 24 county service area.

***Counties included are:** Ashley, Arkansas, Bradley, Chicot, Cleburne, Cleveland, Desha, Drew, Fulton, Independence, Izard, Jackson, Jefferson, Lawrence, Lincoln, Lonoke, Monroe, Prairie, Pulaski, Randolph, Sharp, Stone, White and Woodruff.*

Requirements

Subject Matter:

All photos celebrating rural life and agriculture are welcome.

***Suggestions include:** planting, harvesting, timber, irrigation, equipment, livestock, seasonal decorations and events, winter scenes, county fairs, farmers' markets, 4-H and FFA events and action shots in fields, forests or barns.*

Size & Orientation:

*Photos must be of **high resolution** with a min. file size of **1MB**, a min. **width of 1080 px** and have a **horizontal (landscape) orientation**. Photos that do not meet these requirements, have a low resolution, and are too blurry will be disqualified.*

Only new and original photos will be accepted. Past contest entries do not qualify.

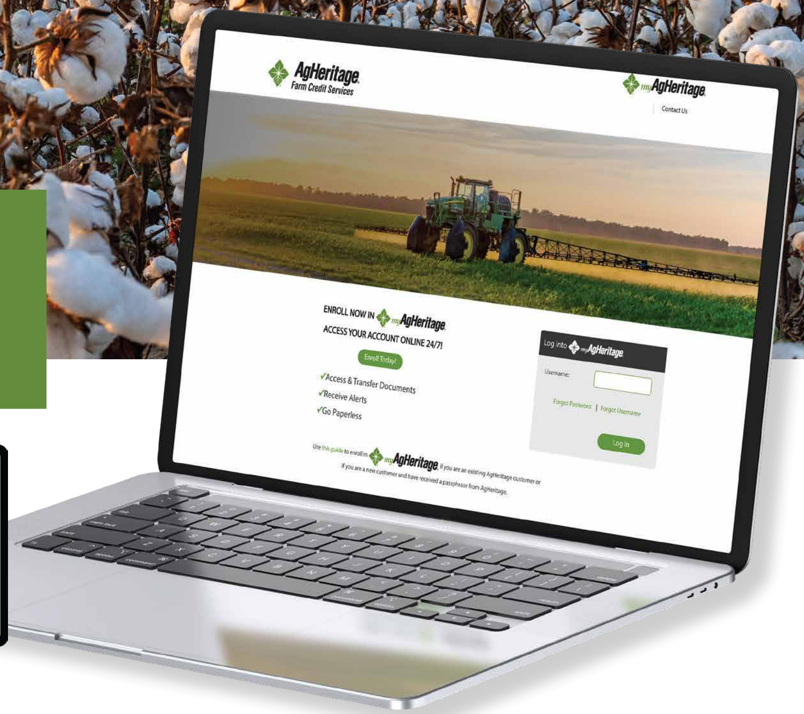
AgHeritageFCS.com

Generations of farmers, ranchers, homeowners and ag investors have relied on AgHeritage Farm Credit Services for loans and financial services.

We can help you live the life you've chosen.

myAgHeritage®

Apply for your next land loan online!



Download our Mobile Banking App today!

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Enroll Here

REGISTRATION STEPS:

- Social Security Number
- Account Number
- Loan Balance Within 10%
- Customer Number
- Cell Phone

STEP 1 Go to **AgHeritagefcs.com/online-banking** and select **Enroll.**

STEP 2 Submit your first name, last name, and email address. Once you receive an email, click the link to continue enrolling.

STEP 3 Create a username, password, challenge questions, and verify your phone number.

STEP 4 Login using your information. Accept the terms and conditions. Enter your loan number or social security number and your customer number. You can find these on your loan documents.

Territory & Office Locations

BATESVILLE BRANCH
P.O. Box 3850 • 1169 Batesville Blvd Batesville, AR 72501
(870) 698-9044 • (800) 572-8165

BRINKLEY BRANCH
P.O. Box 767 • 498 Broadmoor Dr. Brinkley, AR 72021
(870) 734-456 • (800) 689-1304

LITTLE ROCK · CENTRAL OFFICE
119 East Third St, Suite 200 Little Rock, AR 72201
(501) 210-4000 • (800) 299-2290

LONOKE BRANCH
P.O. Box 298 • 1121 W. Front St. Lonoke, AR 72086
(501) 676-3144 • (800) 689-1309

MCGEHEE BRANCH
6035 Hwy 65 N McGehee, AR 71654
(870) 222-5205 • (800) 689-6978

NEWPORT BRANCH
P.O. Box 1690 • 2800 Stegall Rd. Newport, AR 72112
(870) 523-5867 • (800) 698-5867

PINE BLUFF BRANCH
800 South Main Street Pine Bluff, AR 71601
(870) 534-5701 • (833) 313-6877

POCAHONTAS BRANCH
P.O. Box 506 • 1105 Pace Rd. Pocahontas, AR 72455
(870) 892-4579 • (800) 689-6976

SEARCY BRANCH
P.O. Box 9035 • 2620 So. Main St. Searcy, AR 72143
(501) 268-3524 • (800) 689-6977

STUTTGART BRANCH
P.O. Box 1005 • 1102 E. 22nd St. Stuttgart, AR 72160
(870) 673-1558 • (800) 689-1307

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