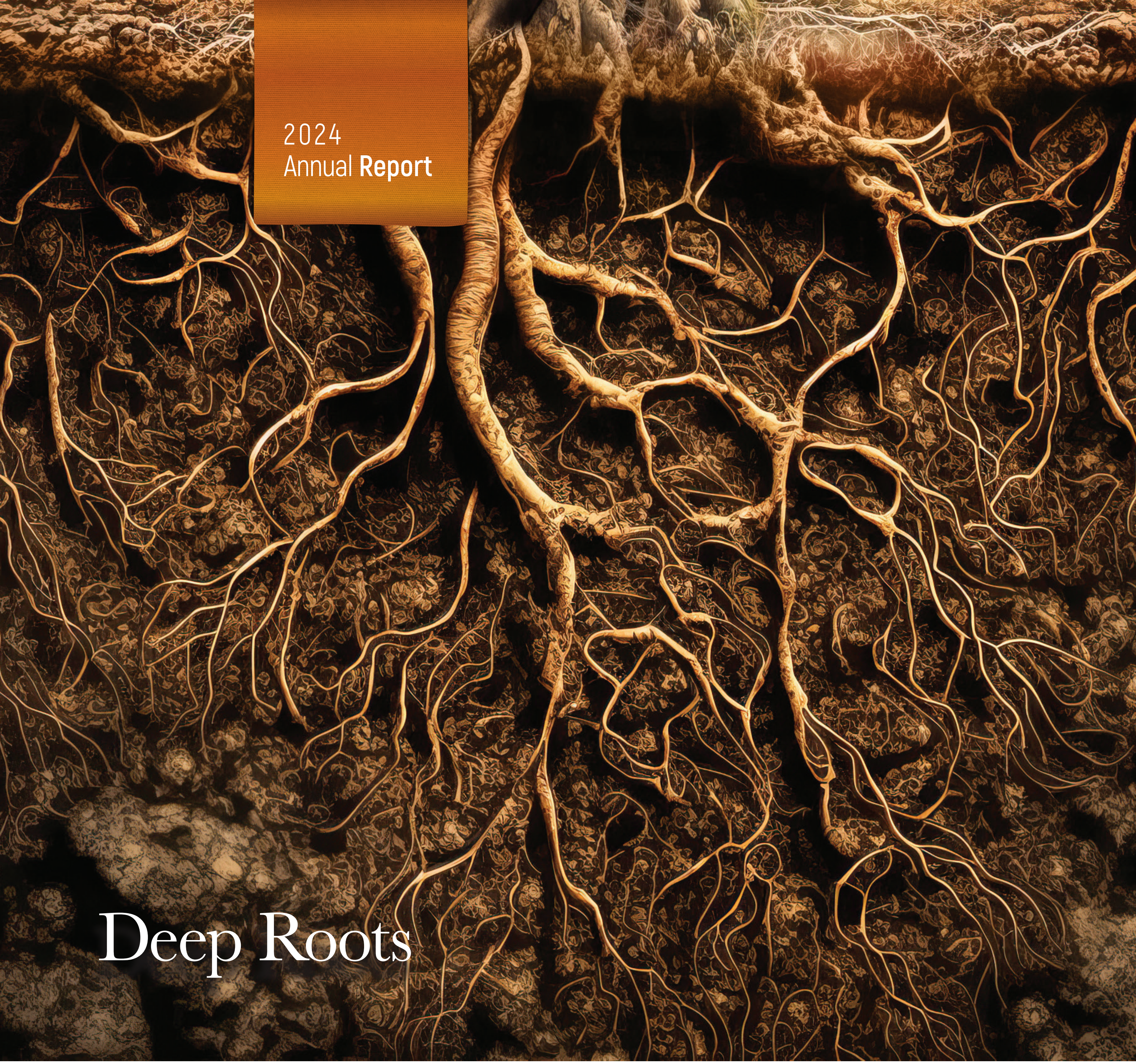

2024 Annual **Report**

Deep Roots

First South
Farm Credit

FIRST SOUTH FARM CREDIT, ACA
2024 ANNUAL REPORT

Contents

Management

Gines Pérez, III .... President & Chief Executive Officer
Sarah F. Lutz .... Senior Vice President/Chief Financial Officer/Treasurer
William F. Loftis, Jr. .... Senior Vice President/Chief Lending Officer
Cyrus W. Harper, III .... Senior Vice President/Chief Credit Officer
Rodney P. Brantley .... Senior Vice President, Lending
Timothy C. Losavio .... Senior Vice President, Lending
Keith G. McCurdy .... Senior Vice President, Lending

Board of Directors

Thomas H. Nelson, Jr. .... Chairman
Robert Dale Thibodeaux .... Vice Chairman
Adam W. Bass .... Director
Barry A. DeFoor .... Director
Clinton J. Dunn .... Director
Amy C. Ellender .... Director
Dr. Marty J. Fuller .... Director
Richard T. Hargis .... Director
Mitchell H. Henry .... Director
Conner V. House .... Director
John G. Ingraffia .... Director
Wilson E. Judice .... Director
J. Kevin Kimzey .... Director
W. Townsend Kyser, III .... Director
George G. LaCour, Jr. .... Director
S. Alan Marsh .... Director
James F. Martin, III .... Director
Daniel C. Mattingly .... Director
R. Shepherd Morris .... Director
C. Mark Nicholson .... Director
Thomas A. Parker .... Director
Walter Rodney Richardson .... Director
Roy M. Tucker, Jr. .... Director

Message from the Chief Executive Officer

On behalf of the First South Farm Credit Board of Directors, management, and employees, I am pleased to present the 2024 Annual Report.

Your Association had another year of strong financial performance against a challenging environment in our row crop portfolio that was brought on by an imbalance of commodity prices and production costs.

As an updated Farm Bill remained elusive in 2024, First South focused intently on advocacy through partnering with farm bureaus, trade organizations, community banks, and other Farm Credit institutions to urge the United States Congress to support agriculture and rural communities as a matter of national security. At the conclusion of 2024, support was made available to producers but there is more work to be done. First South will continue to be involved, as appropriate, to support a new and effective Farm Bill as we move into this next production cycle together.

Earnings of $61 million increased from the previous year in spite of elevated expenses related to ongoing AgFirst technology projects. Efficiencies gained from these large scale multi-year initiatives are not likely to materialize in the next year and the increased investment in updated systems will continue to impact earnings for the near term. Additionally, the institutional change required to effectively update all facets of how we operate has caused stress for our employees and in some cases, unnecessary hassle for our Membership. We recognize the difficulty of process change is uncomfortable; however, it is necessary to endure. The modernization of First South's systems will ultimately allow us to better serve our Membership by providing an exceptional customer experience.

Loans outstanding on December 31, 2024 were $3.18 billion and represent an increase of 5.22% from 2023. Loans to new Members of $389 million was an increase of 25% from the previous year. Credit quality remained sound with 94% acceptable and together with special mention assets was 99%. There was not a discernible level of increase in past due accounts and non-accruals decreased from $8 million in 2023 to $6 million in 2024. Permanent capital ended the year at 17.26% and is in line with First South's long-term capital objectives.

Your Association continues to add tremendous value to our communities by declaring a 2024 all-cash patronage of $24.5 million. This amount is reflective of our Board of Directors' strategy of maximizing patronage refunds while practicing stewardship of your Association's resources to ensure the long-term financial soundness of First South. With this year's patronage, First South has surpassed $500 million in declared patronage for the benefit of our Membership and Rural Communities over the last thirty-plus years. This direct impact to our three-state territory is immeasurable and stands as testament to First South's steadfast commitment to consistently serving you, our Member borrower, through all economic conditions. Consistent access to constructive credit for all eligible borrowers in good times and in bad is at the center of our cooperative and will continue to be a foundational guiding principle for the next thirty years and beyond.

First South and its predecessors have had the privilege of serving generations of Members in Louisiana, Mississippi, and Alabama since 1916. Through the years, First South has established deep roots in our communities because of the tremendous care our team has for our Membership. This is one of our most valued attributes. We have a strong appreciation of the past and those that worked tirelessly to build your Association into the agriculture lender of choice in our territory. First South is resolved to continue our tradition of exceptional service as we build on a secure foundation that is over 100 years in the making.

We look forward to serving your credit needs and would like to especially thank you for your business and all that you do to support Rural America.

May God bless you and keep you,

/s/ Gines Pérez, III
President and Chief Executive Officer

March 11, 2025

Report of Management

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

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors. The Consolidated Financial Statements have been audited by independent auditors, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The Consolidated Financial Statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2024 Annual Report of First South Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Thomas H. Nelson, Jr.
Chairman of the Board

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

March 11, 2025

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	**2024**	2023	December 31, 2022	2021	2020
Balance Sheet Data					
Cash	**$ 164**	$ 120	$ 125	$ 206	$ 239
Loans	**3,188,699**	3,030,634	2,935,532	2,773,183	2,412,630
Allowance for credit losses on loans	**(15,482)**	(13,956)	(20,622)	(19,664)	(17,531)
Net loans	**3,173,217**	3,016,678	2,914,910	2,753,519	2,395,099
Equity investments in other Farm Credit institutions	**89,916**	91,987	79,041	65,475	66,694
Other property owned	**356**	507	35	406	2,507
Other assets	**92,660**	79,650	67,761	81,834	74,304
Total assets	**$ 3,356,313**	$3,188,942	$3,061,872	$2,901,440	$2,538,843
Notes payable to AgFirst Farm Credit Bank*	**$ 2,628,047**	$2,495,740	$2,411,438	$2,293,490	$1,983,378
Accrued interest payable and other liabilities with maturities of less than one year	**61,983**	66,348	59,745	64,996	74,168
Total liabilities	**2,690,030**	2,562,088	2,471,183	2,358,486	2,057,546
Capital stock and participation certificates	**50,452**	52,873	52,613	53,098	52,326
Retained earnings					
Allocated	**256,357**	256,357	256,357	256,357	256,357
Unallocated	**354,559**	324,634	294,889	248,756	203,004
Accumulated other comprehensive income (loss)	**4,915**	(7,010)	(13,170)	(15,257)	(30,390)
Total members' equity	**666,283**	626,854	590,689	542,954	481,297
Total liabilities and members' equity	**$ 3,356,313**	$3,188,942	$3,061,872	$2,901,440	$2,538,843
Statement of Income Data					
Net interest income	**$ 89,476**	$ 75,151	$ 70,931	$ 65,417	$ 61,057
Provision for credit losses	**1,732**	538	1,000	2,640	3,000
Noninterest income (expense), net	**(25,808)**	(14,034)	(2,840)	9,167	3,367
Net income	**$ 61,936**	$ 60,579	$ 67,091	$ 71,944	$ 61,424
Key Financial Ratios					
Rate of return on average:					
Total assets	**1.89%**	1.97%	2.24%	2.67%	2.51%
Total members' equity	**9.45%**	9.77%	11.85%	14.32%	13.30%
Net interest income as a percentage of average earning assets	**2.86%**	2.55%	2.45%	2.52%	2.60%
Net (chargeoffs) recoveries to average loans	**(0.014)%**	(0.035)%	(0.001)%	(0.019)%	(0.015)%
Total members' equity to total assets	**19.85%**	19.66%	19.29%	18.71%	18.96%
Debt to members' equity (:1)	**4.04**	4.09	4.18	4.34	4.28
Allowance for credit losses to loans	**0.49%**	0.46%	0.70%	0.71%	0.73%
Permanent capital ratio	**17.26%**	17.45%	16.97%	16.64%	17.34%
Common equity tier 1 capital ratio	**17.14%**	17.31%	16.81%	16.48%	17.15%
Tier 1 capital ratio	**17.14%**	17.31%	16.81%	16.48%	17.15%
Total regulatory capital ratio	**17.61%**	17.82%	17.47%	17.17%	17.86%
Tier 1 leverage ratio**	**17.79%**	18.00%	17.41%	16.94%	17.37%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**12.29%**	12.15%	11.47%	12.15%	12.01%
Net Income Distribution					
Estimated patronage refunds:					
Cash***	**$ 32,011**	$ 32,946	$ 21,000	$ 26,192	$ 21,151

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2025.*

*** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.*

**** In 2024, $24,500 declared in general patronage and $7,511 associated with capital market specific agreements. In 2023, $25,509 paid in general patronage and $7,437 associated with capital market specific agreements.*

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

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

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

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

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

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, www.firstsouthland.com, or by calling 1-800-955-1722, or writing Sarah Lutz, First South Farm Credit, ACA, 260 Trace Colony Park Drive, Ridgeland, MS 39157. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

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

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

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

The Association's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of significant accounting policies is critical to the understanding of the Association's results of operations and financial position because some accounting policies require complex or subjective judgments and estimates that may affect the reported amount of certain assets or liabilities as well as the recognition of certain income and expense items. In many instances, management has to make judgments about matters that are inherently uncertain. For a complete discussion of the Association's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements. The following is a summary of the Association's most significant critical accounting policies:

- *Allowance for credit losses* (ACL) — Management estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.

  The ACL comprises:

  - the allowance for credit losses on loans (ACLL), which covers the Association's loan portfolio and is presented separately on the Consolidated Balance Sheets,
  - the ACL on unfunded commitments, which is presented on the Consolidated Balance Sheets in other liabilities, and
  - the ACL on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Consolidated Balance Sheets.

  The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio, unfunded commitments and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable active market exists, such as most investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on the Association's results of operations.

ECONOMIC CONDITIONS

Economic conditions within the Association's territory vary significantly based on the specific commodity sector. While the general economy is reasonably sound, several uncertainties persist. Key factors contributing to these uncertainties include rising interest rates, increasing farming input costs, declining commodity prices, availability of farm labor, soaring real estate costs, and unpredictable weather events.

Although interest rate cuts were anticipated by the Federal Reserve in the first half of 2024, they did not materialize until September. Even with the slight decrease in rates by the end of the year, rates remained elevated, resulting in higher costs for farmers. Additionally, low commodity prices made it challenging for farmers to generate a profit, even if production for the year resulted in strong yields.

To offset some of the losses experienced in recent years due to the various factors mentioned above, Congress passed The American Relief Act of 2025 in December of 2024. The legislation provided $31 billion in disaster and economic aid to farmers and ranchers. A portion of the aid is dedicated to aid farmers by offering one-time per acre payments for crops planted in 2024. Payments will vary by commodity, but will aid farmers with the strain experienced from high input costs, low commodity prices, and other economic pressures. While the aid will assist with the obstacles experienced in recent years, there are a number of uncertainties that exist for 2025, including global economic conditions, potential tariffs, and avian influenza outbreaks.

Despite the challenges faced in 2024, the Association's total loan portfolio grew by $158 million. Real estate continued to expand, remaining the Association's largest financed commodity. Poultry, livestock, and forestry were the next largest commodity concentrations, with notable growth also seen in soybeans. The Association maintains a diverse loan portfolio, serving as an effective risk management tool when one sector faces commodity specific challenges.

Credit quality remains stable and sound, as the Association's borrowers have navigated their challenging environments well. The strength of the loan portfolio positions the Association to withstand volatility and adversity in both the general and agricultural economies.

LOAN PORTFOLIO

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

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

Loan Type	2024		2023		2022	
Real estate mortgage	$ 2,488,457	78.04%	$ 2,390,611	78.88%	$ 2,359,912	80.39%
Production and intermediate-term	493,687	15.48	461,291	15.22	424,215	14.45
Processing and marketing	126,446	3.97	90,353	2.98	88,401	3.01
Loans to cooperatives	5,753	.18	5,421	.18	5,564	.19
Farm-related business	22,373	.70	32,459	1.07	23,992	.82
Rural residential real estate	23,612	.74	20,927	.69	19,651	.67
Communication	9,374	.29	10,274	.34	10,377	.35
Power and water/waste disposal	18,997	.60	19,298	.64	3,420	.12
Total	$ 3,188,699	100.00%	$ 3,030,634	100.00%	$ 2,935,532	100.00%

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified.

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

	December 31,		
State	2024	2023	2022
Alabama	51.40%	52.52%	54.16%
Mississippi	32.85	31.48	29.94
Louisiana	15.75	16.00	15.90
	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association's loan portfolio are shown below. The predominant commodities are real estate, poultry, livestock, and forestry which constitute 72 percent of the entire portfolio at December 31, 2024.

	December 31,					
	2024		2023		2022	
Commodity Group	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Real Estate	$ 854,026	27	$ 765,874	25	$ 754,374	25
Poultry	732,750	23	760,985	25	765,529	26
Livestock	426,630	13	412,708	13	400,259	14
Forestry	279,503	9	237,703	8	217,696	7
Soybeans	199,473	6	173,635	6	153,905	5
Cotton	128,424	4	122,474	4	134,836	5
Sugar Cane	111,885	3	109,007	4	115,249	4
Rice	96,608	3	93,889	3	96,026	3
Catfish	44,703	1	43,634	1	33,748	1
Peanuts	27,009	1	22,631	1	21,261	1
Other	323,457	10	319,986	10	268,755	9
Total	$ 3,224,468	100	$ 3,062,526	100	$ 2,961,638	100

The repayment ability of the Association's borrowers is closely tied to the commodities they produce and, increasingly, to their off-farm income. The loan portfolio is heavily concentrated in real estate, poultry, livestock, forestry, and row crop producers. Despite this concentration, many of these operations are diversified within their enterprises and/or through crop production, which helps mitigate overall risk exposure. Although the proportion of large loans has grown in recent years, the agricultural enterprise mix of these loans remains diverse. This diversity, coupled with the rise in off-farm income among borrowers, helps to reduce the Association's concentration risk.

The increase in gross loan volume for the twelve months ending December 31, 2024, is primarily due to growth in the real estate, forestry, and soybean sectors. The Association's short-term portfolio, heavily influenced by operating-type loans for row crops, typically peaks toward the end of summer each year. This balance usually declines in late fall as commodities are marketed and proceeds are used to repay operating loans.

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

	December 31,		
Loan Participations:	**2024**	**2023**	**2022**
	(dollars in thousands)		
Participations Purchased– FCS Institutions	$ 123,440	$ 103,932	$ 79,292
Participations Purchased– Non-FCS Institutions	5,856	23,480	25,188
Participations Sold	(791,887)	(791,841)	(785,875)
Total	$ (662,591)	$ (664,429)	$ (681,395)

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2024.

CREDIT RISK MANAGEMENT

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

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

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

Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loan originations of more than $250 thousand. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

The Association reviews the credit quality of the loan portfolio on an ongoing basis as part of its risk management practices. Each loan is classified according to the Combined System Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans at December 31.

Credit Quality	2024	2023	2022
Acceptable	94.86%	97.34%	97.77%
OAEM	4.36	2.04	1.60
Substandard/doubtful/loss	.78	.62	.63
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. Prior to the adoption of Financial Accounting Standards Board guidance entitled "Measurement of Credit Losses on Financial Instruments" (CECL) on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest. High-risk assets at December 31, are detailed in the following table:

	December 31,		
High-risk Assets	2024	2023	2022
Nonaccrual loans	$ 6,330	$ 8,095	$ 3,361
Accruing restructured loans*	–	–	272
Accruing loans 90 days past due	–	–	5
Total high-risk loans	6,330	8,095	3,638
Other property owned	356	507	35
Total high-risk assets	$ 6,686	$ 8,602	$ 3,673
Ratios			
Nonaccrual loans to total loans	.20%	.27%	.11%
High-risk assets to total assets	.20%	.27%	.12%

**Prior to the adoption of CECL on January 1, 2023, accruing restructured loans were considered high-risk loans.*

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. As of December 31, 2024, nonaccrual loans totaled $6,330, compared to $8,095 in 2023 and $3,361 in 2022. This represents a decrease of $1,765, or 22 percent, during 2024. Portions of the agricultural economy remain unstable, and the portfolio includes accounts that have experienced stress. Additional loans may transition to high-risk status in 2025, and the level of high-risk loans is likely to fluctuate throughout the year.

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

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary* *of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was $15,482, $13,956, and $20,622 at December 31, 2024, 2023, and 2022, respectively.

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

Allowance for Credit Losses Activity:	Year Ended December 31, 2024	2023	2022
	(dollars in thousands)		
Balance at beginning of year	$ 13,956	$ 20,622	$ 19,664
Cumulative effect of a change in accounting principle	–	(5,930)	–
Balance at January 1, 2023	13,956	14,692	19,664
Charge-offs:			
Real estate mortgage	–	(59)	(47)
Production and intermediate-term	(583)	(1,004)	(123)
Total charge-offs	(583)	(1,063)	(170)
Recoveries:			
Real estate mortgage	1	19	–
Production and intermediate-term	146	12	128
Total recoveries	147	31	128
Net (charge-offs) recoveries	(436)	(1,032)	(42)
Provision for (reversal of allowance for) credit losses	1,962	296	1,000
Balance at end of year	$ 15,482	$ 13,956	$ 20,622
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(.014)%	(.035)%	(.001)%

**Prior to the adoption of CECL, provision for (reversal of) unfunded commitments was recorded in losses/gains on other transactions.*

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

	December 31, 2024	2023	2022
Allowance for credit losses on loans to loans	.49%	.46%	.70%
Allowance for credit losses on loans to nonaccrual loans	244.58%	172.40%	613.75%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(.014)%	(.035)%	(.001)%

Periods of uncertainty in the general economic environment create the potential for prospective risks in the loan portfolio. See Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled $61,936 for the year ended December 31, 2024, an increase of $1,357 from 2023. Net income of $60,579 for the year ended December 31, 2023 was a decrease of $6,512 from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31, 2024	2023
Net income (for prior year)	$ 60,579	$ 67,091
Increase (decrease) due to:		
Total interest income	26,399	23,961
Total interest expense	12,074	19,741
Net interest income	14,325	4,220
Provision for credit losses	1,194	(462)
Noninterest income	379	(8,736)
Noninterest expense	12,141	2,494
Provision for income taxes	12	(36)
Total increase (decrease) in net income	1,357	(6,512)
Net income	$ 61,936	$ 60,579

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of $8,209 for the year ended December 31, 2023.

Net Interest Income

Net interest income was $89.5 million, $75.2 million, and $70.9 million in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income	**Volume***	**Rate**	**Nonaccrual Income**	**Total**
		(dollars in thousands)		
12/31/24 – 12/31/23				
Interest income	$ 9,795	$ 16,604	$ –	$ 26,399
Interest expense	5,795	6,279	–	12,074
Change in net interest income:	$ 4,000	$ 10,325	$ –	$ 14,325
12/31/23 – 12/31/22				
Interest income	$ 1,571	$ 22,390	$ –	$ 23,961
Interest expense	468	19,273	–	19,741
Change in net interest income:	$ 1,103	$ 3,117	$ –	$ 4,220

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

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

	For the Year Ended December 31,			**Percentage Increase (Decrease)**	
Noninterest Income	**2024**	**2023**	**2022**	**2024/ 2023**	**2023/ 2022**
	(dollars in thousands)				
Loan fees	$ 2,276	$ 3,050	$ 3,640	(25.38)%	(16.21)%
Fees for financially related services	1,911	1,802	1,717	6.05	4.95
Patronage refund from other Farm Credit Institutions	27,230	26,732	35,243	1.86	(24.15)
Gains on sales of premises and equipment, net	556	824	518	(32.52)	59.07
Insurance Fund refunds	815	–	–	100.00	–
Other noninterest income	48	49	75	(2.04)	(34.67)
Total noninterest income	$ 32,836	$ 32,457	$ 41,193	1.17 %	(21.21)%

Total noninterest income increased by $379 from 2023 to 2024, following a decrease of $8,736 from 2022 to 2023. The increase in 2024 was driven by several factors, including a $109 rise in fees for financially related services related to crop insurance and a $498 increase in patronage due to higher loan demand. Additionally, the Association received an $815 refund from the Farm Credit Insurance Fund, which had not been received in recent years. However, these gains were offset by decreases in loan fees of $774, sales of premises and equipment of $268, and other noninterest income of $1.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31, 2024	2023	2022	Percentage Increase/(Decrease) 2024/2023	2023/2022
	(dollars in thousands)				
Salaries and employee benefits	$ 33,013	$ 29,465	$ 30,590	12.04 %	(3.68)%
Occupancy and equipment	2,506	2,197	2,203	14.06	(0.27)
Insurance Fund premiums	2,488	4,157	4,530	(40.15)	(8.23)
Purchased services	11,650	653	1,259	1,684.07	(48.13)
Data processing	454	447	448	1.57	(.22)
(Gains) losses on other property owned, net	1	(5)	(180)	(120.00)	(97.22)
Other operating expenses	8,519	9,576	5,146	(11.04)	86.09
Total noninterest expense	$ 58,631	$ 46,490	$ 43,996	26.12 %	5.67 %

Noninterest expenses increased by $12,141 in 2024 compared to 2023, primarily due to higher purchased services. The increase in purchased services was mainly a result of the Direct Note rate change discussed earlier. The rate charged by AgFirst was set at the beginning of 2024. However, due to unforeseen circumstances, the Bank increased the cost of services provided to the Association starting in the third quarter of 2024. This led to additional expenses of $2,651 for the year ended December 31, 2024.

Additional increases of $3,548 in salaries and employee benefits were due to the hiring of new personnel and the implementation of a new incentive plan. There were also increases of $309 in occupancy and equipment expenses, attributed to the purchase of new office locations and ongoing renovations of existing buildings.

The increases noted in 2024 were offset by a $1,669 decrease in insurance fund premiums. The Farm Credit System Insurance Corporation (FCSIC) set premiums at 10 basis points for 2024, based on adjusted insured debt outstanding, which was lower than in recent years. Additionally, other operating expenses decreased by $1,057 due to decreased expense projections in the Association’s pension plan provided by the plan’s actuary.

Income Taxes

The Association recorded a provision for income taxes of $13 for the year ended December 31, 2024, as compared to a provision of $1 for 2023 and a provision of $37 for 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association’s income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the 12 Months Ended 2024	2023	2022
Return on average assets	1.89%	1.97%	2.24%
Return on average members’ equity	9.45%	9.77%	11.85%
Net interest income as a percentage of average earning assets	2.86%	2.55%	2.45%
Net (charge-offs) recoveries to average loans	(.014)%	(.035)%	(.001)%

A key factor in the growth of net income in future years will be focusing on increasing both net interest and noninterest income while maintaining acceptable levels of operating expenses. The Association aims to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. Additionally, the Association will strive to work with borrowers to navigate the uncertainties expected in the agricultural economy in the coming years.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

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

Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2024, was $2,628,047 as compared to $2,495,740 at December 31, 2023 and $2,411,438 at December 31, 2022. The increase of $132,307 or 5.30 percent compared to December 31, 2023 and the increase of $84,302 or 3.50 percent compared to December 31, 2022 was primarily attributable to continued growth in the loan portfolio. The average volume of outstanding notes payable to the Bank was $2,579,271, $2,414,430, and $2,385,868 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

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

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

Funds Management

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

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

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

Relationship with the Bank

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

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

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

CAPITAL RESOURCES

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

The Association's Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2024 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2024, was $666,283, an increase of $39,429 or 6.29 percent from a total of $626,854 at December 31, 2023. At December 31, 2023, total members' equity increased $36,165 or 6.12 percent from $590,689 at December 31, 2022. The increase in total members' equity for both years was primarily attributable to an increase in unallocated retained earnings.

Total capital stock and participation certificates were $50,452 on December 31, 2024, compared to $52,873 on December 31, 2023 and $52,613 on December 31, 2022.

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

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	17.14%	17.31%	16.81%
Tier 1 Capital	6.0%	2.5%	8.5%	17.14%	17.31%	16.81%
Total Capital	8.0%	2.5%	10.5%	17.61%	17.82%	17.47%
Permanent Capital	7.0%	0.0%	7.0%	17.26%	17.45%	16.97%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	17.79%	18.00%	17.41%
URE and UREE Leverage	1.5%	0.0%	1.5%	12.29%	12.15%	11.47%

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

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

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of $24,500 in 2024, $25,509 in 2023, and $21,000 in 2022. Additional patronage was paid to certain capital markets customers for a total patronage paid to all borrowers of $32,011 in 2024, $32,946 in 2023, and $21,000 in 2022.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission includes providing sound and constructive credit and related services to Young, Beginning and Small (YBS) farmers and ranchers. First South's mission is directed by board and management to ensure the Association is making every effort possible to implement its YBS program.

The Association has implemented a flexible YBS program with policies and procedures that are designed to meet the needs of YBS farmers in the Association's geographic territory. The First South Board approves the YBS policy as well as the annual business plan which outlines practices to accomplish the First South YBS mission.
YBS farmers and ranchers are defined as:

- *Young Farmer*: 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 Farmer*: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the date the loan is originally made.
- *Small Farmer*: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $350 thousand in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

The Association's Young, Beginning, and Small farmer and rancher program (YBS) complies with statutory and regulatory requirements which include qualitative and quantitative goals. Goals include coordinating with government agencies that offer loan guarantees for risk management purposes. First South is an FSA approved lender.

The Association business plan also outlines strategies to increase market share success, a market outreach program that generates participation and involvement by Association staff at the field level. Strategies include (1) YBS Program on the Association website, (2) First South Market Outreach Program, (3) Country Loan and Small Loan Program, and (4) sponsorships and educational programs. The final results of these outreach and education programs are reported to the Association Board of Directors on an annual basis.

The Association business plan also includes a budget recommended by management that is sufficient to carry out the Association's YBS mission and performance goals.

The following table outlines the loan volume and number of YBS loans in the loan portfolio as of December 31, 2024 for the Association.

	As of December 31, 2024	
	Number of Loans	**Amount of Loans**
Young Only	294	$76,753
Beginning Only	605	$209,540
Small Only	3,306	$399,245
Young and Beginning	513	$139,330
Young and Small	166	$16,316
Beginning and Small	5,045	$752,147
Young, Beginning, and Small	2,429	$282,723

The 2022 USDA Ag Census data has been used as a benchmark to measure penetration of the Association YBS marketing efforts. The USDA Ag Census data prepared and provided by First South Farm Credit, ACA shows the number of YBS farmers in First South Farm Credit Association's territory as of December 31, 2022: Young (12,210); Beginning (51,052); Small (83,961).

The AgFirst demographics show First South segment penetration as a percentage of Association territory totals as follows: Young 27.86%; Beginning 16.83%; Small 13.04%. As of December 31, 2024, of the Association's total portfolio; 2.41% were Young farmers; 6.57% were Beginning farmers; 12.51% were Small farmers; 4.37% were Young and Beginning farmers; 0.51% were Young and Small farmers; 23.57% were Beginning and Small farmers; and 8.86% were Young, Beginning, and Small farmers. Percentages are based on the data from the YBS quantitative report.

Data Source: USDA-NASS 2022 Ag Census of Agriculture Volume I: Geographic Area Series Tables 2, 56, and 57.

Slight differences between the Census and our YBS information are as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm up to nine years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- The Census data is based on number of farms, whereas the Association's YBS information is based on number of loans.

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR. Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its District Bank's direct loans to Associations or if the Farm Credit Administration's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends on March 31, 2025.

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

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

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1 of the Consolidated Financial Statements, "*Organization and Operations*," included in this Annual Report to shareholders.

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

Unincorporated Business Entities

The Association holds an equity investment at December 31, 2024 in the following Unincorporated Business Entity (UBE) as an equity interest holder of the limited liability company (LLC). The LLC was organized for the stated purpose of holding and managing unusual or complex collateral associated with former loans, until such time as the assets may be sold or otherwise disposed of pursuant to the terms of Operating Agreements of the respective LLC.

Entity Name	Entity Type	Entity Purpose
PW PropCo Holding LLC	LLC	Manage Acquired Property

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Alabama, Mississippi and Louisiana:

Location	Description	Form of Ownership
574 Highland Colony Parkway, Ridgeland, MS	Administrative	Leased
2341 AL Hwy. 21 South, Oxford, AL	Branch	Owned
1824 Eva Road NE, Cullman, AL	Branch	Owned
3201 AL Hwy. 157, Suite 200, Cullman, AL	Underwriting	Leased
320 AL Hwy. 75 N, Albertville, AL	Branch	Owned
1960 Stonegate Drive, Vestavia Hills, AL	Branch	Owned
30035 Hwy. 72 West, Madison, AL	Branch	Owned
14390 Market Street, Moulton, AL	Branch	Owned
970 Hwy. 20 East, Tuscumbia, AL	Branch	Owned
700 Hwy. 80 West, Demopolis, AL	Branch	Owned
4210 McFarland Blvd., Northport, AL	Branch	Owned
1715 West Second Street, Montgomery, AL	Branch	Owned
1401 Forest Avenue, Montgomery, AL	Branch	Owned
141 Lee Street, Luverne, AL	Branch	Owned
4442 South US Highway 231, Ozark, AL	Branch	Owned
1613 Fredrick Road, Opelika, AL	Branch	Owned
41655 State Hwy 59, Bay Minette, AL	Branch	Owned
5070 Boll Weevil Circle, Enterprise, AL	Branch	Owned
1103 Bypass West, Andalusia, AL	Branch	Owned
501 Trojan Parkway, Suite 1, Troy, AL	Branch	Leased
121 North Magnolia Street, Florence, AL	Branch	Leased
1798 Fairview Avenue, Prattville, AL	Branch	Owned
914 Van Buren Avenue, Oxford, MS	Branch	Owned
1626 N Veterans Memorial Blvd., Tupelo, MS	Branch	Leased
122 ½ West Commerce Street, Aberdeen, MS	Branch	Leased
1009 North Main Street, Calhoun City, MS	Branch	Owned

Location	Description	Form of Ownership
260 Trace Colony Park Drive, Ridgeland, MS	Branch	Owned
1089D Stark Road, Starkville, MS	Branch	Leased
1703 Hwy 82 W Frontage Road, Greenwood, MS	Branch	Owned
197 George Payne Cossar Blvd., Charleston, MS	Branch	Owned
505 E. Second Street, Clarksdale, MS	Branch	Owned
1021 Highway 82 East, Leland, MS	Branch	Owned
9769 Eastside Drive Extension, Newton, MS	Branch	Owned
501 Apache Drive, McComb, MS	Branch	Owned
4 Thompson Park, Hattiesburg, MS	Branch	Owned
23 Dunnbarr, Laurel, MS	Branch	Owned
19550 Old Scenic Hwy., Zachary, LA	Branch	Owned
222 N. Cedar Street, Tallulah, LA	Branch	Owned
1896 Hudson Circle, Suite 7, Monroe, LA	Branch	Leased
811 Jackson Street, Winnsboro, LA	Branch	Owned
2308 S. MacArthur Drive, Alexandria, LA	Branch	Owned
321 South Main Street, Marksville, LA	Branch	Owned
5057 I-49 S. Service Road, Opelousas, LA	Branch	Owned
1007 Guy Dr. Street, Martinville, LA	Branch	Owned
3206 South LA 13, Crowley, LA	Branch	Owned
4925 East McNeese Street, Lake Charles, LA	Branch	Owned
60050 Westway Drive, Amite, LA	Branch	Owned
1725 St. Mary Hwy., Thibodaux, LA	Branch	Owned

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11 of the Consolidated Financial Statements, "*Commitments and Contingencies*," included in this Annual Report.

Description of Capital Structure

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

Description of Liabilities

The description of liabilities, contingent liabilities and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 11 of the Consolidated Financial Statements included in this Annual Report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association and their business experience for the past five years:

Senior Officer	Position & Other Business Interests
Gines Pérez, III	*President & Chief Executive Office since January 2023. Prior to that, Senior Vice President/Chief Operating Officer since January 2021. Prior to that, Senior Vice President/Chief Credit Officer since September 2019, Prior to that, Senior Vice President/Chief Lending Officer since July 2018, Prior to that, Executive Vice President/Chief Credit Officer-AgChoice Farm Credit since February 2016, and prior to that, Relationship Manager and various other roles and responsibilities-AgFirst Farm Credit Bank since June 2010.*
Sarah F. Lutz	*Senior Vice President/Chief Financial Officer/Treasurer since January 2021.*
William F. Loftis, Jr.	*Senior Vice President/Chief Lending Officer since January 2022.*
Cyrus W. Harper, III	*Senior Vice President/Chief Credit Officer since January 2021.*
Timothy C. Losavio	*Senior Vice President, Lending since January 2022. Prior to that, President, Louisiana Division since January 2020. Prior to that, Regional Lending Manager, Louisiana Division.*
Rodney P. Brantley	*Senior Vice President, Lending since January 2022. Prior to that, President, Mississippi Division since July 2017. Prior to that, Division Vice President, Mississippi Division.*
Keith G. McCurdy	*Senior Vice President, Lending since January 2022.Prior to that, Regional Lending Manager, Alabama Division.*

The total amount of compensation earned by the CEO and senior officers as a group during the years ended December 31, 2024, 2023 and 2022, is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value	Perq/ Other*	Total
Gines Pérez, III	2024	$ 370,000	$ 130,000	$ –	$ –	$ 45,789	$ 545,789
Gines Pérez, III	2023	$ 350,000	$ 80,000	$ –	$ –	$ 38,932	$ 468,932
John W. Barnard	2022	$ 430,000	$ 150,000	$ –	$ (613,268)	$ 77,581	$ 44,313
6	2024	$ 1,197,791	$ 326,280	$ 227,114	$ 91,836	$ 151,694	$ 1,994,715
6	2023	$ 1,139,818	$ 193,655	$ 71,420	$ 339,691	$ 143,840	$ 1,888,424
8	2022	$ 1,648,481	$ 553,778	$ –	$ (892,379)	$ 194,664	$ 1,504,544

* *The Perquisites/Other amount disclosed in the above chart may include club memberships, automobile and travel allowance, deferred compensation, life insurance, 401(k) contributions, and relocation reimbursement.*

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

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

The present values are calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one fewer year of discounting, which increases the present value.

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

Other actuarial assumptions are updated periodically. The most recent mortality improvement scale from the Society of Actuaries is MP-2021, which continues to be used. The scale is typically updated yearly, but the Society of Actuaries has chosen to forgo an update since 2021 (which reflected mortality data up through 2019) due to COVID-19 skewing mortality data.

Pension Benefits Table
As of December 31, 2024

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
Gines Pérez, III	2024	First South Retirement Plan	–	$ –	$ –
				$ –	$ –
Senior Officers and Highly Compensated Employees:					
6 Officers	2024	First South Retirement Plan	34.88	$ 2,179,374	$ –
				$ 2,179,374	$ –

**Represents the average years of credited service for the group*

In addition to base compensation, the Association offers a Business Incentive Plan to all eligible employees, not including the CEO. The Business Incentive Plan is designed to motivate employees to exceed the business plan goals established by the Board of Directors during the fiscal year. These goals are met and exceeded in three key business areas. Those key areas include return on average daily balance of loans (ROADB), credit quality and growth in average daily balance (ADB). No employee shall receive more than 25 percent of his or her individual base salary in the Business Incentive Plan.

In 2024, the Association introduced a Lender Incentive Plan for all lenders who have been employed with First South Farm Credit for over a year. This plan aims to retain top-performing loan officers, create a competitive incentive structure, and motivate the lending staff to boost income and achieve sustainable loan growth, all while adhering to the Association's Credit Standards. The plan uses seven metrics—four related to productivity and three to income generation—to determine an overall ranking for each lender. The top forty performers receive a bonus ranging from 5 to 15 percent of their base salary, depending on their ranking. This payment is in addition to the Business Incentive Plan mentioned above.

The Association also provides an Executive Incentive Plan for all eligible senior officers, not including the CEO. The Executive Incentive Plan is designed to motivate and reward the senior officers to meet and exceed the financial and performance goals of the

Association. The financial and performance goals for this plan are return on average daily balance of loans (ROADB) and operating efficiency in his or her respective area of responsibility. These performance areas are weighted equally. No senior officer shall receive more than 15 percent of his or her individual base salary in the Executive Incentive Plan. A portion of the executive incentive earned each year is deferred to future years.

The level of incentive paid to the CEO, if any, is approved by the Board of Directors upon recommendation from the Compensation Committee. The CEO incentive payment is based on various performance factors also designed to meet the goals and objectives set by the Board of Directors.

Incentives are paid within 45 days of the year end. The incentives/bonuses are shown in the year earned which may be different than the year of payment. Six senior officers shared in the 2024 business incentive and six senior officers shared in the 2024 executive incentive.

Disclosure of information on the total compensation paid during 2024 to any senior officer, or to any other individual included in the total, is available to shareholders upon request.

Directors

Directors and senior officers are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $522,778 for 2024, $509,047 for 2023 and $249,269 for 2022.

Subject to approval by the board, the Association may allow directors honorarium of $1,200 per day for attendance at regularly scheduled board meetings and auxiliary committee meetings not held in conjunction with regularly scheduled board meetings. In addition, each director shall be paid a quarterly retainer of $500 with the exception of the board chairman and audit committee chairman which will be $750 per quarter. Auxiliary meetings such as regional advisory committee meetings, political action committee meetings and other special assignments will be $600 per day and telephone conference calls will be $200. Travel compensation to regularly scheduled board meetings and auxiliary committee meetings will be $.75 per mile. Total compensation paid to directors as a group was $461,593.

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Directors are elected for three-year terms, unless completing the unexpired term of a former director.

Thomas H. Nelson, Jr., Chairman, of Glen Allan, Mississippi, farms with his family a 9,000-acre row crop operation consisting of E G Nelson, Inc.; Nelson-King Farms; Nelson-King Lands, LLC; and Everhope Plantation; producing corn and soybeans. Mr. Nelson is stockholder and President of E G Nelson, Inc., a family farm, and Nelson – King Lands, a land-owning entity. He is partner and manager of Nelson-King Farms, a family farm partnership. He serves on the board of Washington County Farm Bureau which supports and promotes agriculture in Washington County, Mississippi, and serves as Chairman of the Board of Trustees of Avon United Methodist Church, a local church. Mr. Nelson has been a member of First South for over 34 years. His present term as a First South Director expires in 2026.

Robert Dale Thibodeaux, Vice Chairman, of Midland, Louisiana, has a farming operation with his family consisting of 5,500 acres of rice, 3,200 acres of soybeans, and 2,000 acres of crawfish. His business interests include Thibodeaux Ag Group, a farming entity; Thibodeaux Bros. Farm, a custom farming and equipment leasing company; Thibodeaux Crawfish, LLC, an entity that deals with Crawfish processing; Krewe du Meanger, a social club; Thibodeaux Bros. Dryer, a grain drying operation; Thibodeaux Bros. Water, a land company; Thibodeaux Bros. Trucking, a grain trucking operation; and Thibodeaux Land Company, a land company. Mr. Thibodeaux serves as a board member of Acadia Soil and Water District which implements conservation practices, and Acadia 5th Ward Port Board which manages businesses on port property. He is a member of Southwest Farm Cooperative, an ag supplier; Acadia Rice Growers Association, a rice growers' group; and South Louisiana Rail Facility, an entity that markets and ships rice. Mr. Thibodeaux has been a member of First South for over 44 years. His present term as a First South Director expires in 2026.

Adam W. Bass, of Columbia, Mississippi, is a poultry/cattle farmer. His operation includes an 8-house poultry farm; a cow/calf operation, consisting of approximately 125 brood cows; and a hay production operation. He is owner/manager of Back Forty Farms, LLC, a poultry/cattle farm. He is a Director for Pearl River Valley EPA, a rural electric provider. Mr. Bass has been a member of First South for over 16 years. His present term as a First South Director expires in 2025.

Barry A. DeFoor, of Falkville, Alabama, is a farmer. His operation consists of 8 broiler chicken houses, 50 brood cow/calf operation, and timberland totaling 726 acres. Mr. DeFoor serves as a director for the Morgan County Farmers Federation, an agricultural advocacy organization. He is also a member of the Alabama Cattlemen's Association, a beef promotion organization, and the Alabama Poultry and Egg Association, a poultry and egg promotional organization. He also serves as a member of the AgFirst Legislative Advisory Committee. Mr. DeFoor has been a member of First South for over 18 years and served as a member of the Regional Advisory and Nominating Committees until he was elected to the First South Board of Directors in 2020. His present term on the First South Board expires in 2025.

Clinton J. Dunn, of Itta Bena, Mississippi, is a farmer and a partner in Dunn Farms, Dunn Farms II, and Dunn Farms III, a 6,500-acre farming operation consisting of corn, cotton and soybeans. He is also a partner in Dunn Fornea, a residential development company; secretary of MS Ag Logistics, a seed, chemical, and fertilizer company; and The Delta Company, LLC, an ag and commercial precision land leveling company. His business interests include Ag Concepts, an aerial agricultural application company where he serves as secretary; Arlington Investment, a commercial property business; C&T Planting LLC, a rental property company; Dunn Brothers Land Company, an ag land holding company; and Dunn Family Holdings, an ag, residential, and commercial property company in Florida, Mississippi, and Tennessee; Gadwall Landing, recreational property; and manager for N100RG, LLC and N42710, LLC- an airplane holding co. He is also manager for The Pointe 131, a rental property company. Mr. Dunn serves on the boards of Abotlapoota Master Water District, a water and drainage management district; Delta Council, an area economic development organization; Leflore County Farm Bureau, an agricultural advocacy organization; Mississippi Boll Weevil Management Corporation, an implementation and eradication entity; Mississippi Property Tax Alliance, an entity dedicated to reducing agricultural property taxes; American Cotton Producers, a cotton producer and advocacy organization; and Pillow Academy, an educational institution for K-12. Mr. Dunn is a deacon at First Baptist Church, Greenwood, Mississippi, a religious organization. He is also a producer delegate with the National Cotton Council. Mr. Dunn was elected to the First South Board of Directors in 2024. His present term as a First South Director expires in 2027.

Amy C. Ellender, of Mer Rouge, Louisiana, serves as an outside director, and is not a member of the Association. She is an attorney and owner of Ellender Law Firm, APLC. She is the financial manager and office manager of her family's 7,000-acre farming operation, Clark Farms, consisting of corn, soybeans, rice, and cotton. Mrs. Ellender is owner of Ellender Properties, LLC, an entity that holds real estate and a member of the Board of Trustees of Christian Life Fellowship, Inc, a nonprofit Christian summer camp and retreat facility. Her present term as a First South Director expires in 2028.

Dr. Marty J. Fuller, of Starkville, Mississippi, serves as an outside director, and is not a member of the Association. He is a consultant and serves as CEO of Federal Solutions, LLC, a firm specializing in governmental relations. Dr. Fuller also serves as senior consultant at Cornerstone Government Affairs, a Washington, D.C. based government/public relations firm. His present term as a First South Director expires in 2026.

Richard T. Hargis, of Effie, Louisiana, has a farming operation, Hargis Farm Partnership, LLC and Gen Three Farms, LLC, consisting of 5,150 acres of row crops, including soybeans, corn, and grain sorghum. Mr. Hargis is owner of High Cotton Cattle, LLC, a row crop and cattle operation which includes 225 Braford cows. He also is owner of HFP Trucking, LLC, a commodity hauling entity and High Cotton Land Co., a land-holding entity. His present term as First South Director expires in 2027.

Mitchell H. Henry, of Moulton Alabama, owns and manages Hardin Farms, LLC. He markets 1,000 head of stockers annually and maintains forty head of brood cows. Mr. Henry also harvests hay for the public. He is vice president of Lawrence County Farmers Federation Board which supports and promotes agriculture and politics. He also serves on the Lawrence County Soil and Water Conservation District Board, a conservation entity. Mr. Henry was elected to the First South Board of Directors in 2023 and his present term expires in 2026.

Conner V. House, of Natchez, Mississippi, is a forester and co-owner of Good Hope, Inc. a timber operation, where he serves as secretary/treasurer. He is also a member manager of Geronimo Hardwood Timber, LLC, an active timber operation and leasing operation. He is a member of Cottonport Hardwoods, LLC, a logging and barging operation. He is a member of Alligator Bayou Companies, LLC, dealing in equipment purchasing and rental. Mr. House is the Director of Big Black River Holdings, LLC, a real estate entity; a Senior Officer with Bridge South Development, LLC, a real estate investment entity. He is a Senior Officer in Charisma Development Co., LLC, and Cotton Valley Hardwoods, LLC, commercial rental investment companies. He is a partner in Davis-House GP, a holding company. He is a Senior Officer in Geronimo Minerals, LLC, a holding company, and Global Timber Solutions, LLC, a timber operation. He is a Senior Officer in Good Hope Recovery, LLC, a utility and storm cleanup/right of way maintenance entity and Great River Development Co., LLC, a commercial real estate company. He is a Senior Officer in Lotta Crude, LLC, an oil and gas company; President of Miss-Lou Timber Merchandising, Inc., a timber operation. He is a Senior Officer in Seven Pines Ventures, LLC and Shinola LLC, both real estate entities, and Shinola-Taras, Shinola-Yazoo Timber, LLC, Taras Timber, LLC, all timber operations. Mr. House is a senior officer in Shinola-Mill Services, LLC, Shinola-Durant, LLC, and Trinity Mats, LLC, all mill operations. Additionally he is a Senior Officer for TLG Properties, LLC and Yazoo Timber, LLC, both timber. His present term as a First South Director expires in 2026.

John G. Ingraffia, of Husser, Louisiana, was owner/operator of a dairy farm for over 40 years before retiring in September 2023. He has two hundred acres used for hay production. Mr. Ingraffia serves as a Councilman on the Tangipahoa Parish Council, a local governmental entity. He is also a member of the Tangipahoa Parish Consolidated Drainage Board, a local government entity for the drainage district, and the Tangipahoa Parish Rural Fire Protection District 2 Board, a volunteer fire department. Mr. Ingraffia, a former member of the Regional Advisory Committee, has been a member of First South for over 40 years. His present term as a First South Director expires in 2027.

Wilson E. Judice, of Franklin, Louisiana, owns and operates Wilson Judice Farms, a small vegetable farm, where he grows fresh market vegetables and vegetable plants for direct to consumer sales. He is also owner of Bayou Teche Family Farm. Mr. Judice is currently an agronomist with the American Sugarcane League, where he conducts research and provides field level recommendations for sugar cane growers in Louisiana. He is a member of the St. Mary Parish Fire Protection District Two Board of Directors, a volunteer fire department. Mr. Judice has been a member of First South for over 13 years. His present term as a First South Director expires in 2027.

J. Kevin Kimzey, of Water Valley, Mississippi, is a farmer and manages Kevin Kimzey Farms LLC, a 3,000-acre family farm consisting of cotton, corn, and soybeans. His family also owns six hundred acres of pine and hardwood timber. Mr. Kimzey is a stockholder in Yalobusha Gin Company. He is a member of Staplcotn and ProCot, cotton marketing cooperatives. He is the commissioner for Yalobusha Soil and Water, a conservation program. Mr. Kimzey has been a member of First South for over 31 years. His present term as a First South Director expires in 2026.

W. Townsend Kyser, III, of Greensboro, Alabama, is a catfish farmer. He is chief financial officer of Kyser Family Farms, LLC, a catfish and cattle operation of approximately 4,000 acres. He is the president of Hale County Alabama Farmers Federation (ALFA), an advocacy organization. Mr. Kyser serves on the Executive Committee of Catfish Farmers of America, a farming organization representing the catfish industry; and on the Alabama USDA Farm Service Agency (FSA) state committee. He also serves as a director of Black Warrior Electric, a rural electric cooperative. His present term as a First South Director expires in 2026.

George G. LaCour, Jr., of Morganza, Louisiana, is a farmer and general manager of GNG Farm Partnership, a 6,000-acre family farming operation consisting of corn, cotton, soybeans, sugarcane, rice, wheat, and crawfish. He is a managing partner of GNL Farm, LLC, farming sugarcane and soybeans. Mr. LaCour is manager of Madison Farmland, LLC; Delta Farmland, LLC; Bessie Land Company, LLC; Edgar LaCour Land Company, LLC, all family land holding entities. He is a member of LaCour & Blake, LLC, a family real estate holding entity and Milam Acres LLC, an estate holding company, and Laser-Bucket, LLC an equipment holding company. He is the Vice Chairman of Tri-Parish Gin, LLC, a cotton gin; and manager of Perkins Road Express Wash, LLC, a real estate entity. He is president of Bouanchaud Farms, Inc.; Gilmer Farms, Inc.; Schwab Farm, Inc., part of the family farm operation. He is part of G&L Farm Partnership, a farming operation; agent for Gert Inc., part of the farm operation, and a Director for G&M Farms Inc, part of the family farm operation. He is President of Pointe Coupee Farmers' Cooperative, a farm supply entity. He is a director of Staplcotn Cooperative Association, a cotton marketing coop; Louisiana Rural Electric Association, Inc., dedicated to supporting rural electric cooperatives; American Sugar Cane League of the U.S.A., Inc., dedicated to supporting Louisiana sugar industry; Superior Land Management, a land management company; Pointe Coupee Farm Bureau, setting agricultural policy; and Pointe Coupee Electric Membership Corporation, an electric cooperative. He is also on the Pointe Coupee FSA County Committee. Mr. LaCour served as a member of the First South Regional Advisory Committee until he was elected to the First South Board of Directors in 2023. His present term as First South Director expires in 2026.

S. Alan Marsh, of Madison, Alabama, is a row crop farmer and president of Marsh Farms, a farming operation consisting of 750 acres of cotton, 1,200 acres of soybeans, and 550 acres of wheat. Mr. Marsh is the president of South Limestone Coop Gin, a cotton gin and storage for cotton seed; and a Director of Limestone County Farmers Federation, an ALFA member and ag advocacy organization. He is also a member of Staplcotn, a cotton marketing cooperative. Mr. Marsh has been a member of First South for over 49 years. His present term as a First South Director expires in 2026.

James F. Martin, III, of Enterprise, Alabama, is a self-employed farmer and member of James Martin Farms, LLC, a row crop operation consisting of peanuts, cotton, soybeans and corn and a beef cow operation that includes pasture and hay production. He is a realtor with Team Linda Simmons Real Estate and a member of Keyton Crossing, LLC, a development entity, He is also a member of Nitram, LLC, a land acquisition and sales company. Mr. Martin serves on the board of ALFA Coffee County, Alabama Farm Bureau, an ag advocacy organization, and Covington Electric Cooperative, a rural electricity and distribution cooperative. He is a stockholder in Coffee Gin Company, a cotton gin, and participates in land transactions with Enterprise Land and Homes, LLC. Mr. Martin has been a member of First South for over 33 years. His present term as a First South Director expires in 2025.

Daniel C. Mattingly, of Belle Rose, Louisiana, is the Agricultural Manager for Lula-Westfield, LLC, owner and operator of two raw sugar mills. Mr. Mattingly manages the maintenance of the land holdings of Savoie Industries and Dugas & LeBlanc which is comprised of 40,000 acres, including sugarcane production land, timber property, pastureland, and hunting land. Mr. Mattingly negotiates on behalf of companies with famers, ROW, etc. He is a director for Savoie Industries, LLC, a land-holding company and is a member of Dugas & LeBlanc, Ltd., a land-holding company. Mr. Mattingly serves on the boards of Assumption Parish Farm Bureau, an agricultural advocacy organization. He has been a member of First South for over 27years. His present term as a First South Director expires in 2025.

R. Shepherd Morris, of Shorter, Alabama, is a farmer and president of Morris and Morris Farms, a 4,200-acre row crop operation consisting of cotton, corn, and sesame; and an 800-acre timber operation. He serves as vice chairman of Choice Cotton Company, a cotton marketing organization, and director of River Bank and Trust, a community bank. He is president of Milstead Farm Group, Inc., a cotton ginning operation, and Macon Co. Farmer's Federation, a county ALFA and ag advocacy organization. Mr. Morris has been a member of First South for over 46 years. His present term as a First South Director expires in 2027.

C. Mark Nicholson, of Philadelphia, Mississippi is a poultry and cattle farmer. He owns Nicholson Farms, LLC, a 6-house broiler farm and a 315-acre cattle farm that includes approximately 225 head. He serves on the board of Neshoba County Co-op, a feed, supply, and outdoor retail entity. Mr. Nicholson was elected to the First South Board of Directors in 2024. His present term as a First South Director expires in 2027.

Thomas A. Parker, of Lake Providence, Louisiana, has a 6,000-acre farming operation in Louisiana and a 7,500-acre farming operation in Arkansas, consisting of cotton, corn, rice, and soybeans. He owns Deep Current Ag Management, a farm management company; and is a managing member of Hollybrook Gin, a cotton ginning operation. Mr. Parker serves as chairman of the Staplcotn Board. He is also a producer delegate for the National Cotton Council. He is president of Bunches Bend Protection District, a Louisiana governor appointed commission, as well as a board member of Farm Bureau, an ag advocacy organization. Mr. Parker has been a member of First South for over 35 years. His present term as a First South Director expires in 2025.

Walter Rodney Richardson, of Leroy, Alabama, is a farmer and a partner in Richardson Farms, a row crop operation consisting of 4,000 acres of corn, soybeans, and peanuts. Mr. Richardson is a director of the Washington County Farmers' Federation, an ag advocacy organization, and of Frisco City Farmers' Coop, a farm retail entity. He has been a member of First South for over 44 years. His present term as a First South Director expires in 2025.

Roy M. Tucker, Jr., of Hamilton, Mississippi, is a row crop farmer. He is president of Tucker Farms, Inc., a family real estate entity, a partner in Tucker Farming Company, a family row crop operation in Chickasaw and Monroe counties, Mississippi, consisting of 3,200 + acres of cotton, corn, and soybeans. Mr. Tucker is chairman of Farmers Gin, Inc. of Hamilton, a cotton gin. He is also a member of the Mississippi Boll Weevil Eradication Board, an entity that manages assessments on cotton acres and implements programs. Mr. Tucker was elected to the First South Board of Directors in 2022 and his present term expires in 2025.

The following chart details the number of meetings, other activities and additional compensation paid for other activities (if applicable) for each director:

		Term of Office		Number of Days Served		Compensation		
Name of Director	**Committee Assignments**	**Election Year**	**Current Term Expiration**	**Board Meetings**	**Other Official Activities***	**Compensation Regular Board Meetings**	**Compensation for Other Activities**	**Total 2024 Compensation Paid**
Thomas H. Nelson, Jr., Chairman	Retirement, Executive	2023	2026	13	11	$ 12,548	$ 9,600	$ 22,148
Robert Dale Thibodeaux, Vice Chairman	Audit, Compensation, Retirement, Executive	2023	2026	12	14	13,158	9,800	22,958
Dr. Marty J. Fuller	Audit, Executive	2023	2026	10	9	10,836	4,400	15,236
Amy C. Ellender	Audit, Compensation	2022	2025	9	13	11,850	10,645	22,495
Adam W. Bass	Credit	2022	2025	9	7	11,450	6,569	18,019
Barry A. DeFoor	Governance, Compensation	2022	2025	8	8	12,037	15,484	27,521
Clinton J. Dunn	Credit	2024	2027	7	4	9,082	3,386	12,468
Richard T. Hargis	Governance	2021	2027	9	8	12,655	3,200	15,855
Mitchell H. Henry	Credit	2023	2026	9	7	12,929	3,400	16,328
Conner V. House	Credit	2023	2026	8	7	10,488	6,786	17,274
John G. Ingraffia	Credit	2021	2027	9	7	11,962	4,600	16,563
Wilson E. Judice	Audit	2021	2027	9	6	13,570	4,200	17,770
J. Kevin Kimsey	Credit	2023	2026	7	6	9,988	3,200	13,188
W. Townsend Kyser, III	Audit	2023	2026	9	10	12,390	8,915	21,305
George G. LaCour, Jr.	Credit	2023	2026	9	6	12,450	7,533	19,983
Ray L. Makamson	Governance	2021	2024**	2	2	2,700	4,266	6,966
S. Alan Marsh	Credit, Retirement, Executive	2023	2026	12	8	12,864	8,598	21,462
James F. Martin, III	Governance, Retirement, Executive	2022	2025	11	7	14,220	14,646	28,866
Daniel C. Mattingly	Credit, Compensation, Retirement	2022	2025	10	11	12,253	13,843	26,095
R. Shepherd Morris	Governance, Compensation, Executive	2021	2027	13	11	14,040	12,078	26,118
C. Mark Nicholson	Credit	2024	2027	7	4	8,705	4,053	12,758
Thomas A. Parker	Governance, Compensation, Executive	2022	2025	10	6	7,587	5,845	13,433
Michael W. Patrick	Audit, Retirement, Executive	2021	2024**	5	3	3,060	2,220	5,280
Walter Rodney Richardson	Governance, Compensation	2021	2025	8	10	10,448	12,769	23,217
Roy M. Tucker, Jr.	Credit	2022	2025	9	6	12,301	5,985	18,287
Total						$ 275,571	$ 186,021	$ 461,593

** Includes board committee meetings and other board activities other than regular board meetings*
*** Following the recent election results, Mr. Ray L. Makamson's and Mr. Michael W. Patrick's terms concluded.*

Transactions with Senior Officers and Directors

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

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period. Aggregate fees paid by the Association for services rendered by its independent auditors for the year ended December 31, 2024 were as follows:

	2024
Independent Auditors	
PricewaterhouseCoopers LLP	
Audit services	$ 76,780

Audit fees were for the annual audit of the Consolidated Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2025 and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's unaudited quarterly reports are available upon request free of charge by calling 1-800-955-1722, or writing to Sarah Lutz, First South Farm Credit, ACA, 260 Trace Colony Park Drive, Ridgeland, MS 39157. Information concerning First South Farm Credit, ACA can be obtained by visiting the association website, www.firstsouthland.com. The Association prepares an electronic version of the Annual Report which is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this Annual Report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's website at www.agfirst.com. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of First South Farm Credit, ACA (Association) and in the opinion of the Board of Directors; each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

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

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance).* The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2024. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ Dr. Marty J. Fuller
Chairman of the Audit Committee

Members of Audit Committee

Amy C. Ellender
Richard T. Hargis
W. Townsend Kyser, III
R. Shepherd Morris
Walter Rodney Richardson
Robert Dale Thibodeaux

March 11, 2025

pwc

Report of Independent Auditors

To the Management and Board of Directors of First South Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of First South Farm Credit, ACA and its subsidiaries (the “Association”), which comprise the consolidated balance sheets as of December 31, 2024, 2023, and 2022, and the related consolidated statements of comprehensive income, of changes in members’ equity and of cash flows for 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.

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

Other Information

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

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Cash	**$ 164**	$ 120	$ 125
Loans	**3,188,699**	3,030,634	2,935,532
Allowance for credit losses on loans	**(15,482)**	(13,956)	(20,622)
Net loans	**3,173,217**	3,016,678	2,914,910
Accrued interest receivable	**35,770**	31,892	26,107
Equity investments in other Farm Credit institutions	**89,916**	91,987	79,041
Premises and equipment, net	**28,248**	19,147	18,251
Other property owned	**356**	507	35
Accounts receivable	**27,586**	27,596	22,179
Other assets	**1,056**	1,015	1,224
Total assets	**$ 3,356,313**	$ 3,188,942	$ 3,061,872
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 2,628,047**	$ 2,495,740	$ 2,411,438
Accrued interest payable	**8,348**	7,994	6,329
Patronage refunds payable	**32,312**	33,126	21,048
Accounts payable	**3,533**	6,742	7,024
Other liabilities	**17,790**	18,486	25,344
Total liabilities	**2,690,030**	2,562,088	2,471,183
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**50,452**	52,873	52,613
Retained earnings			
Allocated	**256,357**	256,357	256,357
Unallocated	**354,559**	324,634	294,889
Accumulated other comprehensive income (loss)	**4,915**	(7,010)	(13,170)
Total members' equity	**666,283**	626,854	590,689
Total liabilities and members' equity	**$ 3,356,313**	$ 3,188,942	$ 3,061,872

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Interest Income			
Loans	**$ 184,693**	$ 158,294	$ 134,333
Interest Expense	**95,217**	83,143	63,402
Net interest income	**89,476**	75,151	70,931
Provision for credit losses	**1,732**	538	1,000
Net interest income after provision for credit losses	**87,744**	74,613	69,931
Noninterest Income			
Loan fees	**2,276**	3,050	3,640
Fees for financially related services	**1,911**	1,802	1,717
Patronage refunds from other Farm Credit institutions	**27,230**	26,732	35,243
Gains (losses) on sales of premises and equipment, net	**556**	824	518
Insurance Fund refunds	**815**	—	—
Other noninterest income	**48**	49	75
Total noninterest income	**32,836**	32,457	41,193
Noninterest Expense			
Salaries and employee benefits	**33,013**	29,465	30,590
Occupancy and equipment	**2,506**	2,197	2,203
Insurance Fund premiums	**2,488**	4,157	4,530
Purchased services	**11,650**	653	1,259
Data processing	**454**	447	448
Other operating expenses	**8,519**	9,576	5,146
(Gains) losses on other property owned, net	**1**	(5)	(180)
Total noninterest expense	**58,631**	46,490	43,996
Income before income taxes	**61,949**	60,580	67,128
Provision for income taxes	**13**	1	37
Net income	**$ 61,936**	$ 60,579	$ 67,091
Other comprehensive income net of tax			
Employee benefit plans adjustments	**11,925**	6,160	2,087
Comprehensive income	**$ 73,861**	$ 66,739	$ 69,178

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 53,098	$ 256,357	$ 248,756	$ (15,257)	$ 542,954
Comprehensive income			67,091	2,087	69,178
Capital stock/participation certificates issued/(retired), net	(485)				(485)
Patronage distribution					
Cash			(21,000)		(21,000)
Patronage distribution adjustment			42		42
Balance at December 31, 2022	$ 52,613	$ 256,357	$ 294,889	$ (13,170)	$ 590,689
Cumulative effect of change in accounting principle			5,570		5,570
Comprehensive income			60,579	6,160	66,739
Capital stock/participation certificates issued/(retired), net	260				260
Patronage distribution					
Cash			(32,946)		(32,946)
Patronage distribution adjustment			(3,458)		(3,458)
Balance at December 31, 2023	$ 52,873	$ 256,357	$ 324,634	$ (7,010)	$ 626,854
Comprehensive income			**61,936**	**11,925**	**73,861**
Capital stock/participation certificates issued/(retired), net	**(2,421)**				**(2,421)**
Patronage distribution					
Cash			**(32,011)**		**(32,011)**
Balance at December 31, 2024	**$ 50,452**	**$ 256,357**	**$ 354,559**	**$ 4,915**	**$ 666,283**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 61,936**	$ 60,579	$ 67,091
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**1,723**	1,411	1,285
Amortization (accretion) of net deferred loan costs (fees)	**(899)**	(423)	(340)
Provision for credit losses	**1,732**	538	1,000
(Gains) losses on other property owned	**1**	(5)	(196)
(Gains) losses on sales of premises and equipment, net	**(556)**	(824)	(518)
Changes in operating assets and liabilities:			
Origination of loans held for sale	**—**	(688)	(1,702)
Proceeds from sales of loans held for sale, net	**—**	688	1,702
(Increase) decrease in accrued interest receivable	**(3,878)**	(5,785)	(5,364)
(Increase) decrease in accounts receivable	**10**	(5,417)	23,784
(Increase) decrease in other assets	**(41)**	209	28
Increase (decrease) in accrued interest payable	**354**	1,665	1,865
Increase (decrease) in accounts payable	**(3,209)**	(282)	2,290
Increase (decrease) in other liabilities	**11,459**	(1,300)	(2,128)
Total adjustments	**6,696**	(10,213)	21,706
Net cash provided by (used in) operating activities	**68,632**	50,366	88,797
Cash flows from investing activities:			
Net (increase) decrease in loans	**(158,809)**	(96,183)	(162,051)
(Increase) decrease in equity investments in other Farm Credit institutions	**2,071**	(12,946)	(13,566)
Purchases of premises and equipment	**(10,810)**	(2,307)	(5,717)
Proceeds from sales of premises and equipment	**542**	824	575
Proceeds from sales of other property owned	**1,357**	5	567
Net cash provided by (used in) investing activities	**(165,649)**	(110,607)	(180,192)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**132,307**	84,302	117,948
Capital stock and participation certificates issued/(retired), net	**(2,421)**	260	(485)
Patronage refunds and dividends paid	**(32,825)**	(24,326)	(26,149)
Net cash provided by (used in) financing activities	**97,061**	60,236	91,314
Net increase (decrease) in cash	**44**	(5)	(81)
Cash, beginning of period	**120**	125	206
Cash, end of period	**$ 164**	$ 120	$ 125
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ 1,207**	$ 472	$ —
Estimated cash dividends or patronage distributions declared or payable	**32,011**	32,946	21,000
Cumulative effect of change in accounting principle	**—**	5,570	—
Employee benefit plans adjustments (Note 9)	**(11,925)**	(6,160)	(2,087)
Supplemental information:			
Interest paid	**$ 94,863**	$ 81,478	$ 61,537
Taxes (refunded) paid, net	**4**	13	31

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** First South Farm Credit, ACA (the Association or ACA) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in all counties in the states of Alabama and Mississippi, and all but certain parishes within the northwestern portion of Louisiana. The counties and parishes in the respective states are as follows:

Alabama: Autauga, Baldwin, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Cherokee, Chilton, Choctaw, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, De Kalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marengo, Marion, Marshall, Mobile, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, St. Clair, Shelby, Sumter, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox and Winston.

Mississippi: Adams, Alcorn, Amite, Attala, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Choctaw, Claiborne, Clarke, Clay, Coahoma, Copiah, Covington, Desoto, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Itawamba, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lafayette, Lamar, Lauderdale, Lawrence, Leake, Lee, Leflore, Lincoln, Lowndes, Madison, Marion, Marshall, Monroe, Montgomery, Neshoba, Newton, Noxubee, Oktibbeha, Panola, Pearl River, Perry, Pike, Pontotoc, Prentiss, Quitman, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Walthall, Warren, Washington, Wayne, Webster, Wilkinson, Winston, Yalobusha and Yazoo.

Louisiana: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Calcasieu, Caldwell, Cameron, Catahoula, Concordia, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jefferson, Jefferson Davis, La Salle, Lafayette, Lafourche, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita (parts), Plaquemines, Pointe Coupee, Rapides, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John The Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Vermilion, Vernon, Washington, West Baton Rouge, West Carroll, West Feliciana and Winn.

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

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

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

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

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

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

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

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

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

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

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

B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.

C. **Loans and Allowance for Credit Losses (ACL):** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

Nonaccrual Loans
Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the ACL (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable
The Association adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. An entity is required to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, the Association adopted the fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses
The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance was applied on a modified retrospective basis. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Consolidated Balance Sheets
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other Liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Consolidated Balance Sheets.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans
The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value accounting adjustments.

The Association employs a disciplined process and methodology to establish its 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.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the ACL.

In estimating the component of the ACLL that relates to loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The credit risk rating methodology is a key component of the Association's ACLL evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

The components of the ACLL that share common risk characteristics also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10^{th} percent and downside 90^{th} percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled 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. The economic forecasts are updated on a quarterly basis.

Allowance for Credit Losses on Unfunded Commitments
The Association evaluates the need for an ACL on unfunded commitments and, if required, an amount is recognized and included in Other Liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the ACLL. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

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

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

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

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

Investment Income
Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

I. **Employee Benefit Plans:** The Association employees may participate in Association, District and/or multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Single Employer Defined Benefit Plan
Certain employees depending on date of employment may participate in the First South Farm Credit, ACA Retirement Plan (the First South Plan), a defined benefit plan. The First South Plan is noncontributory and includes eligible Association employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes. Since the First South Plan is a single employer plan, the Association records the First South Plan's funded status and equity items related to prior service cost, accumulated other comprehensive income (loss) and prepaid (accrued) pension expense. The adjustment to other comprehensive income (loss) would be net of deferred taxes, if significant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for credit losses on loans, see Note 2 subsection C above.

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Real estate mortgage	$ 2,488,457	$ 2,390,611	$ 2,359,912
Production and intermediate-term	493,687	461,291	424,215
Agribusiness:			
Loans to cooperatives	5,753	5,421	5,564
Processing and marketing	126,446	90,353	88,401
Farm-related business	22,373	32,459	23,992
Rural infrastructure:			
Communication	9,374	10,274	10,377
Power and water/waste disposal	18,997	19,298	3,420
Rural residential real estate	23,612	20,927	19,651
Total loans	$ 3,188,699	$ 3,030,634	$ 2,935,532

A substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Real estate loans are collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

December 31, 2024	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,022	$ 12,852	$ 5,712	$ –	$ 16,734	$ 12,852
Production and intermediate-term	8,136	746,756	112	–	8,248	746,756
Agribusiness	75,824	32,279	–	–	75,824	32,279
Rural infrastructure	28,458	–	–	–	28,458	–
Rural residential real estate	–	–	32	–	32	–
Total	$ 123,440	$ 791,887	$ 5,856	$ –	$ 129,296	$ 791,887

December 31, 2023	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,840	$ 7,952	$ 6,764	$ –	$ 18,604	$ 7,952
Production and intermediate-term	10,697	761,036	135	–	10,832	761,036
Agribusiness	51,730	22,853	16,547	–	68,277	22,853
Rural infrastructure	29,665	–	–	–	29,665	–
Rural residential real estate	–	–	34	–	34	–
Total	$ 103,932	$ 791,841	$ 23,480	$ –	$ 127,412	$ 791,841

December 31, 2022	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 12,600	$ 9,389	$ 8,257	$ –	$ 20,857	$ 9,389
Production and intermediate-term	11,169	749,851	156	–	11,325	749,851
Agribusiness	41,691	26,635	16,739	–	58,430	26,635
Rural infrastructure	13,833	–	–	–	13,833	–
Rural residential real estate	–	–	35	–	35	–
Total	$ 79,293	$ 785,875	$ 25,187	$ –	$ 104,480	$ 785,875

Loan Quality

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

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

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

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

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

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

	December 31,		
	2024	**2023**	**2022***
Real estate mortgage:			
Acceptable	96.68%	98.02%	98.19%
OAEM	2.69	1.49	1.30
Substandard/doubtful/loss	0.63	0.49	0.51
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	85.23%	94.30%	94.90%
OAEM	13.10	4.36	3.62
Substandard/doubtful/loss	1.67	1.34	1.48
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	94.77%	94.67%	99.19%
OAEM	4.77	4.70	0.81
Substandard/doubtful/loss	0.46	0.63	–
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	99.02%	99.09%	99.18%
OAEM	0.56	0.37	0.18
Substandard/doubtful/loss	0.42	0.54	0.64
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	94.86%	97.34%	97.77%
OAEM	4.36	2.04	1.60
Substandard/doubtful/loss	0.78	0.62	0.63
	100.00%	100.00%	100.00%

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

Accrued interest receivable on loans of $35,770, $31,892 and $26,107 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	December 31, 2024				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 11,575	$ 1,223	$ 12,798	$ 2,475,659	$ 2,488,457
Production and intermediate-term	4,267	1,595	5,862	487,825	493,687
Agribusiness	11	714	725	153,847	154,572
Rural infrastructure	–	–	–	28,371	28,371
Rural residential real estate	57	3	60	23,552	23,612
Total	$ 15,910	$ 3,535	$ 19,445	$ 3,169,254	$ 3,188,699

	December 31, 2023				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 11,883	$ 1,162	$ 13,045	$ 2,377,566	$ 2,390,611
Production and intermediate-term	2,150	2,333	4,483	456,808	461,291
Agribusiness	13	814	827	127,406	128,233
Rural infrastructure	–	–	–	29,572	29,572
Rural residential real estate	18	–	18	20,909	20,927
Total	$ 14,064	$ 4,309	$ 18,373	$ 3,012,261	$ 3,030,634

Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

	December 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 7,210	$ 781	$ 7,991	$ 2,371,111	$ 2,379,102
Production and intermediate-term	1,277	272	1,549	428,491	430,040
Agribusiness	959	–	959	117,999	118,958
Rural infrastructure	–	–	–	13,803	13,803
Rural residential real estate	19	–	19	19,717	19,736
Total	$ 9,465	$ 1,053	$ 10,518	$ 2,951,121	$ 2,961,639

There were no accruing loans greater than 90 days past due as of December 31, 2024 and 2023. The Association had accruing loans greater than 90 days past due of $5 as of December 31, 2022.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as, interest income recognized on nonaccrual loans during the period ended December 31, 2024 and 2023:

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Real estate mortgage	$ –	$ 3,325	$ 3,325	$ 191
Production and intermediate-term	1,602	674	2,276	130
Agribusiness	–	714	714	41
Rural residential real estate	–	15	15	1
Total	$ 1,602	$ 4,728	$ 6,330	$ 363

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	$ 1,291	$ 2,679	$ 3,970	$ 141
Production and intermediate-term	1,583	1,728	3,311	118
Agribusiness	–	814	814	29
Total	$ 2,874	$ 5,221	$ 8,095	$ 288

Prior to the adoption of CECL on January 1, 2023, the following disclosures of impaired loans were required. Within the below table, impaired loans included nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due and the amounts included accrued interest. See previously required disclosures of impaired loans in the following table:

	December 31, 2022			Year Ended December 31, 2022	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Production and intermediate-term	$ 207	$ 214	$ 111	$ 180	$ 5
Total	$ 207	$ 214	$ 111	$ 180	$ 5
With no related allowance for credit losses:					
Real estate mortgage	$ 1,549	$ 3,497	$ –	$ 1,346	$ 34
Production and intermediate-term	1,882	3,458	–	1,635	41
Total	$ 3,431	$ 6,955	$ –	$ 2,981	$ 75
Total:					
Real estate mortgage	$ 1,549	$ 3,497	$ –	$ 1,346	$ 34
Production and intermediate-term	2,089	3,672	111	1,815	46
Total	$ 3,638	$ 7,169	$ 111	$ 3,161	$ 80

Additionally, total nonaccruals by loan type, including accrued interest, as of December 31, 2022, are included in the table below:

	Total Nonaccrual
Real estate mortgage	$ 1,549
Production and intermediate-term	1,812
Total	$ 3,361

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	$ 11,108	$ 2,416	$ 356	$ 27	$ 49	$ –	$ 13,956
Charge-offs	–	(583)	–	–	–	–	(583)
Recoveries	1	146	–	–	–	–	147
Provision for credit losses on loans	82	1,760	146	(16)	(10)	–	1,962
Balance at December 31, 2024	$ 11,191	$ 3,739	$ 502	$ 11	$ 39	$ –	$ 15,482
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	$ 390	$ 122	$ 90	$ –	$ –	$ –	$ 602
Provision for unfunded commitments	(283)	82	(31)	–	–	2	(230)
Balance at December 31, 2024	$ 107	$ 204	$ 59	$ –	$ –	$ 2	$ 372
Total allowance for credit losses	$ 11,298	$ 3,943	$ 561	$ 11	$ 39	$ 2	$ 15,854
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	$ 15,717	$ 4,025	$ 687	$ 73	$ 120	$ –	$ 20,622
Cumulative effect of a change in accounting principle	(2,788)	(2,665)	(347)	(63)	(67)	–	(5,930)
Balance at January 1, 2023	$ 12,929	$ 1,360	$ 340	$ 10	$ 53	$ –	$ 14,692
Charge-offs	(59)	(1,004)	–	–	–	–	(1,063)
Recoveries	19	12	–	–	–	–	31
Provision for credit losses on loans	(1,781)	2,048	16	17	(4)	–	296
Balance at December 31, 2023	$ 11,108	$ 2,416	$ 356	$ 27	$ 49	$ –	$ 13,956
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative effect of a change in accounting principle	127	120	113	–	–	–	360
Balance at January 1, 2023	$ 127	$ 120	$ 113	$ –	$ –	$ –	$ 360
Provision for unfunded commitments	263	2	(23)	–	–	–	242
Balance at December 31, 2023	$ 390	$ 122	$ 90	$ –	$ –	$ –	$ 602
Total allowance for credit losses	$ 11,498	$ 2,538	$ 446	$ 27	$ 49	$ –	$ 14,558

Prior to the adoption of CECL on January 1, 2023, the allowance for loan losses was based on probable and estimable losses incurred in the loan portfolio. A summary of changes in the allowance for loan losses and period-end loans including accrued interest is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Total
Activity related to the allowance for loan losses:						
Balance at December 31, 2021	$ 15,138	$ 3,650	$ 719	$ 38	$ 119	$ 19,664
Charge-offs	(47)	(123)	–	–	–	(170)
Recoveries	–	128	–	–	–	128
Provision for loan losses	626	370	(32)	35	1	1,000
Balance at December 31, 2022	$ 15,717	$ 4,025	$ 687	$ 73	$ 120	$ 20,622
Allowance on loans evaluated for impairment:						
Individually	$ –	$ 111	$ –	$ –	$ –	$ 111
Collectively	15,717	3,914	687	73	120	20,511
Balance at December 31, 2022	$ 15,717	$ 4,025	$ 687	$ 73	$ 120	$ 20,622
Recorded investment in loans evaluated for impairment:						
Individually	$ 1,549	$ 2,089	$ –	$ –	$ –	$ 3,638
Collectively	2,377,553	427,951	118,958	13,803	19,736	2,958,001
Balance at December 31, 2022	$ 2,379,102	$ 430,040	$ 118,958	$ 13,803	$ 19,736	$ 2,961,639

The Association had no loans held for sale at December 31, 2024, 2023, and 2022.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2024 and 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and 2023. There were no modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

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

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

	Year Ended December 31, 2022*				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	$ –	$ 231	$ –	$ 231	
Total	$ –	$ 231	$ –	$ 231	
Post-modification:					
Production and intermediate-term	$ –	$ 231	$ –	$ 231	$ –
Total	$ –	$ 231	$ –	$ 231	$ –

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

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the year ended December 31, 2022. Payment default is defined as a payment that was thirty days or more past due.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table.

	December 31, 2022*	
	Total TDRs	Nonaccrual TDRs
Real estate mortgage	$ 23	$ 23
Production and intermediate-term	643	371
Total loans	$ 666	$ 394
Additional commitments to lend	$ –	

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

Note 4 — Investments

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled $50,390 for 2024, $49,716 for 2023 and $36,667 for 2022. The Association owned 8.96 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled $47.0 billion and shareholders' equity totaled $1.7 billion. The Bank's earnings were $283 million for 2024. In addition, the Association had investments of $1,408 related to other Farm Credit institutions at December 31, 2024. The Bank had a reciprocal investment in the Association of $38,118 representing 7,623,631 shares of its nonvoting common stock at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2024	2023	2022
Land	$ 4,602	$ 4,014	$ 3,730
Buildings and improvements	26,418	18,717	18,352
Furniture and equipment	8,720	6,732	6,035
	39,740	29,463	28,117
Less: accumulated depreciation	11,492	10,316	9,866
Total	$ 28,248	$ 19,147	$ 18,251

Note 6 — Debt

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

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

	December 31,		
	2024	2023	2022
Line of credit	$ 2,881,000	$ 2,804,000	$ 3,000,000
Outstanding principal under the line of credit	2,628,047	2,495,740	2,411,438
Interest rate	3.69%	3.44%	2.66%

Note 7 — Members' Equity

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

A. **Protected Borrower Stock:** Protection of certain borrower stock is provided under the Farm Credit Act, which requires the Association, when retiring protected borrower stock, to retire such stock at par or stated value regardless of its book value. Protected borrower stock includes capital stock and participation certificates, which were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower stock at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

B. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 2 percent of the loan, or $1 thousand, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

C. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

The capital regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	17.14%	17.31%	16.81%
Tier 1 Capital	6.0%	2.5%	8.5%	17.14%	17.31%	16.81%
Total Capital	8.0%	2.5%	10.5%	17.61%	17.82%	17.47%
Permanent Capital	7.0%	0.0%	7.0%	17.26%	17.45%	16.97%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	17.79%	18.00%	17.41%
URE and UREE Leverage	1.5%	0.0%	1.5%	12.29%	12.15%	11.47%

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

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

D. **Description of Equities:** The Association is authorized to issue or have outstanding Class A Nonvoting Common Stock, Class C Voting Common Stock, and Class D Preferred Stock, and nonvoting Participation Certificates. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

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

		Shares Outstanding	
Class	Protected	Number	Aggregate Par Value
A Common/Nonvoting	No	30,830	$ 154
C Common/Voting	No	2,352,225	11,761
A Common Issued to Bank/Nonvoting	No	7,623,631	38,118
C Participation Certificates/Nonvoting	No	83,639	419
Total Capital Stock and Participation Certificates		10,090,325	$ 50,452

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Surplus Accounts

The Association maintains an unallocated surplus account and an allocated surplus account. The minimum aggregate amounts of these two accounts shall be prescribed by the Farm Credit Act and the FCA regulations. The allocated surplus account consists of earnings held therein and allocated to borrowers on a patronage basis.

In the event of a net loss for any fiscal year, such loss shall be absorbed by, first, charges to the unallocated surplus account; second, impairment of paid-in surplus; and third, impairment of the allocated surplus account on the basis of latest allocations first.

The Association shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for such borrower's indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation, the Association may, upon notice to the borrower, order any and all surplus account allocations owned by such borrower to be applied against the indebtedness. Any such retirement and application against indebtedness of surplus account allocations shall be before similar retirement and application of stock or participation certificates owned by the borrower.

When all of the stock and participation certificates of the Association owned by a borrower are retired or otherwise disposed of, any surplus account allocations owned by such borrower may also be retired upon request by the borrower and subject to the approval of the Board, and the proceeds paid to the borrower. Alternatively, if the Board so directs, upon notice to the borrower such surplus account allocations may be applied against any of the borrower's indebtedness to the Association.

Subject to the Farm Credit Act and FCA regulations, allocated surplus may be distributed in cash, oldest allocations first. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Farm Credit Act and FCA regulations. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met.

At December 31, 2024, allocated members' equity consisted of $126,433 of nonqualified allocated surplus and $129,924 of nonqualified retained surplus.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

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

Transfer

Stock and participation certificates may be transferred only to persons eligible to purchase and hold such stock or participation certificates.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Allocated Surplus
2. Class A Nonvoting Common Stock and Class C Voting Common Stock and unit of participation certificates outstanding.
3. Class D Preferred Stock Liquidation

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to the holders of stock and participation certificates in the following order of priority:

1. To the holders of Class D Preferred Stock, if any, pro rata in proportion to the number of shares then issued and outstanding until an amount equal to the aggregate par value of all such shares has been distributed to all such holders.
2. To the holders of Class A Nonvoting Common Stock and Class C Voting Common Stock and participation certificates, pro rata in proportion to the number of shares or units of each such class of stock or
3. Participation certificates then issued and outstanding until an amount equal to the aggregate par value of all such shares or units have been distributed to all such holders.
4. To the holders of allocated surplus evidenced by written notices of allocation on a pro-rata basis until all such allocated surplus has been distributed to such holders.
5. Any remaining assets of the Association after such distributions shall be distributed to the holders of Class A Nonvoting Common Stock and Class C Voting Common Stock, and participation certificates, pro rata in proportion to the number of shares or units then outstanding.

E. **Accumulated Other Comprehensive Income (AOCI):**

	Changes in Accumulated Other Comprehensive income by Component *(a)*		
	For the Year Ended December 31,		
	2024	2023	2022
Employee Benefit Plans:			
Balance at beginning of period	$ (7,010)	$ (13,170)	$ (15,257)
Other comprehensive income before reclassifications	11,925	5,690	1,760
Amounts reclassified from AOCI	–	470	327
Net current period OCI	11,925	6,160	2,087
Balance at end of period	$ 4,915	$ (7,010)	$ (13,170)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*			
	For the Year Ended December 31,			
	2024	2023	2022	Income Statement Line Item
Defined Benefit Pension Plans:				
Periodic pension costs	$ –	$ (470)	$ (327)	See Note 9.
Amounts reclassified	$ –	$ (470)	$ (327)	

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

Note 8 — Fair Value Measurement

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

The following tables summarize assets measured at fair value at period end:

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 11	$ –	$ –	$ 11
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 204	$ 204
Other property owned	$ –	$ –	$ 372	$ 372

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ –	$ –	$ –	$ –
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 1,604	$ 1,604
Other property owned	$ –	$ –	$ 588	$ 588

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ –	$ –	$ –	$ –
Nonrecurring assets				
Impaired loans*	$ –	$ –	$ 96	$ 96
Other property owned	$ –	$ –	$ 39	$ 39

******Prior to adoption of CECL on January 1, 2023, the fair value of impaired loans included accruing restructured loans and loans past due 90 days and accruing.*

Valuation Techniques

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

Nonaccrual loans
Fair values of nonaccrual loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, and are therefore classified as Level 3.

Other property owned
For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management’s knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 9 — Employee Benefit Plans

The Association participates in a single employer qualified benefit plan and two District sponsored qualified benefit plans. These plans include the First South Farm Credit, ACA Retirement Plan (the First South Plan), which is a single employer final average pay plan. In addition, the Association participates in a multiemployer defined benefit other postretirement employee benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

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

Substantially all employees of the Association hired before January 1, 2009 are eligible to participate in the First South Plan which is a defined benefit plan. This plan is noncontributory, and benefits are based on eligible compensation and years of service. Contributions into the First South Plan were $1,323 for 2024, $1,600 for 2023, and $1,600 for 2022. Expenses for the First South plan were $(75) for 2024, $1,062 for 2023, and $(1,173) for 2022. Service cost is recorded in salaries and benefits and all other cost including interest costs, expected return on assets and amortization of gains and losses are recorded in other operating costs.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $788 for 2024, $804 for 2023, and $760 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,643, $160,980, and $167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2008, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2009, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $1,559, $1,368 and $1,339 for the years ended December 31, 2024, 2023, and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2008.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2024, 2023, and 2022, $11,925, $6,160 and $2,087, respectively, has been recognized as net credits to AOCI to reflect these elements.

The funding status and the amounts recognized in the Consolidated Balance Sheets of the Association at December 31, for the retirement plan follow:

	Pension Benefits		
	2024	2023	2022
Change in benefit obligation			
Benefit obligation at beginning of year	$ 104,620	$ 101,008	$ 130,982
Service cost	1,162	1,144	2,043
Interest cost	5,061	5,076	3,774
Actuarial loss (gain)	(7,778)	3,480	(30,382)
Benefits paid	(6,244)	(6,088)	(5,409)
Benefit obligation at end of year	$ 96,821	$ 104,620	$ 101,008
Change in plan assets			
Fair value of plan assets, beginning of year	$ 100,274	$ 89,963	$ 115,078
Actual return on plan assets	10,743	15,053	(21,082)
Employer contributions	1,323	1,600	1,600
Benefits paid	(6,244)	(6,088)	(5,409)
Expenses	(300)	(254)	(224)
Fair value of plan assets, end of year	$ 105,796	$ 100,274	$ 89,963
Funded status	$ 8,975	$ (4,346)	$ (11,045)
Fourth quarter contributions	–	–	–
Net amount recognized	$ 8,975	$ (4,346)	$ (11,045)
Amounts recognized consist of:			
Pension assets	$ 8,975	$ –	$ –
Pension liabilities	–	(4,346)	(11,045)
Net amount recognized	$ 8,975	$ (4,346)	$ (11,045)

The following represent the amounts included in accumulated other comprehensive income at December 31:

	2024	2023	2022
Net actuarial loss (gain)	$ (4,915)	$ 7,010	$ 13,170
Prior service costs (credit)	–	–	–
Net transition obligation (asset)	–	–	–
Total amount recognized in OCI	$ (4,915)	$ 7,010	$ 13,170

The accumulated benefit obligation for the defined benefit plans was $91,906, $98,458, and $95,336 at December 31, 2024, 2023 and 2022, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2024	2023	2022
Projected benefit obligation	$ 96,821	$ 104,620	$ 101,008
Accumulated benefit obligation	91,906	98,458	95,336
Fair value of plan assets	105,796	100,274	89,963

Components of net periodic benefit cost and other amounts recognized in net income for the years ended December 31 are as follows:

	Pension Benefits		
	2024	2023	2022
Net periodic benefit (income) cost			
Service cost	$ 1,162	$ 1,144	$ 2,043
Interest cost	5,061	5,076	3,774
Expected return on plan assets	(6,298)	(5,628)	(7,317)
Amortization of net (gain) loss	–	470	327
Amortization of prior service cost	–	–	–
Net periodic benefit (income) cost	$ (75)	$ 1,062	$ (1,173)

Other changes in plan assets and benefit obligations recognized in other comprehensive income follows:

	2024	2023	2022
Net actuarial loss (gain)	$ (11,925)	$ (5,690)	$ (1,760)
Amortization of net actuarial loss (gain)	–	(470)	(327)
Adjustment for adoption of new accounting guidance	–	–	–
Amortization of prior service cost	–	–	–
Amortization of transition obligation (asset)	–	–	–
Total recognized in other comprehensive income	$ (11,925)	$ (6,160)	$ (2,087)
Total recognized in net periodic pension cost and other comprehensive income	$ (12,000)	$ (5,098)	$ (3,260)

The total estimated net actuarial gain, transition asset/liabilities and prior service cost for the pension plan that will be amortized into income during 2025 is $0.

Assumptions:	**2024**	**2023**	**2022**
Weighted-average assumptions used to determine benefit obligations at December 31			
Discount rate	5.70%	5.00%	5.20%
Rate of compensation increase	5.00%	5.00%	5.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31			
Discount rate	5.00%	5.20%	2.95%
Expected long-term return on plan assets	6.50%	6.50%	6.50%
Rate of compensation increase	5.00%	5.00%	5.00%

In 2024, 2023, and 2022, the Association used a long-term rate of return of 6.50 percent. The assumption is based on the target allocation for plan assets and capital market forecasts for the asset classes employed. Prevailing market conditions and historical results were used to determine the capital market forecasts used in this 6.50 percent return assumption for 2024.

Plan Assets

Plan assets are invested in a number of different asset classes, with each asset class further diversified through the engagement of a number of independent investment managers. This diversification across asset classes and investment managers reduces the investment risk of the plan and avoids any concentration of risk. To further ensure that excessive risk concentrations are avoided, holdings and performance of fund managers is monitored quarterly by an outside pension consulting firm and by the Association retirement committee. There were no significant concentrations of investment risk as of December 31, 2024.

Target allocation for asset categories for 2024 are as follows:	
Asset Category	
Equity securities	55%
Debt securities	45%
	100%

	Actual Plan Asset Allocation		
	2024	**2023**	**2022**
Equity Securities	54%	70%	69%
Debt Securities	45%	28%	30%
Other	1%	2%	1%
	100%	100%	100%

The fair values of the Association's pension plan assets by asset category are as follows. See Notes 2 and 8 regarding a description of the three levels of inputs and the classification within the fair value hierarchy.

	Fair Value Measurements at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Asset Category				
Cash and cash equivalents	$ 1,514	$ –	$ –	$ 1,514
Mutual funds:				
Domestic equity funds	86,288	7,922	–	94,210
International equity funds	–	–	–	–
Common Collective Trust:				
Fixed income fund	–	10,072	–	10,072
Fixed income securities:				
U.S. Treasuries	–	–	–	–
Corporate bonds	–	–	–	–
Mortgage-backed securities	–	–	–	–
Collateralized mortgage obligations	–	–	–	–
Foreign bonds	–	–	–	–
Common stock	–	–	–	–
Total assets in the fair value hierarchy	$ 87,802	$ 17,994	$ –	$ 105,796
Investments measured at net asset value				–
Total assets at fair value				$ 105,796

	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Asset Category				
Cash and cash equivalents	$ 1,140	$ –	$ –	$ 1,140
Mutual funds:				
Domestic equity funds	88,237	10,896	–	99,133
International equity funds	–	–	–	–
Common Collective Trust:				
Fixed income fund	–	–	–	–
Fixed income securities:				
U.S. Treasuries	–	–	–	–
Corporate bonds	–	–	–	–
Mortgage-backed securities	–	–	–	–
Collateralized mortgage obligations	–	–	–	–
Foreign bonds	–	–	–	–
Common stock	1	–	–	1
Total assets in the fair value hierarchy	$ 89,378	$ 10,896	$ –	$ 100,274
Investments measured at net asset value				–
Total assets at fair value				$ 100,274

	Fair Value Measurements at December 31, 2022			
	Level 1	Level 2	Level 3	Total Fair Value
Asset Category				
Cash and cash equivalents	$ 825	$ –	$ –	$ 825
Mutual funds:				
Domestic equity funds	80,220	8,917	–	89,137
International equity funds	–	–	–	–
Common Collective Trust:				
Fixed income fund	–	–	–	–
Fixed income securities:				
U.S. Treasuries	–	–	–	–
Corporate bonds	–	–	–	–
Mortgage-backed securities	–	–	–	–
Collateralized mortgage obligations	–	–	–	–
Foreign bonds	–	–	–	–
Common stock	1	–	–	1
Total assets in the fair value hierarchy	$ 81,046	$ 8,917	$ –	$ 89,963
Investments measured at net asset value				–
Total assets at fair value				$ 89,963

Cash Flows

Contributions: The total employer contribution expected during 2025 is $1,323.

Estimated Benefit Payments: Estimated future benefit payments are as follows:

2025	$ 6,911
2026	$ 7,098
2027	$ 7,211
2028	$ 7,506
2029	$ 7,524
2030-2034	$ 36,796

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

In addition to the multiemployer plans described above, the Association sponsors a nonqualified supplemental 401(k) plan. The expenses of this nonqualified plan included in noninterest expenses were $9, $11, and $0 for 2024, 2023, and 2022, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2024 amounted to $56,162. During 2024, $38,943 of new loans were made and repayments totaled $22,423. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectibility.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending. In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, $489,800 of commitments to extend credit and no commercial letters of credit were outstanding. A reserve for unfunded commitments of $372 was included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2024.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled $1,123 with expiration dates ranging from January 2, 2025 to August 19, 2027. The maximum potential amount of future payments that may be required under these guarantees was $1,123.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ 11	$ 2	$ 31
State	2	(1)	6
	13	1	37
Deferred:			
Federal	–	–	–
State	–	–	–
Total provision (benefit) for income taxes	$ 13	$ 1	$ 37

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31,		
	2024	2023	2022
Federal tax at statutory rate	$ 13,009	$ 12,722	$ 14,097
State tax, net	2	(1)	6
Patronage distributions	(6,722)	(6,919)	(4,401)
Tax-exempt FLCA earnings	(6,473)	(4,395)	(9,270)
Change in valuation allowance	(999)	(757)	(292)
Change in FASB guidance, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" Liability	1,264	617	141
Other	(68)	(1,266)	(244)
Provision (benefit) for income taxes	$ 13	$ 1	$ 37

In late December 2017, federal tax legislation was enacted which, among other things, lowered the federal corporate tax rate from 35% to 21% beginning on January 1, 2018. The change to the lower corporate tax rate led to an insignificant remeasurement of the deferred tax liabilities and deferred tax assets in 2017, the period of enactment. Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for loan losses	$ 645	$ 541	$ 821
Nonaccrual loan interest	958	844	733
Pensions and other postretirement benefits	405	1,677	2,296
Loan origination fees	–	–	76
Depreciation	203	156	136
Other reserves and allowances	16	23	–
Gross deferred tax assets	2,227	3,241	4,062
Less: valuation allowance	(296)	(1,303)	(2,060)
Gross deferred tax assets, net of valuation allowance	–	–	–
Deferred income tax liabilities:			
FLCA NQ Future Distributions	(1,388)	(1,388)	(1,389)
2022 Special Patronage	(613)	(613)	(613)
Loan origination fees	70	63	–
Gross deferred tax liability	(1,931)	(1,938)	(2,002)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately $55.7 million of patronage refunds received from the Bank prior to January 1, 1993.

Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of $(296), $1,303 and $2,060 as of December 31, 2024, 2023 and 2022 respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2024 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The tax years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2024				
	First	Second	Third	Fourth	Total
Net interest income	$ 21,371	$ 22,197	$ 22,879	$ 23,029	$ 89,476
Provision for (reversal of) allowance for credit losses	940	1,039	(394)	147	1,732
Noninterest income (expense), net	(5,837)	(6,061)	(6,789)	(7,121)	(25,808)
Net income	$ 14,594	$ 15,097	$ 16,484	$ 15,761	$ 61,936

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 18,193	$ 18,562	$ 19,693	$ 18,703	$ 75,151
Provision for (reversal of) allowance for credit losses	359	(1)	1,018	(838)	538
Noninterest income (expense), net	(4,058)	(4,007)	(3,547)	(2,422)	(14,034)
Net income	$ 13,776	$ 14,556	$ 15,128	$ 17,119	$ 60,579

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 16,635	$ 17,410	$ 18,567	$ 18,319	$ 70,931
Provision for (reversal of) allowance for loan losses	250	750	–	–	1,000
Noninterest income (expense), net	(4,982)	(5,464)	(2,709)	10,315	(2,840)
Net income	$ 11,403	$ 11,196	$ 15,858	$ 28,634	$ 67,091

Note 14 — Subsequent Events

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

First South
Farm Credit

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