First South Farm Credit, ACA

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly report of 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/ Robert Dale Thibodeaux
Chairman of the Board

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

May 9, 2025

First South Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

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

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

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

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

May 9, 2025

First South Farm Credit, ACA

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

(dollars in thousands)

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

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities. Concentrations within the portfolio include real estate, poultry, livestock, forestry, and various row crops. Farm size varies and many of the borrowers in the region have diversified farming operations. The variety of commodities, along with the increase in non-farm income borrowers in the area, reduces the level of dependency on any single commodity.

The total loan volume of the Association as of March 31, 2025, was $3,260,911, an increase of $72,212 as compared to $3,188,699 at December 31, 2024. The growth for the three month period is spread across a number of concentrations, with largest increases seen in real estate, timber, cattle and various row crops.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from $6,330 at December 31, 2024, to $9,319 at March 31, 2025. As a percent of total loans, nonaccrual loans were .29% and .20% at March 31, 2025 and December 31, 2024, respectively.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLL). The ACLL at March 31, 2025, was $15,792 or .48% of total loans compared to $15,482 or .49% of total loans at December 31, 2024, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

For the three months ended March 31, 2025

Net income for the three months ended March 31, 2025, was $13,829, a decrease of $765 as compared to net income of $14,594 for the same period ended in 2024. The decrease in net income primarily relates to an increase in noninterest expense. A more detailed explanation of the changes will be presented below.

For the three months ended March 31, 2025, net interest income was $22,556, an increase of $1,185, and the net interest margin was 2.84%, an increase of 23 basis points as compared to the same period ended in 2024. Net interest income increased period over period, with a portion of the increase a result of the change in the AgFirst direct note calculation that was implemented in the beginning of 2024. This contributed to the change in net interest margin.

The provision for credit losses for the three months ended March 31, 2025, was $477, a decrease of $463 from the provision for credit losses of $940 for the same period ended during the prior year.

Noninterest income decreased by $180 to $7,317 during the first three months of 2025 compared to the same period in 2024, primarily due to a $671 reduction in patronage received from the Association's funding bank. This decrease was partially offset by a $507 refund from the Farm Credit System Insurance Corporation, which was received in March 2025, whereas the previous year's refund was received in April.

For the three months ended March 31, 2025, noninterest expense increased by $2,238 to $15,569 compared to the same period in 2024. This increase was primarily due to higher costs in purchased services of $1,224, other operating expenses of $574, salaries and employee benefits of $501, and insurance fund premiums of $46. The increase was partially offset by reductions in data processing and occupancy and equipment expenses.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2025, was $2,676,764 as compared to $2,628,047 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was $680,182, an increase of $13,899 from a total of $666,283 at December 31, 2024. Total capital stock and participation certificates were $50,522 on March 31, 2025, compared to $50,452 on December 31, 2024.

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

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	17.13%	17.26%	17.29%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	16.99%	17.14%	17.16%
Tier 1 Capital Ratio	8.50%	16.99%	17.14%	17.16%
Total Regulatory Capital Ratio	10.50%	17.46%	17.61%	17.62%
Tier 1 Leverage Ratio**	5.00%	17.65%	17.79%	17.88%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	12.26%	12.29%	12.07%

**Include full capital conservation buffers.*
***The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.*

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

REGULATORY MATTERS

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

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

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

SHAREHOLDER INVESTMENT

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst Farm Credit Bank's Quarterly and Annual 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 on the Association's website, *www.firstsouthfarmcredit.com*, or may be obtained upon request free of charge 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 a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

First South Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2025	December 31, 2024
	(unaudited)	*(audited)*
Assets		
Cash	**$ 316**	$ 164
Loans	**3,260,911**	3,188,699
Allowance for credit losses on loans	**(15,792)**	(15,482)
Net loans	**3,245,119**	3,173,217
Accrued interest receivable	**33,681**	35,770
Equity investments in other Farm Credit institutions	**89,916**	89,916
Premises and equipment, net	**29,094**	28,248
Other property owned	**260**	356
Accounts receivable	**6,273**	27,586
Other assets	**1,009**	1,056
Total assets	**$ 3,405,668**	$ 3,356,313
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 2,676,764**	$ 2,628,047
Accrued interest payable	**8,760**	8,348
Patronage refunds payable	**272**	32,312
Accounts payable	**1,589**	3,533
Other liabilities	**38,101**	17,790
Total liabilities	**2,725,486**	2,690,030
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**50,522**	50,452
Retained earnings		
Allocated	**256,357**	256,357
Unallocated	**368,388**	354,559
Accumulated other comprehensive income	**4,915**	4,915
Total members' equity	**680,182**	666,283
Total liabilities and members' equity	**$ 3,405,668**	$ 3,356,313

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

First South Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2025	2024
Interest Income		
Loans	**$ 47,436**	$ 42,670
Interest Expense	**24,880**	21,299
Net interest income	**22,556**	21,371
Provision for credit losses	**477**	940
Net interest income after provision for credit losses	**22,079**	20,431
Noninterest Income		
Loan fees	**954**	954
Fees for financially related services	**12**	9
Patronage refunds from other Farm Credit institutions	**5,825**	6,496
Gains (losses) on sales of premises and equipment, net	**—**	27
Insurance Fund refunds	**507**	—
Other noninterest income	**19**	11
Total noninterest income	**7,317**	7,497
Noninterest Expense		
Salaries and employee benefits	**8,706**	8,205
Occupancy and equipment	**494**	566
Insurance Fund premiums	**637**	591
Purchased services	**3,448**	2,224
Data processing	**75**	110
Other operating expenses	**2,209**	1,635
Total noninterest expense	**15,569**	13,331
Income before income taxes	**13,827**	14,597
Provision (benefit) for income taxes	**(2)**	3
Net income	**$ 13,829**	$ 14,594
Other comprehensive income	**—**	—
Comprehensive income	**$ 13,829**	$ 14,594

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

First South Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2023	$ 52,873	$ 256,357	$ 324,634	$ (7,010)	$ 626,854
Comprehensive income			14,594		14,594
Capital stock/participation certificates issued/(retired), net	58				58
Balance at March 31, 2024	$ 52,931	$ 256,357	$ 339,228	$ (7,010)	$ 641,506
Balance at December 31, 2024	**$ 50,452**	**$ 256,357**	**$ 354,559**	**$ 4,915**	**$ 666,283**
Comprehensive income			**13,829**		**13,829**
Capital stock/participation certificates issued/(retired), net	**70**				**70**
Balance at March 31, 2025	**$ 50,522**	**$ 256,357**	**$ 368,388**	**$ 4,915**	**$ 680,182**

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

First South Farm Credit, ACA

Notes to the Consolidated Financial Statements

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

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

Organization

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

Basis of Presentation

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

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

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

Significant Accounting Policies

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

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

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

Recently Issued or Adopted Accounting Pronouncements

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

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

	March 31, 2025	December 31, 2024
Real estate mortgage	$ 2,528,462	$ 2,488,457
Production and intermediate-term	506,303	493,687
Agribusiness:		
Loans to cooperatives	10,204	5,753
Processing and marketing	143,932	126,446
Farm-related business	20,160	22,373
Rural infrastructure:		
Communication	9,350	9,374
Power and water/waste disposal	18,971	18,997
Rural residential real estate	23,529	23,612
Total loans	$ 3,260,911	$ 3,188,699

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

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

	March 31, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	95.87%	96.68%
OAEM	3.13	2.69
Substandard/doubtful/loss	1.00	0.63
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	74.59%	85.23%
OAEM	19.80	13.10
Substandard/doubtful/loss	5.61	1.67
	100.00%	100.00%
Agribusiness:		
Acceptable	95.09%	94.77%
OAEM	4.51	4.77
Substandard/doubtful/loss	0.40	0.46
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.04%	99.02%
OAEM	0.55	0.56
Substandard/doubtful/loss	0.41	0.42
	100.00%	100.00%
Total loans:		
Acceptable	92.58%	94.86%
OAEM	5.75	4.36
Substandard/doubtful/loss	1.67	0.78
	100.00%	100.00%

Accrued interest receivable on loans of $33,681 and $35,770 at March 31, 2025 and December 31, 2024, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	March 31, 2025					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 12,215	$ 1,521	$ 13,736	$ 2,514,726	$ 2,528,462	$ –
Production and intermediate-term	4,875	1,619	6,494	499,809	506,303	–
Agribusiness	9	702	711	173,585	174,296	–
Rural infrastructure	–	–	–	28,321	28,321	–
Rural residential real estate	26	14	40	23,489	23,529	–
Total	$ 17,125	$ 3,856	$ 20,981	$ 3,239,930	$ 3,260,911	$ –

	December 31, 2024					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 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	$ –

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

	March 31, 2025		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 4,582	$ 4,582
Production and intermediate-term	1,599	2,422	4,021
Agribusiness	–	702	702
Rural residential real estate	–	14	14
Total	$ 1,599	$ 7,720	$ 9,319

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 3,325	$ 3,325
Production and intermediate-term	1,602	674	2,276
Agribusiness	–	714	714
Rural residential real estate	–	15	15
Total	$ 1,602	$ 4,728	$ 6,330

The Association recognized $32 and $54 of interest income on nonaccrual loans during the three months ended March 31, 2025 and March 31, 2024, respectively.

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

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

	Three Months Ended March 31, 2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	$ 15,482	$ 13,956
Charge-offs	(7)	–
Recoveries	(23)	10
Provision for credit losses on loans	340	840
Balance at end of period	$ 15,792	$ 14,806
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 372	$ 602
Provision for unfunded commitments	137	100
Balance at end of period	$ 509	$ 702
Total allowance for credit losses	$ 16,301	$ 15,508

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2025, disaggregated by loan type and type of modification granted:

	For the Three Months Ended March 31, 2025		
	Maturity Extension	Total	Percentage of Total by Loan Type
Production and intermediate-term	$ 3,232	$ 3,232	0.64%
Total	$ 3,232	$ 3,232	0.10%

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

	Maturity Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 7.0 months to the life of loans

There were no loans to borrowers experiencing financial difficulty that had a modification in the preceding 12 months and subsequently defaulted during the three months ended March 31, 2025.

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

	March 31, 2025			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ 213	$ –	$ –	$ 213
Production and intermediate-term	3,309	–	–	3,309
Rural residential real estate	–	–	12	12
Total	$ 3,522	$ –	$ 12	$ 3,534

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2025 was $39. There were no additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified at March 31, 2025 and December 31, 2024.

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

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

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 8.99% of the issued stock and allocated retained earnings of the Bank as of March 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled $47.1 billion and shareholders' equity totaled $1.9 billion. The Bank's earnings were $66 million for the first three months of 2025. In addition, the Association held investments of $1,408 related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component *(a)*	
	Three Months Ended March 31,	
	2025	2024
Employee Benefit Plans:		
Balance at beginning of period	$ 4,915	$ (7,010)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	–	–
Net current period other comprehensive income	–	–
Balance at end of period	$ 4,915	$ (7,010)

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

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

Note 5 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

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

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

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

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

	March 31, 2025			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 20	$ –	$ –	$ 20
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 203	$ 203
Other property owned	$ –	$ –	$ 275	$ 275

	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

Valuation Techniques

Assets held in trust funds

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

Nonaccrual loans

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

Other property owned

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

Note 6 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 7 — Subsequent Events

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