

FIRST SOUTH FARM CREDIT, ACA

2025 ANNUAL REPORT

Contents

Message from the Chief Executive Officer	2
Report of Management	3
Report on Internal Control Over Financial Reporting.....	4
Consolidated Five-Year Summary of Selected Financial Data.....	5
Management’s Discussion & Analysis of Financial Condition & Results of Operations.....	6-18
Disclosure Required by FCA Regulations	19-27
Report of the Audit Committee	28
Report of Independent Auditors.....	29-30
Consolidated Financial Statements.....	31-34
Notes to the Consolidated Financial Statements	35-59

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
Clayton S. Borden.....	Senior Vice President, Lending

Board of Directors

Robert Dale Thibodeaux.....	Chairman
Barry A. DeFoor.....	Vice Chairman
Adam W. Bass.....	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 Kyzer, III	Director
George G. LaCour, Jr.	Director
S. Alan Marsh.....	Director
James F. Martin, III.....	Director
Daniel C. Mattingly	Director
R. Shepherd Morris	Director
Thomas H. Nelson, Jr.....	Director
C. Mark Nicholson.....	Director
James Nolan Parker.....	Director
Walter Rodney Richardson, Jr.	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 2025 Annual Report.

Your Association had another year of strong financial performance with earnings of \$59 million. Although this represents a decrease of 3.4% year over year, 2025's earnings exceeded budget. This is attributable to expanded marketing efforts and effective controllable expense management. Elevated purchased services comprised primarily of increased AgFirst expense and reductions in AgFirst patronage had a weighted effect on earnings that will persist for the near term.

Loans outstanding increased 6.65% to \$3.4 billion as of December 31, 2025. In a challenging and highly competitive market territory, loans to new members increased 54% from \$388 million to \$601 million at year-end. Credit quality remained sound with 92% acceptable and together with special mention assets was 98%. Nonaccrual and past due accounts are continuously monitored and did not exhibit signs of unmanageable stress at 0.42% and 0.54%, respectively. Permanent capital ended the year at 16.64% and is within the acceptable range of First South's capital management plan.

First South declared an all-cash patronage of \$32 million for 2025. This is in accordance with our Board of Directors' strategy of maximizing patronage refunds while practicing stewardship of your Association's resources to ensure long-term financial strength and soundness.

Over a century ago, the Farm Credit System was created to provide agriculture and rural communities access to reliable and constructive credit in uncertain times. Our founding directive has never been more relevant or clear. Although economic challenges typically result in pause or retreat, we will not back down from our obligation to rural America. Fortunately, certainty of purpose allows for unwavering forward momentum.

At First South, we relentlessly press on because we know why we are here. We are here to ensure the United States of America is sufficiently equipped to self-sustain the vital ability to produce food, fiber, and fuel. We are here to support rural communities and build confidence that financial services are readily available in small towns and remote areas that may be underserved by traditional institutions. We are here to encourage the next generation of agricultural producers that will help define America's strength and independence by safeguarding agriculture as a national priority. We are here to serve the Farm Credit Mission in every way by providing reliable and constructive credit to all eligible borrowers in our three-state territory.

We are here for you.

First South sincerely appreciates all you do to support rural America and will steadfastly remain your trusted provider of constructive credit in all economic conditions.

May God bless you and keep you,

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

March 10, 2026

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 2025 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/ Robert Dale Thibodeaux
Chairman of the Board

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

March 10, 2026

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, 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 December 31, 2025, 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, 2025.

/s/ Gines Pérez, III
Chief Executive Officer

/s/ Sarah F. Lutz
Chief Financial Officer

March 10, 2026

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	December 31,				
	2025	2024	2023	2022	2021
Balance Sheet Data					
Cash	\$ 235	\$ 164	\$ 120	\$ 125	\$ 206
Loans	3,400,763	3,188,699	3,030,634	2,935,532	2,773,183
Allowance for credit losses on loans	(16,950)	(15,482)	(13,956)	(20,622)	(19,664)
Net loans	3,383,813	3,173,217	3,016,678	2,914,910	2,753,519
Equity investments in other Farm Credit institutions	90,038	89,916	91,987	79,041	65,475
Other property owned	250	356	507	35	406
Other assets	101,959	92,660	79,650	67,761	81,834
Total assets	\$ 3,576,295	\$3,356,313	\$3,188,942	\$3,061,872	\$2,901,440
Notes payable to AgFirst Farm Credit Bank*	\$ 2,833,736	\$2,628,047	\$2,495,740	\$2,411,438	\$2,293,490
Accrued interest payable and other liabilities with maturities of less than one year	52,010	61,983	66,348	59,745	64,996
Total liabilities	2,885,746	2,690,030	2,562,088	2,471,183	2,358,486
Capital stock and participation certificates	40,486	50,452	52,873	52,613	53,098
Retained earnings					
Allocated	256,357	256,357	256,357	256,357	256,357
Unallocated	381,931	354,559	324,634	294,889	248,756
Accumulated other comprehensive income (loss)	11,775	4,915	(7,010)	(13,170)	(15,257)
Total members' equity	690,549	666,283	626,854	590,689	542,954
Total liabilities and members' equity	\$ 3,576,295	\$3,356,313	\$3,188,942	\$3,061,872	\$2,901,440
Statement of Income Data					
Net interest income	\$ 92,777	\$ 89,476	\$ 75,151	\$ 70,931	\$ 65,417
Provision for credit losses	1,491	1,732	538	1,000	2,640
Noninterest income (expense), net	(31,467)	(25,808)	(14,034)	(2,840)	9,167
Net income	\$ 59,819	\$ 61,936	\$ 60,579	\$ 67,091	\$ 71,944
Key Financial Ratios					
Rate of return on average:					
Total assets	1.73%	1.89%	1.97%	2.24%	2.67%
Total members' equity	8.68%	9.45%	9.77%	11.85%	14.32%
Net interest income as a percentage of average earning assets					
	2.81%	2.86%	2.55%	2.45%	2.52%
Net (chargeoffs) recoveries to average loans	(0.001)%	(0.014)%	(0.035)%	(0.001)%	(0.019)%
Total members' equity to total assets	19.31%	19.85%	19.66%	19.29%	18.71%
Debt to members' equity (:1)	4.18	4.04	4.09	4.18	4.34
Allowance for credit losses to loans	0.50%	0.49%	0.46%	0.70%	0.71%
Permanent capital ratio	16.64%	17.26%	17.45%	16.97%	16.64%
Common equity tier 1 capital ratio	16.52%	17.14%	17.31%	16.81%	16.48%
Tier 1 capital ratio	16.52%	17.14%	17.31%	16.81%	16.48%
Total regulatory capital ratio	17.00%	17.61%	17.82%	17.47%	17.17%
Tier 1 leverage ratio**	17.25%	17.79%	18.00%	17.41%	16.94%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	12.43%	12.29%	12.15%	11.47%	12.15%
Net Income Distribution					
Estimated patronage refunds:					
Cash***	\$ 32,447	\$ 32,011	\$ 32,946	\$ 21,000	\$ 26,192

* General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2026.

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

*** In 2025, \$23,210 declared in general patronage and \$9,237 associated with capital market specific agreements. 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, 2025 with comparisons to the years ended December 31, 2024 and December 31, 2023. 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, 618 Crescent Blvd., 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 many factors, including commodity prices, input costs, weather, government policies (including, among other things, tax, trade, tariffs, immigration, crop insurance and ad hoc aid), interest rates, global agricultural production levels, pathogenic outbreaks in livestock and poultry 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 or events that occur subsequent to its issuance. 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 2026 forecast projects net farm income (income after expenses from production; a broader measure of profits) for 2025 at \$154.5 billion, a \$27.0 billion increase from 2024, and \$45.9 billion above the 10-year average. The forecasted increase in net farm income for 2025, as compared with 2024, is primarily due to increases in cash receipts for animals and animal products of \$22.3 billion, direct government payments of \$20.5 billion and an upward change in the value of inventory adjustment of \$13.0 billion, partially offset by an increase in cash expenses of \$19.6 billion and a decrease in cash receipts for crops of \$6.9 billion.

The USDA's outlook projects net farm income for 2026 at \$153.4 billion, a \$1.1 billion or 0.7% decrease from 2025 and \$44.8 billion above the 10-year average in nominal dollars. The forecasted decrease in net farm income for 2026 is primarily due to an expected decrease in cash receipts for animals and animal products at \$17.0 billion, a negative change in the value of inventory adjustment of \$5.6 billion and an increase in cash expenses of \$4.1 billion, mostly offset by increases in direct government payments of \$13.8 billion, cash farm-related income of \$9.2 billion and cash receipts for crops of \$2.8 billion. The decrease in animals and animal products reflects anticipated falling receipts for eggs and milk due to lower prices, while beef cattle receipts are expected to continue growing in 2026. The overall increase in direct government payments reflects higher anticipated payments from Farm Bill programs that trigger payments when commodity prices fall, while supplemental and ad hoc disaster aid payments are expected to remain high.

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 increase \$8.9 billion or 6.1% in 2025 to \$154.9 billion from \$146.0 billion in 2024.

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% of the total value of the U.S. farm sector assets for 2025 and 2024 according to the USDA in its February 2026 forecast. Consequently, changes in farmland values often affect the financial strength of agricultural producers as farm real estate serves as a 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 4.2% in 2025 to \$3.8 trillion. Farm real estate value is expected to increase 4.0% and non-real estate farm assets are expected to increase 5.9%, while farm sector debt is forecasted to increase 5.4% in 2025. Farm real estate debt accounts for 65.0% of total farm debt in 2025, as compared with 65.2% in 2024.

Farm sector solvency ratios measure the ability of a farm to satisfy its debt obligations when due and for which lower values for these ratios are preferred. The USDA is forecasting the debt-to-equity ratio to increase slightly from 15.4% in 2024 to 15.6% in 2025 and for the debt-to-asset ratio to increase slightly from 13.4% in 2024 to 13.5% in 2025. These ratios are well below their peak of 28.5% and 22.2% 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.

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 as reported by USDA per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2022 to December 31, 2025:

Commodity	12/31/25	12/31/24	12/31/23	12/31/22
Hogs	\$ 62.30	\$ 62.30	\$ 53.30	\$ 62.50
Milk	\$ 19.00	\$ 23.30	\$ 20.40	\$ 24.50
Broilers	\$ 0.64	\$ 0.75	\$ 0.72	\$ 0.73
Turkeys	\$ 1.21	\$ 0.51	\$ 0.47	\$ 1.22
Corn	\$ 4.10	\$ 4.23	\$ 4.80	\$ 6.58
Soybeans	\$ 10.40	\$ 9.79	\$ 13.10	\$ 14.40
Wheat	\$ 4.95	\$ 5.49	\$ 6.79	\$ 8.97
Beef Cattle	\$ 221.00	\$ 190.00	\$ 172.00	\$ 154.00

The AgFirst District (the District) is chartered to serve eligible borrowers in 15 states and Puerto Rico. The District consists of the AgFirst Farm Credit Bank and 16 Associations. 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 2025. 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 sound, several uncertainties persist. Key factors contributing to these uncertainties include rising interest rates, increasing farming input costs, uncertain commodity prices, availability of farm labor, soaring real estate costs, and unpredictable weather events.

The Federal Funds Rate continued to decline in 2025 as the Federal Reserve implemented additional rate cuts following those made in 2024. After remaining steady through the first part of the year, the Fed made its first cuts in September, lowering the target range to 4.00%-4.25%. Additional cuts in the fourth quarter brought the year-end target range to 3.50% to 3.75%, totaling a seventy-five basis points cut for the year. The continued reduction in rates signals the Fed’s shift toward a more neutral policy stance in response to signs of labor-market softening and an inflation rate that remained above the target of 2 percent.

The value of farm real estate is a key indicator of the farm sector’s financial health, as it comprises a substantial share of total agricultural assets and serves as collateral for many farm loans. According to the USDA Land Values 2025 Summary (August 2025), the U.S farm real estate values, representing the value of all land and buildings on farms, averaged \$4,350 per acre for 2025, an increase of \$180 per acre from 2024. The U.S. cropland value also rose, averaging \$5,830 per acre, up \$250 per acre from the prior year. Although farm real estate values increased in Alabama, Mississippi, and Louisiana, the gains were more modest than the national averages, with per acre averages ranging from \$3,580 to \$4,150. Cropland values in the three-state territory similarly trailed national levels, with averages ranging from \$3,570 to \$4,550. Even with smaller increases, farm real estate values in the territory remain strong, helping to support borrower equity positions and overall credit quality.

Expected agricultural commodity prices play a critical role in determining farmers’ production decisions, including choices around planted acreage and marketing of crops. In 2025, producers in Alabama, Mississippi, and Louisiana faced flat to declining prices for major row crops such as soybeans, corn and cotton while elevated input costs further constrained profitability. In December of 2024 Congress passed the American Relief Act of 2025, providing economic assistance to farmers within the Association’s territory. These payments helped stabilize farm cash flows and help offset a portion of the financial stain caused by weak market conditions. Despite the challenging environment, a combination of government support and producers’ adjustments to planting decisions contributed to stronger-than-expected financial resilience. As a result, credit quality remained stable and sound. The continuing strength and diversification of the loan portfolio positions the Association to withstand ongoing volatility in both the general and agricultural economies.

The Association's total loan portfolio increased by \$212 million in 2025. New loans for the Association totaled \$601 million, an increase of \$213 million when compared to 2024. Although interest rates did not decline as much as anticipated, loan officers remained proactive in pursuing lending opportunities across the territory. The commodity group of real estate continued to increase portfolio expansion 2025 and remains the Association’s largest financed commodity. Poultry, livestock, and forestry followed as the next largest commodity concentrations, with the remaining portfolio comprised of row crops, catfish, and various other commodities. This diversification strengthens the Association’s overall risk profile by helping mitigate exposure when individual sectors experience commodity-specific challenges.

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	2025		2024		2023	
Real estate mortgage	\$ 2,589,632	76.15%	\$ 2,488,457	78.04%	\$ 2,390,611	78.88%
Production and intermediate-term	571,885	16.82	493,687	15.48	461,291	15.22
Processing and marketing	141,627	4.16	126,446	3.97	90,353	2.98
Loans to cooperatives	21,245	.62	5,753	.18	5,421	.18
Farm-related business	29,796	.88	22,373	.70	32,459	1.07
Rural residential real estate	23,299	.69	23,612	.74	20,927	.69
Communication	7,202	.21	9,374	.29	10,274	.34
Power and water/waste disposal	16,077	.47	18,997	.60	19,298	.64
Total	\$ 3,400,763	100.00%	\$ 3,188,699	100.00%	\$ 3,030,634	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 state for the past three years ended December 31 is as follows:

State	December 31,		
	2025	2024	2023
Alabama	49.73%	51.40%	52.52%
Mississippi	35.16	32.85	31.48
Louisiana	15.11	15.75	16.00
	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, and livestock which constitute 62 percent of the entire portfolio at December 31, 2025.

Commodity Group	December 31,					
	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Real Estate	\$ 907,285	26	\$ 854,026	27	\$ 765,874	25
Poultry	792,082	23	732,750	23	760,985	25
Livestock	453,915	13	426,630	13	412,708	13
Forestry	291,309	9	279,503	9	237,703	8
Soybeans	193,784	6	199,473	6	173,635	6
Sugar Cane	132,330	4	111,885	3	109,007	4
Cotton	110,872	3	128,424	4	122,474	4
Rice	111,320	3	96,608	3	93,889	3
Catfish	40,635	1	44,703	1	43,634	1
Peanuts	33,104	1	27,009	1	22,631	1
Other	372,387	11	323,457	10	319,986	10
Total	\$ 3,439,023	100	\$ 3,224,468	100	\$ 3,062,526	100

Repayment ability is closely tied to the commodities produced by our borrowers, and increasingly, to their off-farm income. The loan portfolio is concentrated in real estate, poultry, livestock, forestry, and row crop operations. Despite the concentrations, many borrowers maintain diversified enterprises, either within their primary operations or through complementary crop production. Although the proportion of large loans continues to grow, the underlying agricultural mix remains diverse. This diversity, coupled with the rise in off-farm income among borrowers, helps reduce the Association’s overall concentration risk.

During 2025, 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.

Loan Participations:	December 31,		
	2025	2024	2023
	<i>(dollars in thousands)</i>		
Participations Purchased– FCS Institutions	\$ 175,020	\$ 123,440	\$ 103,932
Participations Purchased– Non-FCS Institutions	33,514	5,856	23,480
Participations Sold	(1,054,174)	(791,887)	(791,841)
Total	\$ (845,640)	\$ (662,591)	\$ (664,429)

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, 2025.

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	2025	2024	2023
Acceptable	92.84%	94.86%	97.34%
OAEM	5.36	4.36	2.04
Substandard/doubtful/loss	1.80	.78	.62
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association’s loan portfolio is divided into performing and high-risk categories. High-risk assets at December 31, are detailed in the following table:

High-risk Assets	December 31,		
	2025	2024	2023
Nonaccrual loans	\$ 11,961	\$ 6,330	\$ 8,095
Accruing loans 90 days past due	–	–	–
Total high-risk loans	11,961	6,330	8,095
Other property owned	250	356	507
Total high-risk assets	\$ 12,211	\$ 6,686	\$ 8,602
Ratios			
Nonaccrual loans to total loans	.35%	.20%	.27%
High-risk assets to total assets	.34%	.20%	.27%

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, 2025, nonaccrual loans totaled \$11,961, compared to \$6,330 in 2024 and \$8,095 in 2023. This represents an increase of \$5,631, or 88.9 percent, during 2025. 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 2026, 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 \$16,950, \$15,482, and \$13,956 at December 31, 2025, 2024, and 2023, 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,		
	2025	2024	2023
	<i>(dollars in thousands)</i>		
Balance at beginning of year	\$ 15,482	\$ 13,956	\$ 20,622
Cumulative effect of a change in accounting principle	–	–	(5,930)
Balance at January 1, 2025	15,482	13,956	14,692
Charge-offs:			
Real estate mortgage	–	–	(59)
Production and intermediate-term	(77)	(583)	(1,004)
Total charge-offs	(77)	(583)	(1,063)
Recoveries:			
Real estate mortgage	–	1	19
Production and intermediate-term	46	146	12
Total recoveries	46	147	31
Net (charge-offs) recoveries	(31)	(436)	(1,032)
Provision for (reversal of allowance for) credit losses	1,499	1,962	296
Balance at end of year	\$ 16,950	\$ 15,482	\$ 13,956
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(.001)%	(.014)%	(.035)%

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,		
	2025	2024	2023
Allowance for credit losses on loans to loans	.50 %	.49 %	.46 %
Allowance for credit losses on loans to nonaccrual loans	141.71 %	244.58 %	172.40 %
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(.001)%	(.014)%	(.035)%

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 \$59,819 for the year ended December 31, 2025, a decrease of \$2,117 from 2024. Net income of \$61,936 for the year ended December 31, 2024 was an increase of \$1,357 from 2023. 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,	
	2025	2024
Net income (for prior year)	\$ 61,936	\$ 60,579
Increase (decrease) due to:		
Total interest income	17,513	26,399
Total interest expense	14,212	12,074
Net interest income	3,301	14,325
Provision for credit losses	(241)	1,194
Noninterest income	(1,149)	379
Noninterest expense	4,525	12,141
Provision for income taxes	(15)	12
Total increase (decrease) in net income	(2,117)	1,357
Net income	\$ 59,819	\$ 61,936

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 \$92.8, \$89.5 million, and \$75.2 million in 2025, 2024, and 2023, 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	Total
<i>(dollars in thousands)</i>			
12/31/25 – 12/31/24			
Interest income	\$ 10,326	\$ 7,187	\$ 17,513
Interest expense	6,044	8,168	14,212
Change in net interest income:	\$ 4,282	\$ (981)	\$ 3,301
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

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

Net interest income increased by \$3,301 or 3.69 percent in 2025 compared to 2024 and increased by \$14,325 or 19.06 percent in 2024 compared to 2023. The increase in net interest income during 2025 results from an increase of \$3,781 attributed to an increase in volume which was offset by a decrease of \$480 attributed to a change in rates.

Noninterest Income

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

Noninterest Income	For the Year Ended December 31,			Percentage Increase (Decrease)	
	2025	2024	2023	2025/ 2024	2024/ 2023
	<i>(dollars in thousands)</i>				
Loan fees	\$ 3,477	\$ 2,276	\$ 3,050	52.77 %	(25.38)%
Fees for financially related services	1,366	1,911	1,802	(28.52)	6.05
Patronage refund from other Farm Credit Institutions	26,138	27,230	26,732	(4.01)	1.86
Gains on sales of premises and equipment, net	98	556	824	(82.37)	(32.52)
Insurance Fund refunds	507	815	–	(37.79)	100.00
Other noninterest income	101	48	49	110.42	(2.04)
Total noninterest income	\$ 31,687	\$ 32,836	\$ 32,457	(3.50)%	1.17 %

Total noninterest income decreased by \$1,149 or 3.50 percent in 2025 compared to 2024. The decrease is mostly attributed to decreases in fees for financially related services, patronage refund from other Farm Credit institutions, gains on sales of premises and equipment, and Insurance Fund refunds, offset by increases in loan fees and other interest income.

Loan fees increased by \$1,201 or 52.76 percent due to higher origination and service fees. Fees for financially related services decreased by \$545 or 28.52 percent, principally due to less income generated from crop insurance fees.

The Association experienced a \$1,092, or 4.01 percent, decrease in patronage refunds from other Farm Credit Institutions between the periods ended December 31, 2024 and December 31, 2025. This decline resulted from a lower patronage rate utilized by AgFirst in determining patronage refunds paid to Associations. In 2025, the Association earned \$26,138 in patronage refunds, compared with \$27,230 in 2024 and \$26,732 in 2023. The 2023 amount included a \$914 special distribution from AgFirst. Patronage refunds are based on the Association's notes payable balance with AgFirst. Any special distribution amount is determined by the AgFirst Farm Credit Bank Board of Directors and may or may not recur in future periods.

Gains on sales of premises and equipment, net decreased \$458 or 82.37 percent due to fewer sales of vehicles and premises in 2025.

The Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligation, had assets exceeding the secure base amount as defined by the Farm Credit Act. In 2025, as a result of the excess, FCSIC made distributions to the System Banks and certain associations. Insurance Fund refunds totaled \$507 for the period ended December 31, 2025, a decrease of \$308 or 37.79 percent when compared to December 31, 2024. For the period ending December 31, 2023, there was no refund recorded.

Other noninterest income increased in 2025 compared to 2024 primarily due to higher lease income and bank fee refunds in the current year as compared to the prior year. There was minimal change in 2024 compared to 2023.

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,			Percentage Increase/(Decrease)	
	2025	2024	2023	2025/ 2024	2024/ 2023
	<i>(dollars in thousands)</i>				
Salaries and employee benefits	\$ 34,175	\$ 33,013	\$ 29,465	3.52 %	12.04 %
Occupancy and equipment	2,734	2,506	2,197	9.10	14.06
Insurance Fund premiums	2,661	2,488	4,157	6.95	(40.15)
Purchased services	13,987	11,650	653	20.06	1,684.07
Data processing	484	454	447	6.61	1.57
(Gains) losses on other property owned, net	77	1	(5)	7,600.00	(120.00)
Other operating expenses	9,038	8,519	9,576	6.09	(11.04)
Total noninterest expense	\$ 63,156	\$ 58,631	\$ 46,490	7.72 %	26.12 %

Noninterest expenses increased by \$4,525 or 7.72 percent in 2025 compared to 2024, and increased \$12,141 or 26.12 percent in 2024 compared to 2023.

Salaries and employee benefits increased \$1,162 or 3.52 percent in 2025, compared to 2024. This increase is primarily attributable to an increase in employee salaries and benefits. The \$228 or 9.10 percent increase in occupancy and equipment expense in 2025 compared to 2024 is a result of facilities maintenance expense, additional costs related to new office locations, and additional equipment purchases.

Insurance fund premiums increased \$173 or 6.95 percent in 2025, compared to 2024. The increase is primarily attributed to loan growth in the portfolio, as the 2025 insurance premiums rate remained unchanged from 2024.

Purchased services increased \$2,337 or 20.06 percent in 2025, compared to 2024. AgFirst increased the amount charged to Associations at the beginning of 2025, which accounts for the majority of the increase in purchased services for the year.

Data processing expense increased slightly in 2025 compared to 2024 driven primarily by higher information technology related costs. Losses on other property owned also rose in 2025 due to the sale of Association owned property. Additionally, other noninterest expense increased year over year, reflecting increases in director expense, training, communications, supplies, and advertising, partially offset by decreases in other expense categories.

Income Taxes

The Association recorded benefit for income taxes of \$2 for the year ended December 31, 2025, as compared to a provision of \$13 for 2024 and a provision of \$1 for 2023. 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		
	2025	2024	2023
Return on average assets	1.73 %	1.89 %	1.97 %
Return on average members' equity	8.68 %	9.45 %	9.77 %
Net interest income as a percentage of average earning assets	2.81 %	2.86 %	2.55 %
Net (charge-offs) recoveries to average loans	(.001)%	(.014)%	(.035)%

The return on average assets, return on members' equity and return as a percentage of average earning assets declined in 2025 compared to 2024. Earnings decreased by \$2.1 million year over year, while average assets, average equity, and average earning assets increased, contributing to the lower performance ratios. Net charge-offs and recoveries to average loans ratio remained minimal, totaling less than

one percent as of December 31, 2025. Charge-off decisions are made by experienced staff who specialize in managing distressed loan situations, ensuring consistency and sound judgement in the process.

A key factor in the growth of net income for future years will be focusing on continued improvement in net interest income and noninterest income while maintaining acceptable levels of operating expenses. The Association's objectives are to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for the Association's members. Additionally, the Association will strive to collaborate with borrowers to navigate the uncertainties anticipated 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, 2025, was \$2,833,736 as compared to \$2,628,047 at December 31, 2024 and \$2,495,740 at December 31, 2023. The increase of \$205,689 or 7.83 percent compared to December 31, 2024 and the increase of \$132,307 or 5.30 percent compared to December 31, 2023 was primarily attributable to loan growth in 2025. The average volume of outstanding notes payable to the Bank was \$2,743,070, \$2,579,271, and \$2,414,430 for the years ended December 31, 2025, 2024, and 2023 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, 2025.

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.

The Association has an agreement with the Bank whereby the Bank may provide certain fiscal, personnel, accounting, marketing, communication, public relations, information management, computer and certain other services as requested by the Association. Specific services currently provided by the Bank to the Association, in which each service provided would constitute a material interdependent relationship, include information management, computer services/hosting, payroll processing, and related payroll tax services.

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 2025 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, 2025, was \$690,549, an increase of \$24,266 or 3.64 percent from a total of \$666,283 at December 31, 2024. At December 31, 2024, total members' equity increased \$39,429 or 6.29 percent from \$626,854 at December 31, 2023. The increase in total members' equity is attributed to the decision of Association's Board of Directors to retain a portion of earnings in 2024 and 2025.

Total capital stock and participation certificates were \$40,486 on December 31, 2025, compared to \$50,452 on December 31, 2024 and \$52,873 on December 31, 2023.

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,		
				2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	16.52%	17.14%	17.31%
Tier 1 Capital	6.0%	2.5%	8.5%	16.52%	17.14%	17.31%
Total Capital	8.0%	2.5%	10.5%	17.00%	17.61%	17.82%
Permanent Capital	7.0%	0.0%	7.0%	16.64%	17.26%	17.45%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	17.25%	17.79%	18.00%
URE and UREE Leverage	1.5%	0.0%	1.5%	12.43%	12.29%	12.15%

* 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 \$23,210 in 2025, \$24,500 in 2024, and \$25,509 in 2023. Additional patronage was paid to certain capital markets customers for a total patronage paid to all borrowers of \$32,447 in 2025, \$32,011 in 2024, and \$32,946 in 2023.

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, 2025 for the Association.

	As of December 31, 2025	
	Number of Loans	Amount of Loans
Young Only	325	\$ 83,191
Beginning Only	611	228,303
Small Only	3,262	423,312
Young and Beginning	570	159,480
Young and Small	154	16,726
Beginning and Small	5,314	830,688
Young, Beginning, and Small	2,491	305,977

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, 2023: 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 28.99%; Beginning 17.60%; Small 13.36%. As of December 31, 2025, of the Association’s total portfolio; 2.51% were Young farmers; 6.89% were Beginning farmers; 12.77% were Small farmers; 4.81% were Young and Beginning farmers; 0.50% were Young and Small farmers; 25.06% were Beginning and Small farmers; and 9.23% 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.
- The Census data used is from 2022. The FCA increased the threshold for the definition of a small farmer from \$250,000 to \$350,000 in annual gross cash farm income.

REGULATORY MATTERS

On December 5, 2025, the FCA published a proposed rule on loan performance categories and financial reporting in the Federal Register. The proposed rule would amend the regulations for high-risk loan performance categories due to changes in GAAP, clarify expectations for vintage disclosures and disclosures of loan modifications to borrowers experiencing financial difficulties. The comment period ended on February 3, 2026.

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.

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, 2025 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
618 Crescent Blvd, Ridgeland, MS	Admin/Branch	Owned
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
1094 Commonwealth 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
2661 N. State 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	<i>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.</i>
Sarah F. Lutz	<i>Senior Vice President/Chief Financial Officer/Treasurer since January 2021.</i>
Cyrus W. Harper, III	<i>Senior Vice President/Chief Credit Officer since January 2021.</i>
William F. Loftis, Jr.	<i>Senior Vice President/Chief Lending Officer since January 2022.</i>
Rodney P. Brantley	<i>Senior Vice President, Lending since January 2022. Prior to that, President, Mississippi Division since July 2017. Prior to that, Division Vice President, Mississippi Division.</i>
Timothy C. Losavio	<i>Senior Vice President, Lending since January 2022. Prior to that, President, Louisiana Division since January 2020. Prior to that, Regional Lending Manager, Louisiana Division.</i>
Clay S. Borden	<i>Senior Vice President, Lending since May 2025. Prior to that, Director of Risk Management since January 2023. Prior to that, Vice President, Credit since January 2022. Prior to that, Regional Lending Manager since September 2018.</i>

The total amount of compensation earned by the CEO and senior officers as a group during the years ended December 31, 2025, 2024 and 2023, 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	2025	\$ 440,000	\$ 150,000	\$ -	\$ -	\$ 41,688	\$ 631,688
Gines Pérez, III	2024	\$ 370,000	\$ 130,000	\$ -	\$ -	\$ 45,789	\$ 545,789
Gines Pérez, III	2023	\$ 350,000	\$ 80,000	\$ -	\$ -	\$ 38,932	\$ 468,932
6	2025	\$ 1,245,314	\$ 327,525	\$ -	\$ 252,386	\$ 147,036	\$ 1,972,261
6	2024	\$ 1,197,791	\$ 326,280	\$ 227,114	\$ 91,836	\$ 151,694	\$ 1,994,715
8	2023	\$ 1,139,818	\$ 193,655	\$ 71,420	\$ 339,691	\$ 143,840	\$ 1,888,424

* 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 in the discount rate (i.e. more discounting) decreases the present values. There was a decrease in the discount rate assumption from December 31, 2024 to December 31, 2025, causing the pension values to experience more 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, 2025

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2025
CEO:					
Gines Pérez, III	2025	First South Retirement Plan	–	\$ –	\$ –
				\$ –	\$ –
Senior Officers and Highly Compensated Employees:					
6 Officers	2025	First South Retirement Plan	31.58	\$ 1,716,594	\$ –
				\$ 1,716,594	\$ –

*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 related 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.

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. Seven senior officers shared in the 2025 business incentive and six senior officers shared in the 2024 executive incentive.

Disclosure of information on the total compensation paid during 2025 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 \$558,952 for 2025, \$552,778 for 2024 and \$509,047 for 2023.

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 \$592,726.

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.

Robert Dale Thibodeaux, Chairman, of Midland, Louisiana, is a farmer. His farming operation with his family consists of 5,500 acres of rice, 2,500 acres of soybeans, and 2,000 acres of crawfish. His business interests include Thibodeaux Ag Group, a farming entity; Thibodeaux Bros Farm, a farming entity; Thibodeaux Bros Trucking, a grain trucking operation; and Krewe du Manger, a social club. He is secretary/treasurer of Thibodeaux Bros Dryer, a drying entity; Thibodeaux Bros Water, a land holding entity; and Thibodeaux Land Company, a land holding entity. Mr. Thibodeaux serves as a board member of Acadia Soil and Water District which implements conservation practices, and Mermentau Port Authority which manages businesses on port property. He is a member of Southwest Farm Co-op, an ag supplier; Thornwell Warehouse, an ag supplier; Acadia Rice Growers, a rice promotion group; and South Louisiana Rail Facility, an entity that markets and ships rice. Mr. Thibodeaux has been a member of First South for over 45 years. His present term as a First South Director expires in 2026.

Barry A. DeFoor, Vice Chairman, of Falkville, Alabama, is a farmer. His operation consists of 8 broiler chicken houses, a cow/calf operation, and timberland. Mr. DeFoor is a member of the Alabama Farmers Federation State Poultry Committee and serves as a director for the Morgan County Farmers Federation, both agricultural advocacy organizations. He is a member of the Alabama Cattlemen's Association, a beef promotion organization, and the Alabama Poultry and Egg Association, a poultry and egg organization. He also serves on the county committee of the Farm Service Agency, an administrator of federal programs. Mr. DeFoor has been a member of First South for over 19 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 2028.

Adam W. Bass, of Columbia, Mississippi, is a poultry/cattle farmer. His operation includes an 8-house broiler 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 17 years. His present term as a First South Director expires in 2028.

Clinton J. Dunn, of Itta Bena, Mississippi, is a farmer and a partner in Dunn Farms, Dunn Farms II, and Dunn Farms III, a 4,000-acre farming operation consisting of corn and cotton. He is also a partner in Dunn Fornea, a residential development company and MS Ag Logistics, a seed, chemical, and fertilizer company. His business interests include Ag Concepts, an aerial agricultural application company where he serves as secretary; Arlington Investment, a commercial property business; Dunn Brothers Land Company, an ag land holding company; and Dunn Family Holdings, LLC, an ag, residential, and commercial property company in Florida, Mississippi, and Tennessee. Mr. Dunn serves as commissioner of the Abotlapoota Master Water District, a water and drainage management district. He currently serves as President of Delta Council, an area economic development organization. He also serves on the board of the Greenwood Leflore Airport, a general aviation facility; Leflore County Farm Bureau, an agricultural advocacy organization; Mississippi Property Tax Alliance, an entity dedicated to reducing agricultural property taxes; and American Cotton Producers, a cotton producer and advocacy organization. He serves as vice president of the board for the Mississippi Boll Weevil Management Corporation, an implementation and eradication entity 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/member of Ellender Law Firm, APLC. She is the financial manager and office manager of her family's 7,500-acre farming operation, Clark Farms, consisting of corn, soybeans, rice, and cotton. Mrs. Ellender is owner/member 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 owner/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, is a farmer and rancher. He has a farming operation, Hargis Farm Partnership, LLC and Gen Three Farms, LLC, consisting of 4,600 acres of row crops, including corn, beans, and milo. Mr. Hargis is owner of High Cotton Cattle, LLC, a row crop and cattle operation which includes 225 Braford cows. He is also owner of HFP Trucking, a commodity hauling entity and High Cotton Enterprises, LLC, a family farming business. His present term as First South Director expires in 2027.

Mitchell H. Henry, of Moulton Alabama, is a farmer. He owns and manages Hardin Farms, LLC. He markets 500 head of stockers annually and maintains eighty 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 is secretary/treasurer 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, a land and timber leasing operation. He is a member of Cottonport Hardwoods, LLC, a logging and barging operation. He is president of Miss-Lou Timber Merchandising, Inc., a timber operation; a member of Geronimo Minerals, LLC, a holding company; and a member of Lotta Crude, LLC, an oil and gas company. Mr. House is also a member of Shinola-Taras, LLC; Shinola-Durant, LLC; Shinola-Mill Services, LLC; and Shinola-Yazoo Timber, LLC, all timber operations. He is secretary of America Plan and Build Corp, a development entity. His present term as a First South Director expires in 2026.

John G. Ingraffia, of Husser, Louisiana, is a hay farmer. He was owner/operator of a dairy farm for over 40 years before retiring in September 2023. He has 130 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 41 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 a senior agronomist with the American Sugarcane League, where he conducts research and provides field level recommendations for sugarcane 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 14 years. His present term as a First South Director expires in 2027.

J. Kevin Kimzey, of Water Valley, Mississippi, is a farmer and manages Kimzey and 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, a cotton processing facility. He is a member of Staplcotn and ProCot, cotton marketing cooperatives. He is a director of Yalobusha County Farm Bureau, an agricultural advocacy organization, and serves as commissioner of Yalobusha Soil and Water, a conservation program. Mr. Kimzey has been a member of First South for over 32 years. His present term as a First South Director expires in 2026.

W. Townsend Kyser, III, of Greensboro, Alabama, is a catfish and cattle farmer. He is chief financial officer of Kyser Family Farms, LLC, a catfish and cattle operation of approximately 4,000 acres (some owned and some leased), and 700 +/- acres of catfish production and 600 +/- cow-calf production. He serves as a director of Black Warrior Electric, a rural electric cooperative. He also serves as a member of the AgFirst Legislative Advisory Committee, a Farm Credit advocacy organization. He is a board director of Hale County Farm Bureau, an advocacy organization. Mr. Kyser serves as an executive committee member of Catfish Farmers of America, a farming organization serving the catfish industry; and as a director of Alabama Rural Electric Association of Cooperatives (AREA), a trade group supporting state rural electric cooperatives. 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 with his sister of GNL Farm, LLC, farming sugarcane and soybeans. Mr. LaCour is president of Bouanchaud Farms, Inc. and Schwab Farms, Inc., part of the family farm operation. He is secretary/director of G&M Farms Inc, part of the family farm operation. He is vice chairman of Tri-Parish Gin, LLC, a cotton processing facility; secretary/board member of Louisiana Sugar Growers & Refiners, an agricultural marketing cooperative; and president/board member of Pointe Coupee Farmers' Cooperative, a farm supply entity. Mr. LaCour serves as a director of Staplcotn Cooperative Association, a cotton marketing coop; Superior Land Management Inc. a land holding entity; Louisiana Rural Electric Association, Inc., a trade organization for Louisiana rural electric cooperatives; American Sugarcane League of the U.S.A., Inc., a trade organization representing sugar; Pointe Coupee Electric Membership Corporation, a rural electric cooperative; and Pointe Coupee Farm Bureau, an ag advocacy organization. He is on the Pointe Coupee FSA County Committee, administers federal farm programs; and manages Perkins Road Express Wash LLC, a car wash. 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 2,100-acre farming operation consisting of cotton, soybeans, corn and wheat. Mr. Marsh is the president of South Limestone Gin Coop, a cotton gin and storage of cotton seed, and a director of Limestone County Farmers Federation, an agricultural advocacy organization. He is also an advisory committee/member of Staplcotn, a cotton marketing cooperative. Mr. Marsh has been a member of First South for over 50 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 holds an Alabama real estate license and is a member of Keyton Crossing, LLC and Danin, LLC, both development entities. 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 34 years. His present term as a First South Director expires in 2028.

Daniel C. Mattingly, of Belle Rose, Louisiana, is a contracted 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 44,000 acres, including sugarcane production land, timber property, pastureland, and hunting land. He negotiates on behalf of companies with famers, ROW, etc. He is a director of Savoie Industries, LLC, a land-holding company and is a member of Dugas & LeBlanc, Ltd., a land-holding company. Mr. Mattingly serves on the board of Assumption Parish Farm Bureau, an agricultural advocacy organization. He is a graduate and member of the first class of the Louisiana Class of Agricultural Leaders started in 1988 and has been a member of First South for over 28 years. His present term as a First South Director expires in 2028.

R. Shepherd Morris, of Shorter, Alabama, is a farmer and president of Morris and Morris Farms, a 4,300-acre row crop operation consisting of cotton, corn, and sesame, and 800 acres of timber. He serves as vice chairman of Choice Cotton Company, a cotton marketing organization, and as director of River Bank & Trust, a community bank. He is president of Milstead Farm Group, Inc., a cotton ginning operation, and president of Macon Co. Farmer's Federation, a county ALFA and ag advocacy organization. He serves as chairman of the State of Alabama FSA Committee. Mr. Morris is a partner in Fourmor Farm & Timber, LLC, a farming entity. He has been a member of First South for over 47 years and his present term as a First South Director expires in 2027.

Thomas H. Nelson, Jr., of Glen Allan, Mississippi, farms with his family a 9,000-acre row crop operation consisting of EG Nelson, Inc.; Nelson-King Farms; Nelson-King Lands, LLC; and Everhope Plantation; producing corn and soybeans. Mr. Nelson is stockholder and president of EG Nelson, Inc., a row crop operation, and Nelson – King Lands, a land-owning entity. He is partner and manager of Nelson-King Farms, a row crop operation. He serves on the board of Washington County Farm Bureau an agricultural advocacy organization 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 35 years. His present term as a First South Director expires in 2026.

C. Mark Nicholson, of Philadelphia, Mississippi is a poultry and cattle farmer. He is president of Nicholson Farms of Philadelphia, Inc., a 6-house broiler farm, a feeder calf operation that includes approximately 150 feeder calves per year, a 515-acre cattle farm that includes approximately 150 head, and a hay production operation. 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.

J. Nolan Parker, of Lake Providence, Louisiana, is a farmer and a partner in New Generation Farms, a row crop operation consisting of 5,000 acres of cotton, corn, soybeans, and rice. He is also a partner in Parker Farms Partnership, a row crop operation consisting of 6,000 acres of cotton, corn, soybeans, and rice. He is a member of Brown Park LLC, Parker Land, and West Co Partnership II, all farming entities. Mr. Parker is the operations manager for Revive Delta, LLC, a farming entity. He was a Flight Operations Tech II for Raspet Flight Research Laboratory and Graduate Research Assistant with Mississippi State University. He was elected to the First South Board of Directors in 2025, and his present term expires in 2028.

Walter Rodney Richardson, Jr., of Leroy, Alabama, is a farmer. He is a partner in Richardson Farms, a row crop operation consisting of 3,800 acres of corn, soybeans, and peanuts. He owns 40 brood cows, 3 bulls, and 25 calves. He also has four residential rental properties. Mr. Richardson is a stockholder in Escambia Peanut Company, a peanut buying point, processing, and warehousing facility. He serves on the board of Washington County Farmers Federation, an agricultural policy organization, and Jackson Academy, an educational institution. Mr. Richardson is a member and past president of Washington County Cattlemen's Association. His present term as a First South Director expires in 2027.

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 3,000 + acres of cotton, corn, and soybeans. Mr. Tucker is president of Farmers Gin, Inc. of Hamilton, MS, a cotton gin. He is also a board member on 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 2028.

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

Name of Director	Committee Assignments	Term of Office		Number of Days Served		Compensation		
		Election Year	Current Term Expiration	Board Meetings	Other Official Activities*	Regular Board Meetings	Compensation for Other Activities	Total 2025 Compensation Paid
Robert Dale Thibodeaux, Chairman	Retirement, Executive	2023	2026	12	13	\$ 14,369	\$ 23,709	\$ 38,078
Barry A. DeFour, Vice Chairman	Governance, Compensation, Retirement, Executive	2025	2028	12	14	16,248	27,868	44,116
Dr. Marty J. Fuller	Audit, Executive	2023	2026	11	9	12,485	4,200	16,685
Amy C. Ellender	Audit	2025	2028	9	12	14,847	7,343	22,190
Adam W. Bass	Governance, Compensation, Retirement	2025	2028	9	11	13,350	11,067	24,417
Clinton J. Dunn	Credit	2024	2027	8	5	12,690	9,999	22,689
Richard T. Hargis	Audit	2024	2027	9	9	17,409	6,935	24,344
Mitchell H. Henry	Governance	2023	2026	8	5	13,859	3,800	17,659
Conner V. House	Governance	2023	2026	8	5	15,318	9,520	24,838
John G. Ingraffia	Governance, Compensation	2024	2027	9	9	16,650	22,349	38,999
Wilson E. Judice	Credit, Compensation	2024	2027	7	7	11,660	10,690	22,350
J. Kevin Kinsey	Credit	2023	2026	8	6	14,252	3,200	17,452
W. Townsend Kyser, III	Governance	2023	2026	9	9	14,475	9,440	23,915
George G. LaCour, Jr.	Credit	2023	2026	9	6	14,793	4,000	18,793
S. Alan Marsh	Credit, Retirement, Executive	2023	2026	11	8	13,483	11,848	25,331
James F. Martin, III	Audit, Compensation	2025	2028	10	9	13,071	14,379	27,450
Daniel C. Mattingly	Governance, Compensation, Retirement, Executive	2025	2028	11	12	13,558	16,594	30,152
R. Shepherd Morris	Audit, Compensation, Executive	2024	2027	12	15	14,172	16,052	30,224
Thomas H. Nelson, Jr.	Audit, Retirement, Executive	2023	2026	11	7	15,256	12,182	27,438
C. Mark Nicholson	Credit	2024	2027	8	5	11,384	7,407	18,791
J. Nolan Parker	Credit	2025	2028	6	3	8,788	6,932	15,720
Thomas A. Parker	Governance, Compensation, Executive	2022	2025**	3	4	5,232	4,156	9,388
W. Rodney Richardson, Sr.	Audit, Compensation	2024	2025***	2	6	2,744	10,488	13,232
Walter R. Richardson, Jr.	Credit	2025	2027****	7	4	12,025	7,913	19,938
Roy M. Tucker, Jr.	Governance	2025	2028	9	6	12,737	5,800	18,537
Total						\$ 324,855	\$ 267,871	\$ 592,726

* Includes board committee meetings and other board activities other than regular board meetings

** Prior to the expiration of his term, Mr. Thomas A. Parker announced his decision not to seek re-election.

*** Due to age limitations, Mr. W. Rodney Richardson, Sr. was not eligible for re-election.

**** Due to the one-year term served by Mr. W. Rodney Richardson, Sr., Mr. Walter R. Richardson, Jr.'s term is two years.

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.

During 2025, Robert Dale Thibodeaux, a member of the Board of Directors, had an interest in a transaction involving the Association. The director is a partial owner in Krewe De Manager, which provided catering and related services for a Board dinner. The Association paid \$7,236 to the business for these services.

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, 2025 were as follows:

	2025
<i>Independent Auditors</i>	
PricewaterhouseCoopers LLP	
Audit services	\$ 148,800

PricewaterhouseCoopers 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 10, 2026 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, 618 Crescent Blvd., 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 2025, 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 2025. 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
James F. Martin, III
R. Shepherd Morris
Thomas H. Nelson, Jr.

March 10, 2026



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, 2025, 2024, and 2023 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, 2025, 2024, and 2023 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 2025 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 10, 2026

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	December 31,		
	2025	2024	2023
Assets			
Cash	\$ 235	\$ 164	\$ 120
Loans	3,400,763	3,188,699	3,030,634
Allowance for credit losses on loans	(16,950)	(15,482)	(13,956)
Net loans	3,383,813	3,173,217	3,016,678
Accrued interest receivable	38,260	35,770	31,892
Equity investments in other Farm Credit institutions	90,038	89,916	91,987
Premises and equipment, net	35,632	28,248	19,147
Other property owned	250	356	507
Accounts receivable	27,000	27,586	27,596
Other assets	1,067	1,056	1,015
Total assets	\$ 3,576,295	\$ 3,356,313	\$ 3,188,942
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 2,833,736	\$ 2,628,047	\$ 2,495,740
Accrued interest payable	9,760	8,348	7,994
Patronage refunds payable	32,861	32,312	33,126
Accounts payable	3,972	3,533	6,742
Other liabilities	5,417	17,790	18,486
Total liabilities	2,885,746	2,690,030	2,562,088
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	40,486	50,452	52,873
Retained earnings			
Allocated	256,357	256,357	256,357
Unallocated	381,931	354,559	324,634
Accumulated other comprehensive income (loss)	11,775	4,915	(7,010)
Total members' equity	690,549	666,283	626,854
Total liabilities and members' equity	\$ 3,576,295	\$ 3,356,313	\$ 3,188,942

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

Consolidated Statements of Comprehensive Income

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Interest Income			
Loans	\$ 202,206	\$ 184,693	\$ 158,294
Interest Expense	109,429	95,217	83,143
Net interest income	92,777	89,476	75,151
Provision for credit losses	1,491	1,732	538
Net interest income after provision for credit losses	91,286	87,744	74,613
Noninterest Income			
Loan fees	3,477	2,276	3,050
Fees for financially related services	1,366	1,911	1,802
Patronage refunds from other Farm Credit institutions	26,138	27,230	26,732
Gains (losses) on sales of premises and equipment, net	98	556	824
Insurance Fund refunds	507	815	—
Other noninterest income	101	48	49
Total noninterest income	31,687	32,836	32,457
Noninterest Expense			
Salaries and employee benefits	34,175	33,013	29,465
Occupancy and equipment	2,734	2,506	2,197
Insurance Fund premiums	2,661	2,488	4,157
Purchased services	13,987	11,650	653
Data processing	484	454	447
Other operating expenses	9,038	8,519	9,576
(Gains) losses on other property owned, net	77	1	(5)
Total noninterest expense	63,156	58,631	46,490
Income before income taxes	59,817	61,949	60,580
Provision (benefit) for income taxes	(2)	13	1
Net income	\$ 59,819	\$ 61,936	\$ 60,579
Other comprehensive income net of tax			
Employee benefit plans adjustments	6,860	11,925	6,160
Comprehensive income	\$ 66,679	\$ 73,861	\$ 66,739

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
		Allocated	Unallocated		
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
Comprehensive income			59,819	6,860	66,679
Capital stock/participation certificates issued/(retired), net	(9,966)				(9,966)
Patronage distribution					
Cash			(32,447)		(32,447)
Balance at December 31, 2025	\$ 40,486	\$ 256,357	\$ 381,931	\$ 11,775	\$ 690,549

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

Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 59,819	\$ 61,936	\$ 60,579
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	1,885	1,723	1,411
Amortization (accretion) of net deferred loan costs (fees)	(695)	(899)	(423)
Provision for credit losses	1,491	1,732	538
(Gains) losses on other property owned	61	1	(5)
(Gains) losses on sales of premises and equipment, net	(98)	(556)	(824)
Changes in operating assets and liabilities:			
Origination of loans held for sale	—	—	(688)
Proceeds from sales of loans held for sale, net	—	—	688
(Increase) decrease in accrued interest receivable	(2,490)	(3,878)	(5,785)
(Increase) decrease in accounts receivable	586	10	(5,417)
(Increase) decrease in other assets	(11)	(41)	209
Increase (decrease) in accrued interest payable	1,412	354	1,665
Increase (decrease) in accounts payable	439	(3,209)	(282)
Increase (decrease) in other liabilities	(6,685)	11,459	(1,300)
Total adjustments	(4,105)	6,696	(10,213)
Net cash provided by (used in) operating activities	55,714	68,632	50,366
Cash flows from investing activities:			
Net (increase) decrease in loans	(212,969)	(158,809)	(96,183)
(Increase) decrease in equity investments in other Farm Credit institutions	(122)	2,071	(12,946)
Purchases of premises and equipment	(9,304)	(10,810)	(2,307)
Proceeds from sales of premises and equipment	133	542	824
Proceeds from sales of other property owned	1,614	1,357	5
Net cash provided by (used in) investing activities	(220,648)	(165,649)	(110,607)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	205,689	132,307	84,302
Net increase (decrease) in advanced conditional payments	1,180	—	—
Capital stock and participation certificates issued/(retired), net	(9,966)	(2,421)	260
Patronage refunds and dividends paid	(31,898)	(32,825)	(24,326)
Net cash provided by (used in) financing activities	165,005	97,061	60,236
Net increase (decrease) in cash	71	44	(5)
Cash, beginning of period	164	120	125
Cash, end of period	\$ 235	\$ 164	\$ 120
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	\$ 1,569	\$ 1,207	\$ 472
Estimated cash dividends or patronage distributions declared or payable	32,447	32,011	32,946
Cumulative effect of change in accounting principle	—	—	5,570
Employee benefit plans adjustments (Note 9)	(6,860)	(11,925)	(6,160)
Supplemental information:			
Interest paid	\$ 108,017	\$ 94,863	\$ 81,478
Taxes (refunded) paid, net	4	4	13

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, DeKalb, 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, LaSalle, 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 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance (ASC 270) to enhance clarity, navigability, and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to ASC 270, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The standard is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - Purchased Loans. The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In July 2025, the FASB issued ASU 2025-05 Financial Instruments – Credit Losses – Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current

conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and cash flows.

In December 2023, the FASB issued 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 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

A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest 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 amortized cost 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 assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan.

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 10th percent and downside 90th 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.

Also adopted, effective January 1, 2023, was ASU 2022-02 - Financial Instruments: Credit Losses - Troubled Debt Restructurings and Vintage Disclosure. This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

- 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, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, 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,		
	2025	2024	2023
Real estate mortgage	\$ 2,589,632	\$ 2,488,457	\$ 2,390,611
Production and intermediate-term Agribusiness:	571,885	493,687	461,291
Loans to cooperatives	21,245	5,753	5,421
Processing and marketing	141,627	126,446	90,353
Farm-related business	29,796	22,373	32,459
Rural infrastructure:			
Communication	7,202	9,374	10,274
Power and water/waste disposal	16,077	18,997	19,298
Rural residential real estate	23,299	23,612	20,927
Total loans	\$ 3,400,763	\$ 3,188,699	\$ 3,030,634

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, 2025					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 7,499	\$ 11,116	\$ 4,890	\$ –	\$ 12,389	\$ 11,116
Production and intermediate-term	30,879	996,550	66	–	30,945	996,550
Agribusiness	113,297	46,508	28,528	–	141,825	46,508
Rural infrastructure	23,345	–	–	–	23,345	–
Rural residential real estate	–	–	30	–	30	–
Total	\$ 175,020	\$ 1,054,174	\$ 33,514	\$ –	\$ 208,534	\$ 1,054,174

	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

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,		
	2025	2024	2023
Real estate mortgage:			
Acceptable	96.19%	96.68%	98.02%
OAEM	2.92	2.69	1.49
Substandard/doubtful/loss	0.89	0.63	0.49
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	76.34%	85.23%	94.30%
OAEM	18.52	13.10	4.36
Substandard/doubtful/loss	5.14	1.67	1.34
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	95.25%	94.77%	94.67%
OAEM	0.34	4.77	4.70
Substandard/doubtful/loss	4.41	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	97.91%	99.02%	99.09%
OAEM	0.75	0.56	0.37
Substandard/doubtful/loss	1.34	0.42	0.54
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	92.84%	94.86%	97.34%
OAEM	5.36	4.36	2.04
Substandard/doubtful/loss	1.80	0.78	0.62
	100.00%	100.00%	100.00%

Accrued interest receivable on loans of \$38,260, \$35,770, and \$31,892 at December 31, 2025, 2024, and 2023, 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, 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
Real estate mortgage	\$ 16,046	\$ 1,709	\$ 17,755	\$ 2,571,877	\$ 2,589,632
Production and intermediate-term	8,160	1,916	10,076	561,809	571,885
Agribusiness	–	648	648	192,020	192,668
Rural infrastructure	–	–	–	23,279	23,279
Rural residential real estate	222	215	437	22,862	23,299
Total	\$ 24,428	\$ 4,488	\$ 28,916	\$ 3,371,847	\$ 3,400,763

	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	

There were no accruing loans greater than 90 days past due as of December 31, 2025, 2024, and 2023.

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 periods ended December 31, 2025, 2024, and 2023:

	December 31, 2025			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2025
Real estate mortgage	\$ –	\$ 6,547	\$ 6,547	\$ 275
Production and intermediate-term	1,589	2,940	4,529	190
Agribusiness	–	648	648	27
Rural residential real estate	–	237	237	10
Total	\$ 1,589	\$ 10,372	\$ 11,961	\$ 502

	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

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, 2024	\$ 11,191	\$ 3,739	\$ 502	\$ 11	\$ 39	\$ –	\$ 15,482
Charge-offs	–	(77)	–	–	–	–	(77)
Recoveries	–	46	–	–	–	–	46
Provision for credit losses on loans	(416)	1,493	390	1	–	31	1,499
Balance at December 31, 2025	\$ 10,775	\$ 5,201	\$ 892	\$ 12	\$ 39	\$ 31	\$ 16,950
Allowance for Unfunded Commitments:							
Balance at December 31, 2024	\$ 107	\$ 204	\$ 59	\$ –	\$ –	\$ 2	\$ 372
Provision for unfunded commitments	31	(86)	47	–	–	–	(8)
Balance at December 31, 2025	\$ 138	\$ 118	\$ 106	\$ –	\$ –	\$ 2	\$ 364
Total allowance for credit losses	\$ 10,913	\$ 5,319	\$ 998	\$ 12	\$ 39	\$ 33	\$ 17,314
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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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 year ended December 31, 2025, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2025	
	Percentage of Total by	
	Maturity Extension	Loan Type
Real estate mortgage	\$ 242	0.01%
Production and intermediate-term	3,523	0.62%
Total	\$ 3,765	0.11%

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

	Maturity Extension
	Financial Effect
Real estate mortgage	Added a weighted average 3.3 years to the life of loans
Production and intermediate-term	Added a weighted average 5.3 months to the life of loans

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

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the year:

	December 31, 2025			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
	Real estate mortgage	\$ 164	\$ 78	\$ —
Production and intermediate-term	2,316	1,207	—	3,523
Total	\$ 2,480	\$ 1,285	\$ —	\$ 3,765

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2025 was \$957. There were no additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified at December 31, 2025.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the years 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 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 December 31, 2025, 2024, and 2023.

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 \$60,688 for 2025, \$50,390 for 2024, and \$49,716 for 2023. The Association owned 8.82 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled \$50.2 billion and shareholders' equity totaled \$2.1 billion. The Bank's earnings were \$279 million for 2025. In addition, the Association had investments of \$1,530 related to other Farm Credit institutions at December 31, 2025. The Bank had a reciprocal investment in the Association of \$27,820 representing 5,563,965 shares of its nonvoting common stock at December 31, 2025.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2025	2024	2023
Land	\$ 5,064	\$ 4,602	\$ 4,014
Buildings and improvements	34,280	26,418	18,717
Furniture and equipment	8,972	8,720	6,732
	48,316	39,740	29,463
Less: accumulated depreciation	12,684	11,492	10,316
Total	\$ 35,632	\$ 28,248	\$ 19,147

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, 2025, 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,		
	2025	2024	2023
Line of credit	\$ 3,063,000	\$ 2,881,000	\$ 2,804,000
Outstanding principal under the line of credit	2,833,736	2,628,047	2,495,740
Interest rate	3.99%	3.69%	3.44%

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 revolvment, 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 revolvment 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,		
				2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	16.52%	17.14%	17.31%
Tier 1 Capital	6.0%	2.5%	8.5%	16.52%	17.14%	17.31%
Total Capital	8.0%	2.5%	10.5%	17.00%	17.61%	17.82%
Permanent Capital	7.0%	0.0%	7.0%	16.64%	17.26%	17.45%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	17.25%	17.79%	18.00%
URE and UREE Leverage	1.5%	0.0%	1.5%	12.43%	12.29%	12.15%

* 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, 2025:

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
A Common/Nonvoting	No	31,095	\$ 156
C Common/Voting	No	2,420,869	12,104
A Common Issued to Bank/Nonvoting	No	5,563,965	27,820
C Participation Certificates/Nonvoting	No	81,277	406
Total Capital Stock and Participation Certificates		8,097,206	\$ 40,486

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, 2025, 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,		
	2025	2024	2023
Employee Benefit Plans:			
Balance at beginning of period	\$ 4,915	\$ (7,010)	\$ (13,170)
Other comprehensive income before reclassifications	6,860	11,925	5,690
Amounts reclassified from AOCI	-	-	470
Net current period OCI	6,860	11,925	6,160
Balance at end of period	\$ 11,775	\$ 4,915	\$ (7,010)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)			
	For the Year Ended December 31,			
	2025	2024	2023	Income Statement Line Item
Defined Benefit Pension Plans:				
Periodic pension costs	\$ -	\$ -	\$ (470)	See Note 9.
Amounts reclassified	\$ -	\$ -	\$ (470)	

(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. See Note 2, *Summary of Significant Accounting Policies*, for additional information.

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.

	December 31, 2025					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
Nonrecurring assets						
Nonaccrual loans	\$ -	\$ -	\$ -	\$ 204	\$ -	\$ 204
Other property owned	\$ -	\$ -	\$ -	\$ 276	\$ -	\$ 276

	December 31, 2024					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
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 Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonrecurring assets						
Nonaccrual loans	\$ -	\$ -	\$ -	\$ 1,604	\$ -	\$ 1,604
Other property owned	\$ -	\$ -	\$ -	\$ 588	\$ -	\$ 588

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policies*, accounting guidance 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the System institution for assets and liabilities:

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 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 \$1,200 for 2025, \$1,323 for 2024, and \$1,600 for 2023. Expenses for the First South plan were \$(431) for 2025, \$(75) for 2024, and \$1,062 for 2023. 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 \$810 for 2025, \$788 for 2024, and \$804 for 2023. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was \$182,436, \$182,643, and \$160,980 at December 31, 2025, 2024, and 2023, 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 \$1,708, \$1,559, and \$1,368 for the years ended December 31, 2025, 2024, and 2023, 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 2025, 2024, and 2023, \$6,860, \$11,925 and \$6,160, respectively, have 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		
	2025	2024	2023
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 96,821	\$ 104,620	\$ 101,008
Service cost	900	1,162	1,144
Interest cost	5,324	5,061	5,076
Actuarial loss (gain)	2,877	(7,778)	3,480
Benefits paid	(6,628)	(6,244)	(6,088)
Benefit obligation at end of year	\$ 99,294	\$ 96,821	\$ 104,620
Change in plan assets			
Fair value of plan assets, beginning of year	\$ 105,796	\$ 100,274	\$ 89,963
Actual return on plan assets	16,719	10,743	15,053
Employer contributions	1,200	1,323	1,600
Benefits paid	(6,628)	(6,244)	(6,088)
Expenses	(326)	(300)	(254)
Fair value of plan assets, end of year	\$ 116,761	\$ 105,796	\$ 100,274
Funded status	\$ 17,467	\$ 8,975	\$ (4,346)
Fourth quarter contributions	-	-	-
Net amount recognized	\$ 17,467	\$ 8,975	\$ (4,346)
Amounts recognized consist of:			
Pension assets	\$ 17,467	\$ 8,975	\$ -
Pension liabilities	-	-	(4,346)
Net amount recognized	\$ 17,467	\$ 8,975	\$ (4,346)

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

	2025	2024	2023
Net actuarial loss (gain)	\$ (11,775)	\$ (4,915)	\$ 7,010
Prior service costs (credit)	-	-	-
Net transition obligation (asset)	-	-	-
Total amount recognized in OCI	\$ (11,775)	\$ (4,915)	\$ 7,010

The accumulated benefit obligation for the defined benefit plans was \$94,259, \$91,906, and \$98,458 at December 31, 2025, 2024, and 2023, respectively.

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

	2025	2024	2023
Projected benefit obligation	\$ 99,294	\$ 96,821	\$ 104,620
Accumulated benefit obligation	94,259	91,906	98,458
Fair value of plan assets	116,761	105,796	100,274

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

	Pension Benefits		
	2025	2024	2023
Net periodic benefit (income) cost			
Service cost	\$ 900	\$ 1,162	\$ 1,144
Interest cost	5,325	5,061	5,076
Expected return on plan assets	(6,656)	(6,298)	(5,628)
Amortization of net (gain) loss	—	—	470
Amortization of prior service cost	—	—	—
Net periodic benefit (income) cost	<u>\$ (431)</u>	<u>\$ (75)</u>	<u>\$ 1,062</u>

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

	2025	2024	2023
Net actuarial loss (gain)	\$ (6,860)	\$ (11,925)	\$ (5,690)
Amortization of net actuarial loss (gain)	—	—	(470)
Adjustment for adoption of new accounting guidance	—	—	—
Amortization of prior service cost	—	—	—
Amortization of transition obligation (asset)	—	—	—
Total recognized in other comprehensive income	<u>\$ (6,860)</u>	<u>\$ (11,925)</u>	<u>\$ (6,160)</u>
Total recognized in net periodic pension cost and other comprehensive income	<u>\$ (7,291)</u>	<u>\$ (12,000)</u>	<u>\$ (5,098)</u>

The total estimated net actuarial gain, transition asset/liabilities and prior service cost for the pension plan that will be amortized into income during 2026 is \$15,520.

Assumptions:	2025	2024	2023
Weighted-average assumptions used to determine benefit obligations at December 31			
Discount rate	5.50%	5.70%	5.00%
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	5.70%	5.00%	5.20%
Expected long-term return on plan assets	6.50%	6.50%	6.50%
Rate of compensation increase	5.00%	5.00%	5.00%

In 2025, 2024, and 2023, 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 2025.

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, 2025.

Target allocation for asset categories for 2025 are as follows:

Asset Category	
Equity securities	51%
Debt securities	49%
	<u>100%</u>

Actual Plan Asset Allocation

	2025	2024	2023
Equity Securities	51%	54%	70%
Debt Securities	48%	45%	28%
Other	1%	1%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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.

<u>Asset Category</u>	Fair Value Measurements at December 31, 2025			
	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 788	\$ –	\$ –	\$ 788
Mutual funds:				
Domestic equity funds	97,648	7,863	–	105,511
International equity funds	–	–	–	–
Common Collective Trust:				
Fixed income fund	–	10,462	–	10,462
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	<u>\$ 98,436</u>	<u>\$ 18,325</u>	<u>\$ –</u>	<u>\$ 116,761</u>
Investments measured at net asset value				–
Total assets at fair value				<u>\$ 116,761</u>

<u>Asset Category</u>	Fair Value Measurements at December 31, 2024			
	Level 1	Level 2	Level 3	Total Fair Value
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	<u>\$ 87,802</u>	<u>\$ 17,994</u>	<u>\$ –</u>	<u>\$ 105,796</u>
Investments measured at net asset value				–
Total assets at fair value				<u>\$ 105,796</u>

<u>Asset Category</u>	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
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	<u>\$ 89,378</u>	<u>\$ 10,896</u>	<u>\$ –</u>	<u>\$ 100,274</u>
Investments measured at net asset value				–
Total assets at fair value				<u>\$ 100,274</u>

Cash Flows

Contributions: The total employer contribution expected during 2026 is \$1,200.

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

2026	\$	7,233
2027	\$	7,190
2028	\$	7,523
2029	\$	7,549
2030	\$	7,597
2031-2035	\$	36,547

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 \$33, \$9, and \$11 for 2025, 2024, and 2023, 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, 2025 amounted to \$43,296. During 2025, \$17,623 of new loans were made and repayments totaled \$30,489. In the opinion of management, none of these loans outstanding at December 31, 2025 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, 2025, \$515,998 of commitments to extend credit and no commercial letters of credit were outstanding. A reserve for unfunded commitments of \$364 was included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2025.

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, 2025, standby letters of credit outstanding totaled \$2,612 with expiration dates ranging from January 28, 2026 to December 21, 2028. The maximum potential amount of future payments that may be required under these guarantees was \$2,612.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2025	2024	2023
Current:			
Federal	\$ (2)	\$ 11	\$ 2
State	(1)	2	(1)
	(3)	13	1
Deferred:			
Federal	—	—	—
State	—	—	—
Total provision (benefit) for income taxes	\$ (3)	\$ 13	\$ 1

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,		
	2025	2024	2023
Federal tax at statutory rate	\$ 12,561	\$ 13,009	\$ 12,722
State tax, net	(1)	2	(1)
Patronage distributions	(6,814)	(6,722)	(6,919)
Tax-exempt FLCA earnings	(4,922)	(6,473)	(4,395)
Change in valuation allowance	(456)	(999)	(757)
Change in FASB guidance, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" Liability	797	1,264	617
Other	(1,168)	(68)	(1,266)
Provision (benefit) for income taxes	\$ (3)	\$ 13	\$ 1

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,		
	2025	2024	2023
Deferred income tax assets:			
Allowance for loan losses	\$ 743	\$ 645	\$ 541
Nonaccrual loan interest	1,104	958	844
Pensions and other postretirement benefits	(392)	405	1,677
Loan origination fees	—	—	—
Depreciation	314	203	156
Other reserves and allowances	16	16	23
Gross deferred tax assets	1,785	2,227	3,241
Less: valuation allowance	156	(296)	(1,303)
Gross deferred tax assets, net of valuation allowance	—	—	—
Deferred income tax liabilities:			
FLCA NQ Future Distributions	(1,384)	(1,388)	(1,388)
2022 Special Patronage	(611)	(613)	(613)
Loan origination fees	54	70	63
Gross deferred tax liability	(1,914)	(1,931)	(1,938)
Net deferred tax asset (liability)	\$ —	\$ —	\$ —

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 \$156, \$(296) and \$1,303 as of December 31, 2025, 2024 and 2023 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, 2025 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 2022 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2025				
	First	Second	Third	Fourth	Total
Net interest income	\$ 22,556	\$ 23,035	\$ 23,755	\$ 23,431	\$ 92,777
Provision for (reversal of) allowance for credit losses	477	673	288	53	1,491
Noninterest income (expense), net	(8,250)	(9,848)	(9,114)	(4,255)	(31,467)
Net income	\$ 13,829	\$ 12,514	\$ 14,353	\$ 19,123	\$ 59,819

	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

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined that there were none requiring disclosure through March 10, 2026, which was the date the financial statements were issued.