2024 ANNUAL REPORT

ENDURING MISSION, RESILIENT FUTURE

AgFirst

JOHN P. "PAT" CALHOUN
ACTING CHIEF EXECUTIVE OFFICER AND CHIEF CREDIT OFFICER

WILLIAM T. ROBINSON
CHAIRMAN OF THE BOARD

ENDURING MISSION, RESILIENT FUTURE

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER & THE CHAIRMAN OF THE BOARD

While AgFirst Farm Credit Bank navigated change throughout 2024, we remained steadfast in our commitment to support rural communities and agriculture. As part of the Farm Credit System, we play a key role in ensuring agricultural operations have the financial and business support they need to keep producing in both good and challenging times.

We accomplished this through sound financial practices, keeping pace with technological changes and working in close partnership with our associations, all while remaining responsible stewards of our community and resources.

With the highs and lows of a mixed economy, a changing leadership team and a burgeoning technology program, 2024 was both bountiful and bittersweet for AgFirst.

LEADERSHIP TRANSITION

At the end of 2024, we said goodbye to longtime CEO Tim Amerson, who retired after 37 years of service to AgFirst. For 12 years, Amerson led AgFirst as CEO through the COVID-19 pandemic that forced workers to suddenly transition to remote

work for two years; numerous U.S. administration changes; economic ups and downs; a wave of Farm Credit mergers; and a rapidly shifting lending technology landscape that led to an ambitious technology overhaul to replace legacy systems with the most advanced platforms available to lenders.

Last year, Amerson and his leadership team created a Chief Operations Officer role designed to bring more oversight to day-to-day operations, enabling the CEO to focus more fully on bigger picture operational items. The bank welcomed Brian Runkle in October to fill that position. That same month, longtime Farm Credit employee and former CEO of an AgFirst association, Pat Calhoun, took on the role of Chief Credit Officer as the bank's former CCO retired.

With a transition plan in place and a solid foundation for growth set, Amerson announced his decision to retire at year's end. Calhoun – with his years of experience as a CEO within the district – took the reigns as the AgFirst board began a comprehensive search for a long-term leader.

TECHNOLOGY TRANSFORMATION

Amerson's legacy will forever be tied to the aggressive technology program he directed during his tenure. Technology for lending has evolved rapidly in recent years, and the bank has responded by collaborating with association partners to ensure our district keeps pace and is well-positioned to continue fulfilling its vital mission in the coming years.

From major lending platforms to small but critical upgrades, our dedicated employees have worked relentlessly to keep the district's systems updated to better serve the farmers, business owners and rural homeowners who rely on Farm Credit.

At its heart, our multi-year technology upgrade program is designed to improve the experience of employees who use these systems every day, promote operational efficiency and ensure borrowers have the convenience and ease of use they expect from their lender.

AgFirst and association employees together have spent countless hours working to install and fine-tune these essential platforms. Their pledge is to continue working to ensure this technology remains updated and works seamlessly moving forward.

While this kind of transformational change is never easy, we are at our best when we come together with solutions that move us all in the right direction. Navigating these initiatives with partnership and adaptability enables us to set the stage for a resilient future for our bank and district.

SOLID FINANCIALS

All of these advancements would mean nothing without maintaining a solid financial position. In 2024, the bank's net income improved 7% to $283 million compared to 2023. AgFirst operates as a cooperative serving as an extension of associations, and, as such, must return profits to them after accounting for our operating and capital costs. Last year's income enabled patronage distributions of $223 million to associations.

Bank profitability improved last year partially due to allocation methodology changes for the cost of technology and services to associations. Another notable factor was lower operating expenses of almost 9% compared to the prior year.

Sustained credit quality also contributed to the bank's financial improvement through lower overall allowance for credit loss requirements. At year-end, the bank's loan portfolio held a 98.30% acceptable credit rating.

Despite a mixed bag of economic indicators, district associations experienced strong loan growth of 9%, positively impacting the bank's Direct Note portfolio. This loan growth is the result of successful efforts to bring in new clients and meet the needs of our borrowers during a period of rising inflation and input costs.

As we look toward the future, capital investments in our technology systems and dedication to prudent capital and credit risk management position AgFirst to continue meeting the needs of associations and the agricultural community.

STEWARDSHIP AND SUSTAINABILITY

The same care that we put into running a solid, modern operation also shows in our dedication to helping our local and agricultural communities thrive.

In 2024, AgFirst launched a website to bring resources, training and financing opportunities to young, beginning and small farmers. This important segment of agricultural production can now find a wealth of helpful information – provided by the bank, associations and other knowledgeable partners – at www.agbizinfo.com. The content is designed to help guide them in starting, operating or growing their farm.

AgFirst, district associations and other Farm Credit and agricultural agencies partnered in late September to help those hard hit in our district by the devastating Hurricane Helene. The storm was catastrophic for many farmers, producers and agribusinesses in communities across Florida, Georgia, the Carolinas and Tennessee. Through our partnership with the American Red Cross, we donated aid to help with immediate needs and recovery efforts. Farm Credit employees nationwide also came together to donate to the system's Employee Relief Fund for those who suffered financial hardships from the storm.

Also in 2024, AgFirst launched a Stewardship and Sustainability report to outline our commitment to community, environment, people and integrity. We hope that by showcasing our connection and dedication to stewardship and sustainability at the bank and in the community, we are demonstrating how we can all make a difference for good.

FUTURE VISION

As AgFirst rounds out our leadership team and makes strides in our technology upgrade program in 2025, we are excited about what the future holds. AgFirst and its partners will continue to move steadily forward, executing our strategic, cohesive vision for the future while remaining steadfast in our commitment to rural communities and agriculture.

Our new technology will be implemented, but our transformation will be ongoing as we continue to adapt to technology advancements to better serve our association partners and their borrowers.

Even as we continue to navigate change, we remain committed to operating – in close partnership with our associations – with financial prudence, operational efficiency and an unwavering dedication to stewardship and sustainability.

John P. Calhoun

John P. "Pat" Calhoun
Acting Chief Executive Officer and Chief Credit Officer

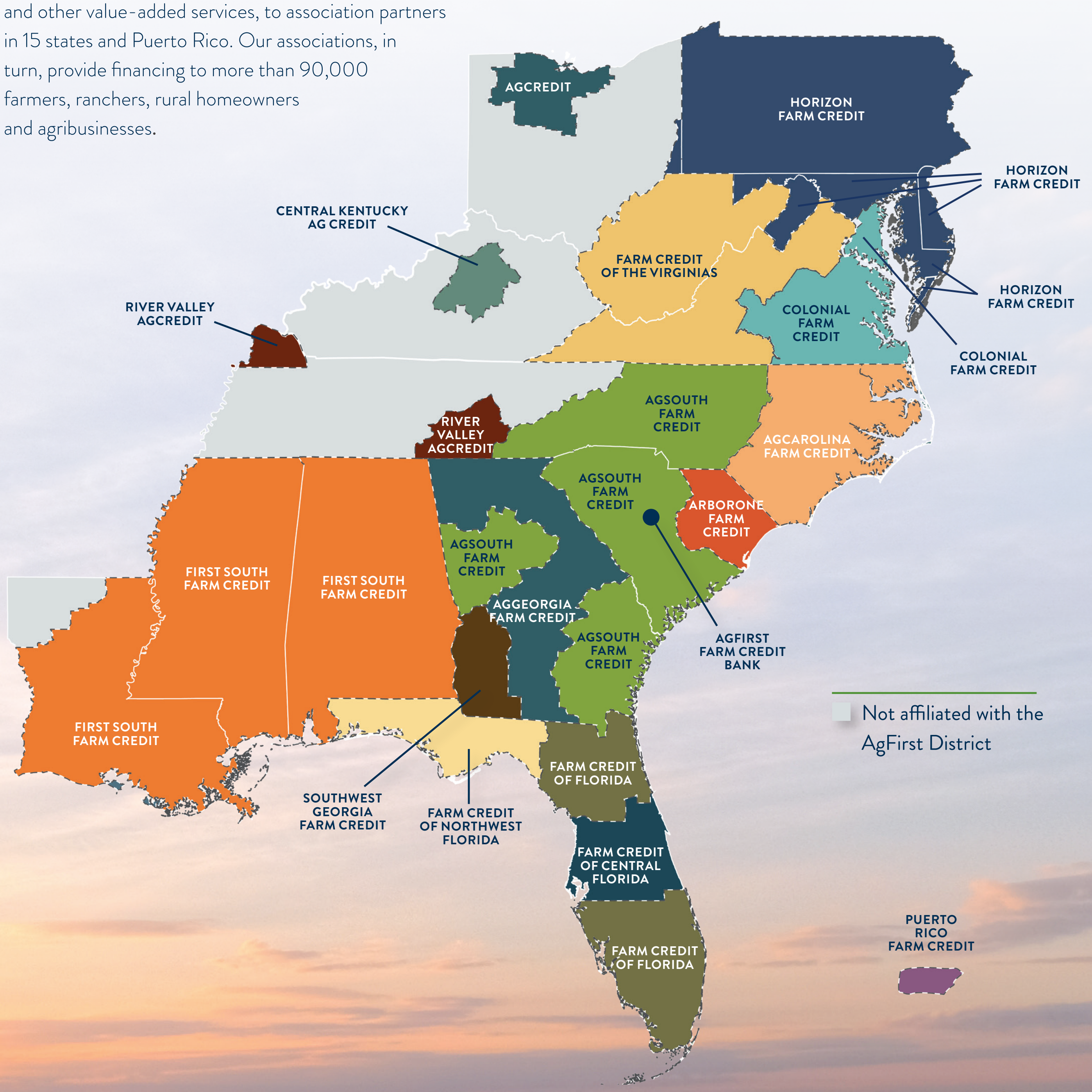
William T. Robinson

William T. Robinson
Chairman of the Board

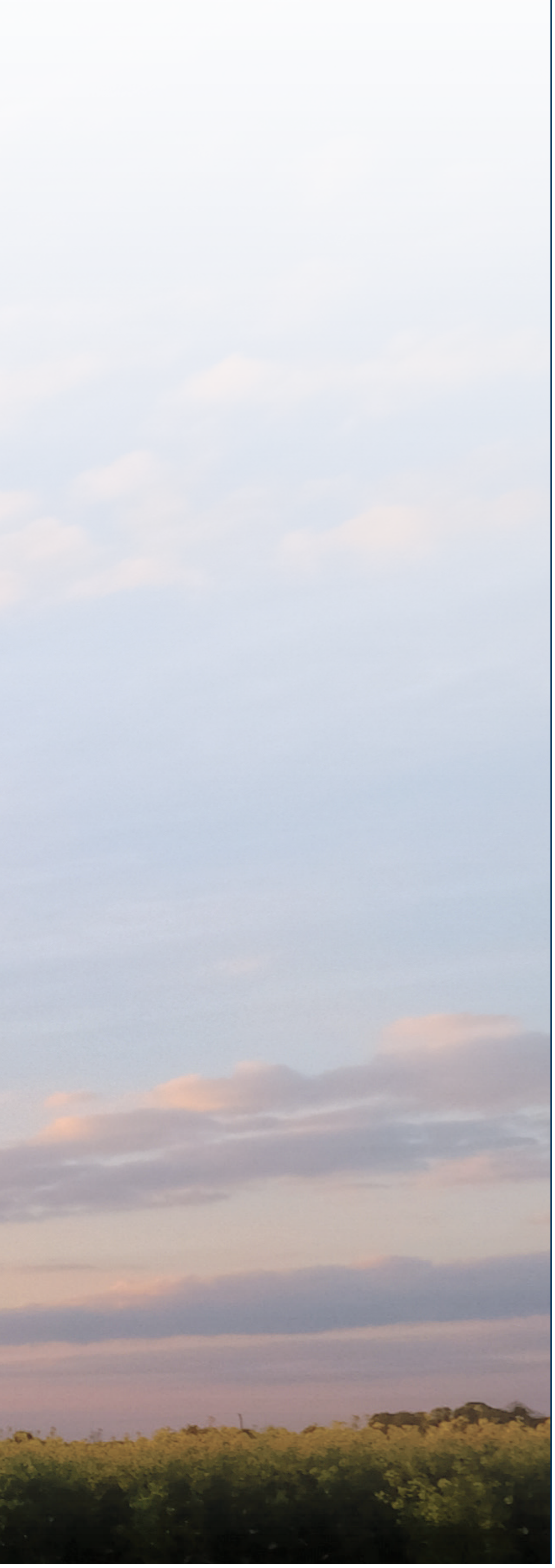
February 28, 2025

AGFIRST FARM CREDIT BANK & ASSOCIATIONS

AgFirst is a member of the Farm Credit System, the largest agricultural lending organization in the United States. As one of the four banks in the Farm Credit System, we provide wholesale funding, as well as technology and other value-added services, to association partners in 15 states and Puerto Rico. Our associations, in turn, provide financing to more than 90,000 farmers, ranchers, rural homeowners and agribusinesses.



BOARD OF DIRECTORS



WILLIAM T. ROBINSON
AGSOUTH FARM CREDIT

JENNY R. BLACK
FARM CREDIT OF CENTRAL FLORIDA

GARY L. BALDOSSER
AGCREDIT

JACK W. BENTLEY JR.
AGGEORGIA FARM CREDIT

SHERRY E. BOWDEN
OUTSIDE DIRECTOR

JENNIFER L. RHODES
HORIZON FARM CREDIT

DWAIN K. LANIER
OUTSIDE DIRECTOR

FRED R. MOORE JR.
HORIZON FARM CREDIT

MICHAEL W. PATRICK
FIRST SOUTH FARM CREDIT

JOHN WHITWORTH "WHIT" PLAYER
ARBORONE FARM CREDIT

DAVID L. RICHESIN
RIVER VALLEY AGCREDIT

ALFRED W. "AL" STEPHENS
FARM CREDIT OF THE VIRGINIAS

MICHAEL T. "BO" STONE
AGCAROLINA FARM CREDIT

ELLIS W. TAYLOR
AGCAROLINA FARM CREDIT

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AGFIRST FARM CREDIT BANK

FINANCIAL STATEMENTS

AgFirst Farm Credit Bank

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Management

John P. Calhoun	Acting Chief Executive Officer and Chief Credit Officer
James A. Bumgarner	Executive Vice President and Chief Administrative Officer
Stephen Gilbert	Executive Vice President and Chief Financial Officer
Frances S. Griggs	Executive Vice President and General Counsel
Daniel E. LaFreniere	Executive Vice President and Chief Audit Executive
Brian R. Runkle	Executive Vice President and Chief Operating Officer
Juan Silvera	Executive Vice President and Chief Marketing Officer
Chad E. Toney	Executive Vice President and Chief Risk Officer

Board of Directors

William T. Robinson	Chair
Jenny R. Black	Vice Chair
Gary L. Baldosser	Director
Jack W. Bentley, Jr.	Director
Sherry E. Bowden	Director
Dwain K. Lanier	Director
Fred R. Moore, Jr.	Director
Michael W. Patrick	Director
John Whitworth Player	Director
David L. Richesin	Director
Jennifer L. Rhodes	Director
Alfred W. Stephens, Jr.	Director
Michael T. Stone	Director
Ellis W. Taylor	Director

Report of Management

The financial statements of AgFirst Farm Credit Bank (AgFirst) are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as appropriate in the circumstances. Other financial information included in the Annual Report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, AgFirst's internal audit staff performs audits of the accounting records, reviews accounting systems and internal controls, and recommends improvements as deemed appropriate. The financial statements have been audited by PricewaterhouseCoopers LLP, independent auditors. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2024, 2023, and 2022. AgFirst is also examined by the Farm Credit Administration (FCA).

In the opinion of management, the financial statements are true and correct and fairly state the financial position of AgFirst at December 31, 2024, 2023, and 2022. The independent auditors have direct access to the Audit Committee, which is composed solely of directors who are not officers or employees of the bank.

The undersigned certify that this Annual Report to Shareholders has been reviewed by the undersigned and has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of their knowledge.

/s/ William T. Robinson
Chairman of the Board

/s/ John P. Calhoun
Acting Chief Executive Officer and Chief Credit Officer

/s/ Stephen Gilbert
Executive Vice President and Chief Financial Officer

February 28, 2025

Five-Year Summary of Selected Financial Data

	As of or for the Year Ended December 31,				
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**
Balance Sheet Data					
Cash and cash equivalents	$ 1,857,000	$ 1,490,814	$ 1,096,392	$ 1,025,288	$ 1,213,685
Investments in debt securities	8,001,921	8,650,637	9,075,808	9,336,705	8,515,428
Loans	36,664,796	34,326,724	31,468,732	28,535,682	26,224,989
Allowance for credit losses on loans	(28,153)	(39,420)	(26,070)	(20,147)	(18,257)
Net loans	36,636,643	34,287,304	31,442,662	28,515,535	26,206,732
Other property owned	2,082	260	—	—	—
Other assets	534,736	556,807	457,858	397,026	402,361
Total assets	$ 47,032,382	$ 44,985,822	$ 42,072,720	$ 39,274,554	$ 36,338,206
Obligations with maturities of one year or less	$ 16,808,024	$ 14,571,942	$ 14,640,086	$ 13,856,634	$ 15,927,888
Obligations with maturities of greater than one year	28,493,561	28,731,132	25,981,015	23,115,140	17,932,454
Total liabilities	45,301,585	43,303,074	40,621,101	36,971,774	33,860,342
Perpetual preferred stock	—	—	—	32,500	49,250
Capital stock and participation certificates	600,182	561,527	300,539	299,131	311,859
Additional paid-in-capital	63,668	63,668	63,668	63,673	58,883
Retained earnings					
Allocated	413	413	123,413	416	416
Unallocated	1,964,881	1,950,133	1,957,897	1,888,462	1,871,594
Accumulated other comprehensive income (loss)	(898,347)	(892,993)	(993,898)	18,598	185,862
Total shareholders' equity	1,730,797	1,682,748	1,451,619	2,302,780	2,477,864
Total liabilities and shareholders' equity	$ 47,032,382	$ 44,985,822	$ 42,072,720	$ 39,274,554	$ 36,338,206
Statement of Income Data					
Net interest income	$ 363,099	$ 491,326	$ 605,535	$ 648,398	$ 581,347
Provision for (reversal of) allowance for credit losses	(9,587)	15,953	7,704	3,552	(6,220)
Noninterest expense, net	(89,780)	(210,053)	(185,871)	(158,840)	(169,889)
Net income	$ 282,906	$ 265,320	$ 411,960	$ 486,006	$ 417,678
Key Financial Ratios					
For the Respective Year Ended:					
Return on average assets	0.63 %	0.62 %	1.02 %	1.31 %	1.17 %
Return on average shareholders' equity	15.56 %	16.67 %	21.32 %	18.33 %	15.90 %
Net interest income as a percentage of average earning assets	0.82 %	1.16 %	1.53 %	1.78 %	1.67 %
Net (chargeoffs) recoveries to average loans	0.00 %	(0.05)%	(0.01)%	(0.01)%	0.03 %
As of the Respective Year-end:					
Total shareholders' equity to total assets	3.68 %	3.74 %	3.45 %	5.86 %	6.82 %
Debt to shareholders' equity (:1)	26.17	25.73	27.98	16.06	13.67
Allowance for credit losses on loans to loans	0.08 %	0.11 %	0.08 %	0.07 %	0.07 %
Permanent capital ratio	15.12 %	15.41 %	15.34 %	18.73 %	19.39 %
Common equity tier 1 capital ratio	15.10 %	15.37 %	15.32 %	18.47 %	18.99 %
Tier 1 capital ratio	15.10 %	15.37 %	15.32 %	18.70 %	19.36 %
Total regulatory capital ratio	15.28 %	15.66 %	15.46 %	18.85 %	19.51 %
Tier 1 leverage ratio*	5.88 %	6.08 %	6.09 %	6.87 %	7.09 %
Unallocated retained earnings (URE) and URE equivalents	4.65 %	4.64 %	5.37 %	6.09 %	6.18 %
Net Income Distribution					
Cash patronage declared	$ 259,861	$ 251,198	$ 212,874	$ 463,555	$ 390,382
Distribution of nonqualified allocated retained earnings	—	—	123,000	—	—
Perpetual preferred stock dividend	—	—	271	521	963
Stock patronage declared	8,297	5,668	4,519	3,991	3,468

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

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

AgFirst Farm Credit Bank (the Bank or AgFirst) is one of the banks of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions and related service organizations. System institutions are generally organized as cooperatives. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. Consistent with the mission of supporting rural America, the System also makes rural residential real estate loans, finances rural communication, power and water infrastructures and makes loans to support agricultural exports and to finance other eligible entities.

The nation is currently served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), each of which has specific lending authorities within its chartered territory. The ACB also has certain additional specific nationwide lending authorities. AgFirst is chartered to serve the states of Pennsylvania, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, the Commonwealth of Puerto Rico and portions of the states of Ohio, Tennessee, Kentucky and Louisiana.

Each FCB and the ACB serves one or more of either Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans, and/or Agricultural Credit Associations (ACAs) that originate and service both long-term real estate mortgage loans and short- and intermediate-term loans. PCAs, FLCAs and ACAs are collectively referred to as associations. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District (District). The Associations are structured as cooperatives in which each Association is owned by its borrowers. AgFirst also operates as a cooperative. The District Associations, certain Other Financing Institutions (OFIs), and other System institutions jointly own AgFirst. As of December 31, 2024, the District consisted of the Bank and sixteen District Associations. See *Loan Portfolio* section for discussion on a proposed Association merger expected to take place in 2026. All Associations were structured as ACA holding companies, with FLCA and PCA subsidiaries. The Bank and District Associations are regulated by the Farm Credit Administration (FCA).

The following commentary reviews the Financial Statements of condition and results of operations of AgFirst as of and for the years ended December 31, 2024, 2023, and 2022. This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and other sections of this Annual Report. The Financial Statements were prepared under the oversight of the Audit Committee of the Bank's Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" included in this Annual Report. See Note 1, *Organization and Operations*, in the Notes to the Financial Statements for a discussion of the operations of AgFirst.

FORWARD-LOOKING INFORMATION

Certain sections of this Annual Report contain forward-looking statements concerning financial information and statements about future economic performance and events, plans and objectives. These projections and statements are not based on historical facts but instead represent the Bank's current assumptions and expectations regarding the Bank's business, the economy and other future conditions. However, actual results and developments may differ materially from the Bank's expectations and predictions due to a number of risks and uncertainties, many of which are beyond the Bank's control.

These risks and uncertainties include, but are not limited to:

- political (including trade policies), legal, regulatory, financial markets, and economic conditions and developments in the United States (U.S.) and abroad including wars and regional conflicts, the level of inflation, supply chain disruptions, and potential changes to global trade patterns and agreements;
- economic fluctuations in the agricultural, rural infrastructure, international, and farm-related business sectors, as well as in the general economy
- weather-related events, food safety, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income of District borrowers;
- climate change and/or measures to address climate change;
- changes in production expenses, particularly feed, fuel, and fertilizer;
- changes in supply or demand of U.S. agricultural products in a global marketplace;
- changes in farmland and rural real estate values;
- availability of agricultural workers and changes in labor costs;
- disruption of operations or disclosure of confidential information as a result of cybersecurity incidents, including incidents at critical vendors;
- a failure or circumvention of controls and procedures;
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise (GSE), as well as investor and rating agency reactions to events involving the U.S. government, other GSEs and other financial institutions;
- actions taken by the Federal Reserve System in implementing monetary and fiscal policy, as well as other policies and actions of the federal government that impact the financial services industry and the debt markets;
- credit, interest rate, prepayment, and liquidity risk inherent in lending activities; and,
- the Bank's assumptions for determining the allowance for credit losses and fair value measurements.

Forward-looking statements can be identified by words such as “anticipates,” “believes,” “could,” “estimates,” “may,” “should,” “will,” or other variations of these terms that are intended to reference future periods.

AGRICULTURAL OUTLOOK

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

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of AgFirst’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 in the AgFirst District.

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

The USDA’s outlook projects net farm income for 2025 at $180.1 billion, a $41.0 billion or 29.5 percent increase from 2024, but $75.0 billion above the 10-year average in nominal dollars. The forecasted increase in net farm income for 2025 is primarily due to expected increases in direct government payments of $33.1 billion and cash receipts for animals and animal products of $3.8 billion as well as a decrease in cash expenses of $3.2 billion, partially offset by a decrease in cash receipts for crops of $5.6 billion. The overall incline in direct government payments reflects higher anticipated payments from supplemental ad hoc disaster aid and economic assistance, mainly from the funding authorized in the Disaster Relief Supplemental Appropriations Act, 2025 contained in the American Relief Act, 2025. Approximately $21 billion in aid will go to farmers who suffered natural disasters in 2023 and 2024 and an additional $10 billion in economic assistance to crop producers to address financial losses during the 2024 production year. The increase in cash receipts for animals and animal products are predicted for hogs, broilers, and milk, while receipts for cattle and eggs are expected to decline modestly. The expected decline in the cash receipts for crops is primarily driven by decreases in corn and soybean prices, while receipts for vegetables and melons are expected to increase. Many production expenses are expected to continue to decrease from 2024 levels, representing the second year of projected declines and falling to their lowest level in real terms since 2021.

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

The value of farm real estate is an important measure of the farm sector's financial performance, considering that farm real estate comprises a substantial share of farm sector assets. Farm real estate accounted for roughly 83 percent of the total value of the U.S. farm sector assets for 2024 and 2023 according to the USDA in its February 2025 forecast. Consequently, changes in farmland values often affect the financial strength of agricultural producers because 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 5.2 percent in 2024 to $3.7 trillion. Farm real estate value is expected to increase 3.1 percent and non-real estate farm assets are expected to increase 4.4 percent, while farm sector debt is forecasted to increase 4.4 percent in 2024. Farm real estate debt as a share of total debt has been rising since 2014 at about the same rate as the value of farm real estate and is expected to account for 66.5 percent of total farm debt in 2024, as compared with 66.4 percent in 2023.

Farm sector solvency ratios 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 improve slightly from 14.8 percent in 2023 to 14.7 percent in 2024 and for the debt-to-asset ratio to decline modestly from 12.9 percent in 2023 to 12.8 percent in 2024. These ratios are well below their peak of 28.5 percent and 22.2 percent in 1985.

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

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

The following table sets forth the commodity prices 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, 2021 to December 31, 2024:

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

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

CRITICAL ACCOUNTING POLICIES

The Bank's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of AgFirst's significant accounting policies is critical to the understanding of the Bank'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 Bank's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Financial Statements. The following is a summary of the Bank's most significant critical accounting policies:

- *Allowance for credit losses* (ACL) — On January 1, 2023, the Bank 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. Following this adoption, 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 Bank's loan portfolio and is presented separately on the *Balance Sheets*,
  - the ACL on unfunded commitments, which is presented on the *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 *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 Bank'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. Management utilizes third-party valuation services to obtain fair value prices for the majority of the Bank's investment securities, which represent the most significant fair value estimate and a significant accounting policy. Management also utilizes significant estimates and assumptions to value other items for which an observable active market does not exist which are less significant. Examples of these items include: nonaccrual loans, other property owned, pension obligations, certain investment securities and 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 Bank's results of operations.

RESULTS OF OPERATIONS

Net Income

AgFirst net income totaled $282.9 million for the year ended December 31, 2024, an increase of $17.6 million from 2023. Net income of $265.3 million for the year ended December 31, 2023 was a decrease of $146.6 million from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income *(dollars in thousands)*	**Year Ended December 31, 2024**	**2023**	**2022**
Net income (for prior year)	$ 265,320	$ 411,960	$ 486,006
Increase (decrease) due to:			
Total interest income	204,937	635,246	296,634
Total interest expense	(333,164)	(749,455)	(339,497)
Net interest income	(128,227)	(114,209)	(42,863)
Provision for credit losses	25,540	(8,249)	(4,152)
Noninterest income	97,937	2,116	10,029
Noninterest expense	22,336	(26,298)	(37,060)
Total net increase (decrease) in net income	17,586	(146,640)	(74,046)
Net income	$ 282,906	$ 265,320	$ 411,960

AgFirst provides a revolving line of credit, referred to as a Direct Note, to each of the District Associations. See the *Direct Notes* section for further details on the relationship. Prior to January 1, 2024, the interest rate applied to the Direct Notes included the Associations' allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank and Associations amended the line of credit agreement to exclude the Associations' allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to receive fees from Associations, included in Fees from other Farm Credit institutions on the *Statements of Comprehensive Income*, for these services separately on a monthly basis. This change had minimal impact on the Bank's net income but did result in a lower net interest margin as it began classifying the $77.4 million of income received from interest income to noninterest income in 2024. If this amendment was in effect during 2023 and 2022, the Bank would have had lower interest income and corresponding higher noninterest income of $79.4 million and $76.7 million for the years ended December 31, 2023, and 2022, respectively. The net interest margin, as presented in the table below, would have been 0.97 percent and 1.33 percent for December 31, 2023 and 2022, respectively.

Net Interest Income

Net interest income for the year ended December 31, 2024 was $363.1 million compared to $491.3 million for the same period of 2023, a decrease of $128.2 million or 26.10 percent. The net interest margin, which is net interest income as a percentage of average earning assets, was 0.82 percent and 1.16 percent in the current year and previous year, respectively, a decrease of 34 basis points.

AgFirst Analysis of Net Interest Income

(dollars in thousands)	**2024 Avg. Balance**	**2024 Interest**	**2024 Avg. Yield**	**2023 Avg. Balance**	**2023 Interest**	**2023 Avg. Yield**	**2022 Avg. Balance**	**2022 Interest**	**2022 Avg. Yield**
Loans	$ 34,978,985	$ 1,594,747	4.56 %	$ 32,766,825	$ 1,417,476	4.33 %	$ 29,898,482	$ 919,416	3.08 %
Investments	9,104,019	347,131	3.81	9,245,386	323,244	3.50	9,527,200	199,809	2.10
Other*	443,900	22,546	5.08	384,263	18,767	4.88	232,586	5,016	2.16
Total earning assets	44,526,904	1,964,424	4.41	42,396,474	1,759,487	4.15	39,658,268	1,124,241	2.83
Interest-bearing liabilities	42,976,213	(1,601,325)	3.73	41,170,608	(1,268,161)	3.08	38,267,428	(518,706)	1.36
Spread			0.68			1.07			1.47
Impact of capital	$ 1,550,691		0.14	$ 1,225,866		0.09	$ 1,390,840		0.06
Net Interest Income (NII) & NII to average earning assets		$ 363,099	0.82 %		$ 491,326	1.16 %		$ 605,535	1.53 %

**Other includes interest-bearing cash and loans held for sale.*

The following table illustrates the impact of rate and volume changes on net interest income:

	For the Year Ended December 31, 2024 vs. December 31, 2023			For the Year Ended December 31, 2023 vs. December 31, 2022		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
(dollars in thousands)	**Rate**	**Volume**	**Total**	**Rate**	**Volume**	**Total**
Interest Income:						
Loans	$ 86,820	$ 90,451	$ 177,271	$ 417,798	$ 80,262	$ 498,060
Investments	28,835	(4,948)	23,887	129,345	(5,910)	123,435
Other	869	2,910	3,779	10,480	3,271	13,751
Total Interest Income	$ 116,524	$ 88,413	$ 204,937	$ 557,623	$ 77,623	$ 635,246
Interest Expense:						
Interest-Bearing Liabilities	$ 277,550	$ 55,614	$ 333,164	$ 710,103	$ 39,352	$ 749,455
Changes in Net Interest Income	$ (161,026)	$ 32,799	$ (128,227)	$ (152,480)	$ 38,271	$ (114,209)

As illustrated in the preceding tables, the decline in net interest income and net interest margin in 2024 is primarily due to the amended Direct Note Rate discussed above. After adjusting the prior years to reflect the Direct Note rate amendment discussed above, the remaining decline in net interest income and net interest margin for both periods is primarily the result of rates paid on interest-bearing liabilities increasing significantly more than rates on interest-earning assets, partially offset by higher volumes of interest-earning assets.

A significant volume of the Bank's assets have long-term, fixed-rate, prepayable payment structures. To mitigate interest rate risk exposure, the Bank funds such assets predominately with fixed-rate, callable Systemwide Debt Securities having maturities similar to the assets funded. When interest rates fall, the Bank calls and replaces Systemwide Debt Securities that result in interest expense savings. This temporarily increases net interest margin, which, absent additional rate decreases, returns to a level that does not reflect the benefits of called debt over time as assets reprice.

Provision for Credit Losses

AgFirst estimates losses in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for credit losses so that appropriate reserves are maintained. The provision for credit loss includes the provision for loan loss and, beginning in 2023, the provision for unfunded commitments. The provision for loan losses is further broken down to include an asset-specific component involving individual loans that do not share common characteristics with other loans and a pooled component for loans that share common risk characteristics. The Bank's provision for credit losses is shown in the following table separated by Capital Markets loans (loan participations/syndications purchased, net of sold) and Correspondent Lending loans (primarily first lien rural residential mortgages):

	For the year ended								
(dollars in thousands)	**December 31, 2024**			**December 31, 2023**			**December 31, 2022***		
Provision for (reversal of) allowance for credit losses:	**Capital Markets**	**Correspondent Lending**	**Total**	**Capital Markets**	**Correspondent Lending**	**Total**	**Capital Markets**	**Correspondent Lending**	**Total**
Asset-specific component	$ 704	$ 572	$ 1,276	$ 16,984	$ 93	$ 17,077	$ 2,082	$ 1,371	$ 3,453
Pooled component	885	(11,684)	(10,799)	387	(561)	(174)	3,649	602	4,251
Unfunded commitments	(64)	—	(64)	(950)	—	(950)			
Provision for credit losses	$ 1,525	$ (11,112)	$ (9,587)	$ 16,421	$ (468)	$ 15,953	$ 5,731	$ 1,973	$ 7,704

**Prior to the adoption of CECL on January 1, 2023, the provision for unfunded commitments was recorded in Gains (losses) on other transactions.*

For all periods presented, there was no provision for credit losses on the Direct Note portfolio.

For the year ended December 31, 2024, the provision for credit losses was a $9.6 million reversal primarily as a result of provision reversals in the second quarter of 2024 in the pooled component of the Correspondent Lending portfolio. This was due to an update in the model used to calculate the loss given default (LGD) that incorporated additional historical data which closely aligns with the long-term realized losses experienced within this portfolio.

The $16.0 million in net provision expense for the year ended December 31, 2023 was primarily due to $17.0 million of net provision expense for the asset-specific component related to isolated borrowers within the Capital Markets portfolio with the most significant being in the tree fruits and nuts commodity segment which transferred to other property owned in 2024.

The $7.7 million in net provision expense for the year ended December 31, 2022 was primarily due to $5.7 million of provision expense within the Capital Markets portfolio. This included an increase in asset-specific reserves related to a few isolated borrowers within the portfolio and an increase in the pooled component primarily as the result of increased loan volume of the portfolio. The provision expense was primarily within the field crops ($3.0 million) and rural home loans ($1.9 million) commodity segments.

See *Allowance for Credit Losses* in the *Risk Management* section below and Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Financial Statements for further information.

Noninterest Income

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

Noninterest Income *(dollars in thousands)*	**For the Year Ended December 31, 2024**	**2023**	**2022**	**Increase/(Decrease) 2024/ 2023**	**2023/ 2022**
Loan fees	$ 12,770	$ 13,596	$ 14,034	$ (826)	$ (438)
Gains on sales of investments, net	105	—	—	105	—
(Losses) gains on debt extinguishment	(22,774)	(6,515)	56	(16,259)	(6,571)
Gains (losses) on other transactions	3,353	(706)	(1,553)	4,059	847
Insurance premium refund	5,400	—	—	5,400	—
Patronage refunds from other Farm Credit institutions	34,778	31,303	20,595	3,475	10,708
Fees from other Farm Credit institutions	104,654	2,681	5,135	101,973	(2,454)
Other noninterest income	5,476	5,466	5,442	10	24
Total noninterest income	$ 143,762	$ 45,825	$ 43,709	$ 97,937	$ 2,116

Total noninterest income increased $97.9 million from 2023 to 2024 and increased $2.1 million from 2022 to 2023.

Losses on debt extinguishment increased $16.3 million for the year ended December 31, 2024 compared to an increase of $6.6 million for the year ended December 31, 2023. Debt issuance costs are amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through losses on debt extinguishment. The amount of issuance cost expensed is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset economically by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $11.7 billion for the year ended December 31, 2024 compared to $3.0 billion in 2023 and none for the year ended December 31, 2022. Despite not exercising any call options on bonds during 2022, the Bank repurchased and subsequently cancelled one discount note that resulted in $56 thousand in gains during 2022. See *Net Interest Income* section above for further discussion.

For the year ended December 31, 2024, net gains on other transactions increased $4.1 million. The increase was primarily due to the increase in the market value of certain nonqualified retirement plan trust assets of $2.2 million that are offset in salaries and employee benefits of noninterest expense. Additionally, other losses in 2023 included $1.9 million of losses related to a Capital Markets loan transferred to held-for-sale and marked to fair value at December 31, 2023. There were no similar losses on sales of loans in 2024.

During 2024, the Bank received insurance premium refunds of $5.4 million from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. These refunds are nonrecurring and resulted from FCSIC assets exceeding the secure base amount, as defined by the Farm Credit Act, at the end of the preceding year. No refunds were received in 2023 or 2022.

For the years ended December 31, 2024, and 2023, patronage refunds from other Farm Credit institutions increased by $3.5 million and $10.7 million, respectively. The increase in 2024 and 2023 was primarily due to increases in volume of the Capital Markets portfolio. Patronage from other Farm Credit institutions, including Associations, reflects distributions of earnings on loans sold by AgFirst to those institutions.

For the year ended December 31, 2024, fees from other Farm Credit institutions increased $102.0 million and decreased $2.5 million, respectively. The increase in 2024 is primarily due to the Direct Note rate amendment discussed above. Fees from other Farm Credit institutions would have been $79.4 million and $76.7 million for the years ended 2023 and 2022, respectively, if the amendment had been in effect in those years. The decline from 2022 to 2023 was primarily due to expanded services provided to merging Associations within the District in 2022 that did not occur in 2023.

Noninterest Expense

Noninterest expenses for each of the three years ended December 31 are shown in the following table:

Noninterest Expenses *(dollars in thousands)*	**For the Year Ended December 31, 2024**	**2023**	**2022**	**Increase/(Decrease) 2024/ 2023**	**2023/ 2022**
Salaries and employee benefits	$ 97,256	$ 88,347	$ 79,211	$ 8,909	9,136
Occupancy and equipment	6,817	7,302	7,302	(485)	—
Insurance Fund premiums	14,901	27,407	26,979	(12,506)	428
Purchased services	40,181	61,020	57,487	(20,839)	3,533
Data processing	47,886	45,576	32,520	2,310	13,056
Other operating expenses	26,675	26,059	26,082	616	(23)
(Gains) losses from other property owned	(174)	167	(1)	(341)	168
Total noninterest expenses	$ 233,542	$ 255,878	$ 229,580	$ (22,336)	$ 26,298

Total noninterest expenses decreased $22.3 million and increased $26.3 million in 2024 and 2023, respectively.

Salaries and employee benefits expenses increased $8.9 million and $9.1 million for the years ended December 31, 2024 and 2023, respectively. For both periods, the increases resulted primarily from $3.3 million and $5.7 million, respectively, in higher salaries mainly due to normal salary administration and, in 2023, an increase in headcount to support increased business activity and technology systems support as the Bank completed a major technology upgrade. For 2024, the remainder of the increase was primarily due to lower deferred personnel costs of $4.2 million after the implementation of the major technology upgrades in 2023 that included a new mortgage loan origination system and a new loan accounting system.

Insurance Fund premiums decreased $12.5 million for the year ended December 31, 2024 compared to the prior year. The decrease is due to a reduction in the base annual premium rate from 18 basis points in 2023 to 10 basis points in 2024. The FCSIC Board makes premium rate adjustments, as necessary, to maintain the secure base amount which is based upon insured debt outstanding at System banks. In February 2025, FCSIC's Board approved that the Insurance Fund premium rate will be 10 basis points for at least the first half of 2025.

Purchased services decreased by $20.8 million and increased $3.5 million for the years ended December 31, 2024 and 2023, respectively. In 2023, the purchased services increase resulted from contractors and consultants utilized in the development and implementation of the new loan systems discussed above and the decrease in 2024 resulted from a reduction in contractors and consultants following the implementations.

Data processing increased by $2.3 million and $13.1 million for the years ended December 31, 2024 and 2023, respectively, primarily as the result of higher software and hardware depreciation and maintenance costs related to the new loan systems implemented in 2023 discussed above.

LOAN PORTFOLIO

The Bank’s loan portfolio consists primarily of direct loans to District Associations (Direct Notes), Capital Markets loans, Correspondent Lending loans, and loans to Other Financing Institutions (OFIs) as shown below at December 31:

AgFirst Loan Portfolio

(dollars in thousands)	2024		2023		2022	
Direct Notes*	$ 25,281,191	68.95 %	$ 23,151,310	67.44 %	$ 21,217,281	67.42 %
Capital Markets*	7,841,431	21.39	7,729,125	22.52	6,927,516	22.01
Correspondent Lending	3,367,052	9.18	3,278,327	9.55	3,157,675	10.04
Loans to OFIs	175,122	0.48	167,962	0.49	166,260	0.53
Total	$ 36,664,796	100.00 %	$ 34,326,724	100.00 %	$ 31,468,732	100.00 %

**Capital Markets and Direct Notes are presented net of participations sold*

Total loans outstanding were $36.7 billion at December 31, 2024. Compared to 2023, total loans outstanding increased $2.3 billion, or 6.81 percent. Loans outstanding at the end of 2023 increased $2.9 billion, or 9.08 percent, compared to December 31, 2022.

As noted in the table above, a significant portion of the Bank's loan portfolio is comprised of Direct Notes to District Associations. Since Direct Notes fund District Associations’ lending activities, increases and decreases in the Direct Note portfolio are closely linked to the commodities and geographic distribution of the District Associations' loan portfolios.

In 2024 and 2023, the Bank's loan portfolio increased primarily as a result of growth in the Bank's Direct Note portfolio, which is driven by growth in the District Associations' loan portfolios. Associations' loan portfolio growth is primarily due to new client acquisition, higher input costs related to higher inflation and interest rates, and borrower liquidity needs due to merger and acquisition activity. Loan growth for the combined District portfolio was primarily in the forestry, field crops, utilities and grains commodity segments in 2024 and in the processing, utilities, and forestry commodity segments in 2023. See *Direct Notes*, *Capital Markets* and *Correspondent Lending* sections below for further discussion of loan growth.

Each loan in the Bank’s portfolio is classified according to a Uniform Classification System, which is used by all System institutions. Below are the classification definitions:

- *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 presents selected statistics related to the credit quality of AgFirst loans at December 31:

AgFirst Total Loans Credit Quality	2024	2023	2022*
Acceptable	98.30 %	98.82 %	99.52 %
OAEM	0.87	0.40 %	0.18 %
Substandard/doubtful/loss	0.83	0.78 %	0.30 %
Total	100.00 %	100.00 %	100.00 %

** Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation as of December 31, 2024 and 2023. This change does not have a significant impact on the comparability of the figures presented.*

Bank credit quality remained strong but declined slightly, primarily due to several downgrades within the Capital Markets portfolio over the last two years. Additionally, one Direct Note was classified as Substandard at December 31, 2024 and December 31, 2023 (see further discussion in the *Direct Notes* section below). The collection on the full Direct Note amount is expected. Bank credit quality may be impacted in the future in response to potential changes in government support for agricultural sectors, inflationary input cost pressures, rising interest rates, and unforeseen impacts from geopolitical, trade, supply chain, weather, or animal- or human-related health events. See the *Direct Notes, Capital Markets, and Correspondent Lending* sections below for further discussion of the Bank's loan portfolio and credit quality.

Direct Notes

AgFirst's primary business is to provide funding, operational support, and technology services to District Associations. Each of the Associations funds its lending and general corporate activities primarily by borrowing under its Direct Note. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association. Each GFA contains minimum borrowing base margin, capital, and earnings requirements that must be maintained by the Association. Refer to Note 1, *Organization and Operations*, in the Notes to the Financial Statements for further discussion.

On December 6, 2024, the boards of Farm Credit of Central Florida, ACA and Southwest Georgia Farm Credit, ACA signed a letter of intent to pursue a merger. These two Associations, with combined total assets of approximately $1.8 billion, or 5.4 percent of the combined Association total assets, as of December 31, 2024, anticipate a merger date of January 1, 2026, subject to receiving all regulatory and shareholder approvals required. This is not expected to have a material impact on the Bank's Balance Sheet and Results of Operations.

At December 31, 2024, total Direct Note volume outstanding was $25.3 billion, an increase of $2.1 billion, or 9.20 percent, compared to December 31, 2023. Direct Note volume of $23.2 billion at December 31, 2023, increased $1.9 billion, or 9.12 percent, compared to December 31, 2022. The Bank may sell participation interests in certain of its Direct Notes to other System banks. At December 31, 2024, 2023, and 2022, Direct Note volume totaling $1.7 billion, $1.5 billion, and $1.3 billion, respectively, had been sold to another System bank. As noted above, increases and decreases in the Direct Note portfolio are closely linked to the commodities and geographic distribution of the District Associations' loan portfolios.

AgFirst provides each Association with core operating systems and support, including a loan origination system, loan accounting and servicing systems, general ledger and related financial accounting systems, and a human resources/payroll system. With AgFirst providing such systems and other services, the Associations are able to achieve operating efficiencies ordinarily afforded to much larger organizations. In addition, having common systems supported by AgFirst provides an opportunity to automate and standardize portions of the AgFirst/Association lending process. One of the most significant advantages of this is a match-funding mechanism that automatically creates Direct Note advances that match the repricing and maturity characteristics of each underlying Association loan. The Associations' interest rate risk and systems operational risks are primarily transferred to the Bank by employing these systems.

Ultimately, the Associations' ability to repay their Direct Note obligations is significantly dependent upon the repayment of loans made to their borrowers. Accordingly, AgFirst's direct and indirect credit exposure depends upon the creditworthiness of both the Associations that are direct borrowers and the underlying borrowers of the Associations whose loans, as well as the other assets of the Associations, secure their Direct Notes.

AgFirst continually monitors the risk-bearing capacity of each Association through a variety of mechanisms, including testing of the reliability of the Association's risk ratings assigned to each of its loans, periodic meetings with the Association's management and board of directors, regular formalized risk assessments, and prior approval of loan transactions that exceed the Association's delegated lending authority as determined by AgFirst.

All Associations are subject to an annual audit by an independent registered public accounting firm and periodic examination by the FCA. Each Association is required by regulatory mandate to perform continuous internal credit, appraisal, and audit reviews. The GFA has provisions to ensure Associations adhere to safe and sound business practices, generally accepted accounting principles, internal controls over financial reporting (ICFR), and regulatory and Bank-administered requirements.

Litigation in which Associations are involved is typically loan related and currently poses no material threat to their viability.

All Associations exceeded the regulatory minimum capital requirements at December 31, 2024. See *Regulatory Ratios* in the *Capital* section below for a discussion of the calculation of these ratios.

The following table presents the credit quality of the Bank's Direct Note portfolio at December 31:

Direct Note Credit Quality

	2024		2023		2022*	
	% Total	# Total	% Total	# Total**	% Total	# Total
Acceptable	99.53 %	15	99.49%	15	100.00 %	18
OAEM	—	—	—	—	—	—
Substandard/doubtful/loss	0.47	1	0.51	1	—	—
Total	100.00 %	16	100.00%	16	100.00 %	18

**Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation as of December 31, 2024 and 2023. This change does not have a significant impact on the comparability of the figures presented.*
***Decrease in the number of Associations is a result of mergers that occurred during 2023.*

One District Association (0.47 percent of the total Direct Note) is operating under special credit agreement with the Bank pursuant to the GFA. This Association's Direct Note was downgraded to Substandard during 2023. The remaining Direct Notes were classified as Acceptable and operating in compliance with all financial covenants of the GFA for all periods presented.

Presently, collection of the full Direct Note amount due is expected from all Associations, including the Association classified as Substandard, in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for Direct Notes. Virtually all assets of the various Associations are pledged as collateral for their respective Direct Notes. In the opinion of management, all Association Direct Notes are adequately collateralized. The earnings, capital and allowance for credit losses of the Associations are available to absorb the losses in their respective retail portfolios.

Associations employ a number of risk management techniques to limit credit exposures. Each Association has adopted underwriting standards, individual borrower exposure limits, commodity exposure limits, and other risk management techniques. AgFirst and the Associations actively purchase and sell loan participations to enhance the diversification of their portfolios. Some Associations utilize guarantees from U.S. government agencies/departments, including the Farm Service Agency, the Small Business Administration, and the Federal Agricultural Mortgage Corporation (Farmer Mac), as well as state government guarantees to further limit credit exposures. At December 31, 2024, Associations collectively had $2.1 billion (6.63 percent of the total Associations' loan portfolios) under such government or GSE guarantees, compared to $2.1 billion (6.99 percent) and $2.0 billion (7.25 percent), at December 31, 2023 and 2022, respectively.

The following table presents the credit quality classification of the combined Associations' loans at December 31:

Combined Associations Credit Quality	2024	2023	2022*
Acceptable	95.83 %	97.14 %	97.00 %
OAEM	2.62	1.63	1.68
Substandard/doubtful/loss	1.55	1.23	1.32
Total	100.00 %	100.00 %	100.00 %

**Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation as of December 31, 2024 and 2023. This change does not have a significant impact on the comparability of the figures presented.*

Total Association loan delinquencies (loans 90 days or more past due) were 0.22 percent of the combined Association total loan assets at year-end 2024, compared to 0.24 percent and 0.25 percent at December 31, 2023 and 2022, respectively.

At December 31, 2024, nonperforming assets for the combined Associations represented $143.8 million (0.45 percent of total loans and other property owned) compared to $142.2 million (0.48 percent) and $251.7 million (0.90 percent), for 2023 and 2022, respectively. Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned. Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans of $96.9 million for 2022.

Affiliated Associations serve primarily all or a portion of fifteen states and Puerto Rico. The District's large footprint results in geographic diversity, which is a natural credit risk-reducing factor for AgFirst. The following table illustrates the geographic distribution of the Associations' loan volume outstanding by state for the past three years at December 31:

District Associations

	Percent of Portfolio [1]		
State	**2024**	**2023**	**2022**
North Carolina	14 %	14 %	15 %
Pennsylvania	11	11	11
Georgia	11	11	11
Virginia	9	8	9
Ohio	9	9	9
Florida	8	8	9
South Carolina	6	6	5
Maryland	5	5	6
Alabama	5	5	6
Kentucky	3	3	3
Mississippi	3	3	2
Louisiana	2	2	2
Delaware	2	2	2
All Other states and Puerto Rico	12	13	10
Total	100 %	100 %	100 %

[1] The distribution is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.

Only three states have loan volume representing 10.00 percent or greater of the total at December 31, 2024. Commodity diversification, guarantees, and borrowers with significant reliance on non-farm income further mitigate the geographic concentration risk in these states.

The Associations' credit portfolios are comprised of a number of commodity segments having varied, and in some cases complementary, characteristics which helps mitigate credit risk. Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government.

The following table illustrates the aggregate credit portfolio of the Associations by major commodity segments based on borrower eligibility at December 31:

District Associations

	Percent of Portfolio		
Commodity Group - Eligibility	**2024**	**2023**	**2022**
Forestry	17 %	16 %	16 %
Field Crops	12	12	12
Poultry	11	12	12
Cattle	8	8	9
Grains	8	8	8
Corn	5	6	6
Processing	5	4	3
Other Real Estate	5	5	5
Dairy	4	4	4
Tree Fruits and Nuts	3	3	3
Nursery/Greenhouse	3	3	3
Rural Home Loans	2	3	3
Utilities	2	2	2
Cotton	2	2	3
Swine	2	2	2
Other	11	10	9
Total	100 %	100 %	100 %

As illustrated in the above chart, Associations had concentrations of 10.00 percent or greater in only three commodities: forestry, field crops, and poultry. All three commodities have geographic dispersion over the entire AgFirst District footprint. Also, many of these borrowers have significant secondary income from other sources.

Forestry is divided principally into hardwood and softwood production and value-added processing. The timber from hardwood production is further processed into furniture, flooring, and high-grade paper and is generally located at the more northern latitudes and higher elevations of the AgFirst District. Softwood timber production is typically located in the coastal plains of the AgFirst District footprint and is used for building materials for the housing market and pulp to make paper and hygiene products. Timber producers at the Associations range in size from less than fifty acres to thousands of acres, with value-added processing being conducted at sawmills, planer mills, and paper mills.

The field crops commodity group represents a diverse group of commodities, including melons, vegetables, and other non-grain crops, which are grown throughout the AgFirst District.

Poultry concentrations within the Associations are dispersed among a large number of farm units producing poultry. Poultry concentration is further dispersed as production is segregated among chicken, turkey, and egg production.

The diversity of income sources supporting Association loan repayments, including a prevalence of non-farm income among the borrowers, further mitigates credit risk to AgFirst. The following table illustrates the aggregate credit portfolio of the Associations by major commodity segments based upon primary source of repayment as of December 31 of each year:

District Associations

	Percent of Portfolio		
Commodity Group - Repayment Dependency	**2024**	**2023**	**2022**
Non-Farm Income	34 %	34 %	35 %
Poultry	11	11	12
Grains	6	6	6
Field Crops	6	6	6
Forestry	6	5	5
Corn	5	5	5
Processing	5	4	3
Dairy	4	4	4
Cattle	3	3	3
Nursery/Greenhouse	3	3	3
Tree Fruits and Nuts	2	3	2
Utilities	2	2	2
Other Real Estate	2	2	2
Cotton	2	2	2
Swine	2	2	2
Other	7	8	8
Total	100 %	100 %	100 %

As mentioned previously, loans exceeding an Association's delegated lending authority must be pre-approved by AgFirst. As a result, larger agribusiness loans are typically analyzed by AgFirst's commercial lending staff as well as the Association's own lending staff prior to an Association committing to such loans.

Exposure to losses is reduced further through collateralization and other credit enhancements, including federal government guarantees. Typically, multiple loans to the same borrower are cross-collateralized and cross-defaulted.

By law, all long-term loans authorized by Title 1 of the Farm Credit Act of 1971, as amended (the Farm Credit Act), must be secured by a first lien on real estate with an initial loan to appraised value not exceeding 85.00 percent. As of December 31, 2024, long-term loans represent 62.26 percent of District Association loans.

Capital Markets

AgFirst has a Capital Markets unit that purchases and sells loan participations and syndications. The Bank's credit officers work with the Associations to originate loans within the District's territory, provide commercial loan expertise to augment the Associations' staff, as needed, and provide an outlet for loans that exceed Associations' various hold limits. Additionally, the Capital Markets unit actively pursues the purchase of participations and syndications originated outside of the District's territory by other System institutions, commercial banks, and other lenders. These loans may be held as earning assets of AgFirst or sub-participated to the Associations. The unit also sells participations outside of the District to manage AgFirst's and the District Associations' loan concentrations and hold positions.

AgFirst's net Capital Markets volume outstanding increased by 1.45 percent during 2024 and increased by 11.57 percent during 2023. In 2024, growth was limited due to sustained higher interest rates, continued inflationary pressures and lower prices for certain commodities that have led to fewer new loan issuances, mainly within the agribusiness sector. In 2023, growth was primarily due to a combination of factors including new client acquisition, an increase in transactions due to government initiatives to expand rural infrastructure, expansion activities within the protein complex, borrower liquidity needs due to commodity price escalation, and merger and acquisition activity.

The following table shows total Capital Markets portfolio credit exposures at December 31 of each year:

(dollars in thousands)	2024	2023	2022
Capital Markets, Purchased	$ 12,088,150	$ 11,931,945	$ 10,684,682
Less: Capital Markets, Sold	4,246,719	4,202,820	3,757,166
Net Outstanding	7,841,431	7,729,125	6,927,516
Available Unused Commitments	4,421,477	3,880,833	3,861,293
Letters of Credit and Guarantees	77,031	79,766	84,297
Total Exposure	$ 12,339,939	$ 11,689,724	$ 10,873,106

Like the Associations, AgFirst employs a number of management techniques to limit credit risk, including underwriting standards, limits on the amounts of loans purchased from a single originator, and maximum hold positions to a single borrower and commodity. Although the Capital Markets portfolio is comprised of a relatively small number of large loans, it is diversified both geographically and on a commodity basis. Management makes adjustments to credit policy and underwriting standards when appropriate as a part of the ongoing risk management process.

The following table illustrates AgFirst's Capital Markets portfolio by geographic distribution at December 31:

	Percent of Portfolio*		
	2024	2023	2022
Georgia	10 %	10 %	10 %
Texas	9	9	8
Florida	8	9	10
North Carolina	6	5	6
New York	5	5	6
California	5	5	5
Ohio	4	4	4
Illinois	4	4	4
Indiana	3	3	2
Washington	3	2	2
Pennsylvania	2	2	3
Minnesota	2	3	3
All other states including Puerto Rico with 2% or less	39	39	37
	100 %	100 %	100 %

**The distribution is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.*

The following Capital Markets table shows the various major commodity groups in the portfolio based on borrower eligibility and their percentage of the outstanding portfolio volume at December 31:

	Percent of Portfolio		
	2024	2023	2022
Utilities	26 %	25 %	23 %
Processing	20	21	21
Forestry	15	16	16
Field Crops	6	5	6
Tree Fruits and Nuts	5	4	5
Grains	4	3	3
Dairy	3	3	3
Cattle	3	3	3
Nursery/Greenhouse	2	2	3
Swine	2	2	3
Poultry	2	2	1
Other	12	14	13
Total	100 %	100 %	100 %

The following table segregates these loans based upon repayment dependency by commodity at December 31:

	Percent of Portfolio		
	2024	2023	2022
Utilities	26 %	25 %	23 %
Processing	20	21	21
Forestry	14	14	14
Field Crops	6	6	7
Non-Farm Income	4	4	5
Grains	4	3	3
Tree Fruits and Nuts	4	4	4
Dairy	4	3	3
Cattle	3	3	2
Nursery/Greenhouse	2	2	2
Swine	2	2	3
Other	11	13	13
Total	100 %	100 %	100 %

Credit Quality as of December 31 is shown in the following chart:

	2024	2023	2022*
Acceptable	93.96 %	96.56 %	98.06 %
OAEM	4.06	1.78	0.83
Substandard/doubtful/loss	1.98	1.66	1.11
Total	100.00 %	100.00 %	100.00 %

** Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation as of December 31, 2024 and 2023. This change does not have a significant impact on the comparability of the figures.*

The increase in OAEM and substandard/doubtful/loss loans during 2024 and 2023 is primarily the result of several borrower relationships across a variety of repayment dependencies being downgraded.

Correspondent Lending

The Correspondent Lending portfolio consists primarily of first lien rural residential mortgages. The volume of this portfolio increased by 2.71 percent from year-end 2023 to 2024 and increased 3.82 percent from year-end 2022 to 2023. During 2024, $60.9 million of loans have been sold to Federal National Mortgage Association (Fannie Mae) to manage long-term asset interest rate risk exposure. The increase in volume in 2024 and 2023 resulted primarily from the disbursement of previously committed construction-to-permanent financing loans. AgFirst ceased purchasing construction-to-permanent loans effective December 31, 2024 in part to minimize interest rate risk exposure, however committed amounts will continue to fund through the construction periods throughout 2025.

Rural home loans are underwritten to conform to Fannie Mae underwriting standards. Part-time farm loans, which conform to Farmer Mac underwriting standards, represent first lien mortgages on homes with property characteristics (such as acreage or agricultural improvements) that may not conform to Fannie Mae standards.

As of December 31, 2024, $487.9 million, or 14.49 percent of loans in the Correspondent Lending portfolio include a long-term standby commitment to purchase (LTSP). The LTSPs from Fannie Mae and/or Federal Agricultural Mortgage Corporation (Farmer Mac), give AgFirst the right to deliver delinquent loans to the guarantor at par. The Bank ceased participation in the Fannie Mae LTSP program during 2013. The Bank ceased participation in the Farmer Mac LTSP program during 2021. The remaining loans are included in the Bank's allowance for credit losses methodology related to this portfolio.

AgFirst Correspondent Lending retains servicing rights for some sold loans. The total volume serviced but not owned as of December 31, 2024 was $319.4 million. These Correspondent Lending loans are sub-serviced through agreements with a third party.

Credit quality for the Correspondent Lending portfolio has remained relatively stable as shown in the following chart:

Classification	2024	2023	2022*
Acceptable	99.10 %	99.39 %	99.51 %
Substandard/doubtful/loss	0.90	0.61	0.49
Total	100.00 %	100.00 %	100.00 %

**Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation as of December 31, 2024 and 2023. This change does not have a significant impact on the comparability of the figures presented.*

RISK MANAGEMENT

Overview

The Bank's primary business is to fund agricultural loans and provide supporting services to its Associations which exposes it to various risks. The Bank manages these inherent risks by establishing an effective risk governance framework to mitigate these risks to within acceptable levels that are aligned with the Bank's risk appetite. Risk management is focused on the identification and assessment of risks within management and Board approved levels. It also includes monitoring and reporting risk profiles to ensure the level of risk is properly maintained.

Stress testing is a critical component of the Bank’s risk management process. Stress testing is performed under a wide range of plausible adverse scenarios and is designed to determine whether the Bank's balance sheet is properly positioned to withstand the impact of adverse developments. The Bank is required by regulation to perform stress tests with a level of sophistication appropriate to its size and complexity.

Types of risk to which the Bank has exposure include:

- *structural risk* — risk inherent in the business and related to the System's structure, which is comprised of interdependent networks of cooperative lending institutions;
- *credit risk* — risk of loss arising from an obligor’s failure to meet the terms of its contract or failure to perform as agreed;
- *interest rate risk* — risk that changes in interest rates may adversely affect the Bank’s operating results and financial condition;
- *liquidity risk* — risk arising from the inability to meet obligations when they come due without incurring unacceptable losses, including the ability to access the debt market;
- *operational risk* — risk of loss resulting from inadequate or failed internal processes, systems, or controls; errors by employees; fraud; or external events;
- *reputational risk* — risk of loss resulting from events, real or perceived, that shape the image of the Bank, the System, or any of its entities, including the impact of investors’ perceptions about agriculture and rural financing, the reliability of Bank or System financial information, or the actions of any System institution;
- *political risk* — risk of loss of support for the System and agriculture by federal and state governments; and,
- *cyber risk* - risk of loss, disruption, or damage to the reputation of the Bank or System due to the failure or cyber-related events which result in unauthorized or erroneous use of its information systems.

The Bank’s Chief Risk Officer (CRO) is responsible for establishing the proper risk governance framework for management of risk across the organization so risk exposures are maintained within the Bank’s risk appetite. The risk governance framework includes management policies and plans, limit frameworks, and emerging risk indicators and mitigation strategies. The CRO is also responsible for ensuring risk profiles and compliance with related limits are reported to the appropriate management and/or Board entities.

The Bank maintains a holistic Enterprise Risk Management (ERM) framework based on a three lines of defense structure. The CRO function serves as the Bank's second line of defense. The CRO and Executive Committee provides oversight of the Bank’s risk management functions through an integrated management committee structure, including, among others, the Bank’s Enterprise Risk Management Committee, Asset/Liability Management Committee (ALCO), Loan Committee, Special Assets Management Committee, Internal Control over Financial Reporting (ICFR) Steering Committee, Data Governance Steering Committee, Fraud Risk Management Steering Committee, Information Security and Business Resiliency Committee and Senior Leadership Committee.

Structural Risk Management

Structural risk results from the fact that AgFirst, along with its related Associations, is part of the System, which is comprised of banks and associations that are cooperatively owned, directly or indirectly, by their borrowers. Each System institution is responsible for its own risk management, and there are no formal processes or procedures in place to mandate consistent Systemwide risk mitigation actions. Because System institutions are financially and operationally interdependent, this structure at times requires action by consensus or contractual agreement. The Funding Corporation provides for the issuance and marketing of Systemwide Debt Securities using a network of investment dealers and dealer banks. The System banks fund association loans with Systemwide debt. Refer to Note 6, Debt, in the Notes to the Financial Statements for further discussion. The banks are jointly and severally liable for the repayment of Systemwide Debt Securities, exposing each bank to the risk of default of the others. Although capital at the association level reduces the banks’ credit exposures with respect to their related associations, that capital may not be available to support the payment of principal and interest on Systemwide Debt Securities.

To mitigate this risk, the System utilizes two integrated contractual agreements executed by and among the banks— the Amended and Restated Contractual Interbank Performance Agreement (CIPA) and the Third Amended and Restated Market Access Agreement (MAA). Under provisions of the CIPA, a score is calculated quarterly that measures the financial condition and performance of each district using various ratios that take into account each district's and bank's capital, asset quality, earnings, interest-rate risk, and liquidity. Based on these measures, the CIPA establishes an agreed-upon standard of financial condition and performance that each district must achieve and maintain. The CIPA also establishes monetary penalties if the performance standard is not met. These penalties will occur at the same point at which a bank would be required to provide additional monitoring information under the MAA.

The MAA establishes criteria and procedures that provide operational oversight and control over a bank's access to System funding if the creditworthiness of the bank declines below certain agreed-upon levels. The MAA provides for the identification and resolution of individual bank financial problems in a timely manner and discharges the Funding Corporation's statutory responsibility for determining conditions for each bank's participation in each issuance of Systemwide Debt Securities.

Credit Risk Management

Credit risk arises from the potential inability of an obligor to meet its repayment obligation and exists in outstanding loans, leases, letters of credit, unfunded loan commitments, investments and derivative counterparty credit exposures. The Bank manages credit risk associated with lending activities through an assessment of the credit risk profile of individual obligors. The Bank sets underwriting standards and lending policies consistent with FCA regulations, which provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of a potential 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. 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 loan rating structure, incorporating a 14-point scale to identify and track a borrower's probability of default and a separate scale addressing loss given default. Probability of borrower default is the risk of default driven by factors intrinsic to the borrower. The risk of loss upon default is related to the structure of a credit (tenor, terms, and collateral).

The credit risk rating methodology is a key component of the Bank's and District Associations' allowance for credit losses on loans and unfunded commitments evaluation and is generally incorporated into the institution's loan underwriting standards and internal lending limits.

The Bank and Associations limit their exposure to both borrower and commodity concentrations through their participation in loans or interests in loans to/ from other institutions within the System and outside the System. This also allows the Bank and Associations to manage growth and capital, and to improve geographic diversification. Concentration risk is reviewed and measured by industry, product, geography and customer limits.

Although neither the Bank nor any other System institution receives any direct government support, credit quality is indirectly enhanced by government support in the form of program payments to borrowers, which improve their ability to honor their commitments.

The Bank's high-risk assets continue to be a small percentage of total loans in 2024, similar to 2023 and 2022, primarily due to generally favorable economic conditions, the Bank's underwriting standards, and continuous efforts to resolve problem assets. Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest. High-risk assets at December 31, are detailed in the following table:

(dollars in thousands)	**2024**	**2023**	**2022**
AgFirst High-risk Assets			
Nonaccrual loans	$ 60,650	$ 44,081	$ 37,118
Accruing restructured loans*	—	—	43,386
Accruing loans 90 days past due	—	—	1,586
Total high-risk loans	60,650	44,081	82,090
Other property owned	2,082	260	—
Total high-risk assets	$ 62,732	$ 44,341	$ 82,090
Ratios			
Nonaccrual loans to total loans	0.17 %	0.13 %	0.12 %
High-risk assets to total assets	0.13 %	0.10 %	0.20 %

**Prior to the adoption of CECL on January 1, 2023, accruing restructured loans were considered high-risk loans. This change does not have a significant impact on the comparability of the figures presented.*

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the Bank at December 31, 2024 were $60.7 million compared to $44.1 million at December 31, 2023. While nonaccrual loans increased $16.6 million during 2024 and $7.0 million during 2023, the balance remains low overall, representing 0.17% of total loans outstanding. The increase in nonaccrual loans during both periods corresponds with the slight decrease in credit quality discussed in the *Loan Portfolio* section above.

(dollars in thousands)	Nonaccrual by Portfolio					
	December 31, 2024		December 31, 2023		December 31, 2022	
	Total Amount	% of Portfolio	Total Amount	% of Portfolio	Total Amount	% of Portfolio
Capital Markets	$ 27,388	0.35 %	$ 21,340	0.28 %	$ 19,448	0.28 %
Correspondent Lending	33,262	0.99 %	22,741	0.69 %	17,670	0.56 %
Total	$ 60,650	0.17 %	$ 44,081	0.13 %	$ 37,118	0.12 %

Allowance for Credit Losses

Effective January 1, 2023, the Bank adopted the CECL accounting guidance that replaced the incurred loss impairment methodology with a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflect credit losses over the asset's remaining expected life and consider the reasonable and supportable forecasts of macroeconomic conditions. The Bank 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*. Additional detail on the allowance for credit losses is provided in the table below:

(dollars in thousands)	Allowance for Credit Losses by Portfolio								
	December 31, 2024			December 31, 2023			December 31, 2022*		
	Capital Markets	Correspondent Lending	Total	Capital Markets	Correspondent Lending	Total	Capital Markets	Correspondent Lending	Total
Asset-specific component	$ 3,351	$ 1,047	$ 4,398	$ 4,386	$ 479	$ 4,865	$ 3,061	$ 900	$ 3,961
Pooled component	17,278	6,477	23,755	16,394	18,161	34,555	16,792	5,317	22,109
Unfunded commitments	3,975	—	3,975	4,039	—	4,039	1,497	—	1,497
Allowance for Credit Losses	$ 24,604	$ 7,524	$ 32,128	$ 24,819	$ 18,640	$ 43,459	$ 21,350	$ 6,217	$ 27,567

**Prior to the adoption of CECL on January 1, 2023, the allowance was calculated using the incurred loss model.*

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

AgFirst Allowance for Credit Losses Activity

(dollars in thousands)	2024	2023	2022
Allowance for credit losses on loans - beginning balance	$ 39,420	$ 26,070	$ 20,147
Cumulative effect of change in accounting principle	—	12,162	—
Charge-offs:			
Capital Markets	(1,751)	(15,608)	(874)
Correspondent Lending	(133)	(289)	(1,292)
Total charge-offs	(1,884)	(15,897)	(2,166)
Recoveries:			
Capital Markets	10	41	—
Correspondent Lending	130	141	385
Total recoveries	140	182	385
Net (charge-offs) recoveries	(1,744)	(15,715)	(1,781)
Provision for (reversal of) credit losses on loans	(9,523)	16,903	7,704
Allowance for credit losses on loans - ending balance	$ 28,153	$ 39,420	$ 26,070
Allowance for unfunded commitments - beginning balance	$ 4,039	$ 1,497	$ 588
Cumulative effect of a change in accounting principle	—	3,492	—
Provision for (reversal of) unfunded commitments*	(64)	(950)	909
Allowance for unfunded commitments - ending balance	$ 3,975	$ 4,039	$ 1,497
Total allowance for credit losses	$ 32,128	$ 43,459	$ 27,567

**Prior to the adoption of CECL on January 1, 2023, provision for unfunded commitments was recorded in losses/gains on other transactions.*

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

	2024	2023	2022
Allowance for credit losses on loans to loans	0.08 %	0.11 %	0.08 %
Allowance for credit losses on loans to nonaccrual loans	46.42 %	89.43 %	70.24 %
Allowance for credit losses on loans to loans excluding Direct Note	0.25 %	0.35 %	0.25 %
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.00 %	(0.05)%	(0.01)%

The provision for credit losses is discussed within the *Results of Operations* above. During 2024 and 2022, there were no significant charge-offs or recoveries impacting the ACL balance. In 2023, the impact of the adoption of CECL on January 1, 2023 increased the ACL by $15.7 million and was partially offset by charge-offs within the Capital Markets portfolio of $15.6 million, primarily due to isolated credits in the tree fruits and nuts (66.87 percent of the total) and field crops (26.90 percent) commodity segments.

Interest Rate Risk Management

Interest rate risk is the uncertainty of earnings or long-term market value of equity that result from adverse changes in market interest rates. This risk may produce earnings variability as measured by net interest income and, ultimately, the long-term capital position of the Bank. The primary objective of interest rate risk management is to generate optimized net interest income while balancing the risk/return trade-off necessary for both shareholder returns and safety and soundness.

AgFirst uses various analytical techniques to quantify interest rate risk including gap analysis to assess the repricing and maturity characteristics of the balance sheet. Simulation analysis is used to measure potential change in net interest income and market value of equity under diverse future market interest rate scenarios.

Loan products offered by the District Associations include fixed and floating rate loans (variable rate and adjustable-rate). District Associations adhere to a philosophy that pricing should be competitive. Loans are prepayable and repayment schedules may be fitted to a borrower's unique circumstances. Floating rate loans may be indexed to the Prime rate or other reference rate-indexed, such as Treasury rates and Secured Overnight Financing Rate (SOFR), and are offered with or without caps. Loan maturities are available for up to 30 years.

The following table sets forth the repricing characteristics of interest-earning assets and interest-bearing liabilities outstanding as of December 31, 2024. The amount of assets and liabilities shown in the table, which reprice or mature during a particular period, were determined in accordance with the earlier of term-to-repricing or contractual maturity, anticipated prepayments, and, in the case of liabilities, the exercise of call options. Anticipated loan prepayments are based on AgFirst's historical prepayment activity during various interest rate cycles.

	Repricing/Maturity Gap Analysis				
(dollars in thousands)	**0 to 6 Months**	**6 Months to 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**
Floating Rate Loans					
Adjustable/Indexed Loans	$ 11,030,625	$ 5,076	$ 2,757	$ —	$ 11,038,458
Fixed Rate Loans					
Fixed Rate Loans	81,583	76,447	318,660	255,351	732,041
Fixed Rate Prepayable	2,640,658	2,551,639	11,210,627	8,430,723	24,833,647
Nonaccrual Loans					
Nonaccrual Loans	—	—	—	60,650	60,650
Total Loans	**13,752,866**	**2,633,162**	**11,532,044**	**8,746,724**	**36,664,796**
Total Investments *	**4,113,571**	**603,644**	**2,506,789**	**1,817,917**	**9,041,921**
Other Interest-earning Assets	**453,263**	**—**	**—**	**—**	**453,263**
TOTAL INTEREST-EARNING ASSETS	**$ 18,319,700**	**$ 3,236,806**	**$ 14,038,833**	**$ 10,564,641**	**$ 46,159,980**
Interest-Bearing Liabilities					
Systemwide Bonds and Notes	$ 18,006,336	$ 4,282,070	$ 14,626,000	$ 7,712,000	$ 44,626,406
TOTAL INTEREST-BEARING LIABILITIES	**$ 18,006,336**	**$ 4,282,070**	**$ 14,626,000**	**$ 7,712,000**	**$ 44,626,406**
Interest Rate Sensitivity Gap	**$ 313,364**	**$ (1,045,264)**	**$ (587,167)**	**$ 2,852,641**	
Cumulative Gap	$ 313,364	$ (731,900)	$ (1,319,067)	$ 1,533,574	
Cumulative Gap as a % of Total Earning Assets	0.68 %	(1.59)%	(2.86)%	3.32 %	

** Includes cash equivalents.*

As of December 31, 2024, the Bank's twelve-month cumulative repricing/maturity gap position was slightly liability sensitive, meaning the amount of repricing/maturing liabilities exceeded the amount of assets that mature or reprice during the same period. Liability sensitivity means higher interest rate scenarios are expected to produce less net interest income and conversely, lower interest rate scenarios are expected to generate more net interest income.

To gain further insight to the Bank's interest rate risk exposure, a financial simulation model is used to conduct net interest income simulation analysis that considers balance sheet behavioral tendencies, such as the level of loan prepayments based on various market rate scenarios, to supplement the repricing/maturity gap analysis. Unlike the repricing/maturity gap analysis, these simulations capture the impact of embedded balance sheet optionality. An immediate interest rate shock assumption is used to ascertain the expected change in the market value of equity. These two interest rate risk metrics are measured and reported monthly to the Bank's ALCO and quarterly to the Board of Directors.

As of December 31, 2024 and 2023, assuming an immediate 200 basis point parallel increase in market interest, the net interest income metric increased 4.6 percent and 5.9 percent, respectively, which was within the Bank's policy limit of -10.0 percent. Net interest income is asset sensitive when market rates increase because floating rate assets reprice to higher market rates more quickly than floating rate liabilities.

For the same period and simulation scenario, the market value of equity metric was -12.6 percent and -16.1 percent, respectively, which was within the Bank's policy limit of -18.0 percent. The market value of equity metric is negative in this scenario because the Bank's funding strategy is to use equity to fund a portion of long-term fixed rate assets. An immediate parallel increase in assumed market interest rates causes the value of the portion of long-term fixed rate assets supported by equity to fall without an offset from equity since its value remains unchanged. In low-rate scenarios, the value of those long-term fixed rate assets supported by equity increase and additionally the callable debt adds value.

AgFirst's interest rate risk exposure as measured using net interest income at risk over the next twelve months and market value of equity as of December 31, 2024, and December 31, 2023, are provided in the following table. The upward and downward shocks generally capture the effects of embedded options and convexity within the assets and liabilities based on movements in interest rates.

	December 31, 2024			
	-200	**-100**	**+100**	**+200**
Change in net interest income	28.7%	12.9%	2.3%	4.6%
Change in market value of equity	40.8%	15.3%	(8.0)%	(12.6)%

	December 31, 2023			
	-200	**-100**	**+100**	**+200**
Change in net interest income	17.8%	7.8%	3.2%	5.9%
Change in market value of equity	36.4%	15.5%	(9.9)%	(16.1)%

Liquidity Risk Management

One of AgFirst's primary responsibilities is to maintain sufficient liquidity to fund the lending operations of the District Associations, in addition to its own needs. Along with normal cash inflows associated with lending activities, AgFirst has three primary sources of liquidity: cash; the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation; and the sale of high-quality liquid securities. The Bank can also pledge investment securities through repurchase agreements that are in place with twelve commercial banks, however, that liquidity source is highly dependent on market and financial conditions at that time. In addition, the System has established a line of credit with Federal Financing Bank (see further discussion in *Systemwide Debt Securities* section below) in the event contingency funding is needed to meet obligations of System banks.

FCA regulations require the Bank maintain a liquidity policy that establishes a minimum total "coverage" level of 90 days and that short-term liquidity requirements must be met by certain high-quality investments or cash. "Coverage" is defined as the number of days that maturing debt could be funded with eligible cash, cash equivalents, and available-for-sale investments maintained by the Bank. At December 31, 2024, AgFirst had a total of 176 days of maturing debt coverage compared to 219 days at December 31, 2023. The decline is due to a shift in management's liquidity strategy that reduces the days of debt coverage to optimize capital usage and to reduce market value of equity at risk to higher market rates. Cash flow from the Bank's operating activities is an additional source of liquidity for the Bank that is not reflected in the coverage calculation.

Cash, Cash Equivalents and Investments

Cash, cash equivalents, and investment securities as of December 31, 2024, totaled $9.9 billion compared to $10.1 billion and $10.2 billion as of December 31, 2023, and 2022, respectively. FCA regulations provide that a System bank may hold certain eligible available-for-sale investments in an amount not to exceed 35.00 percent of its quarterly average balance of total loans outstanding. As of December 31, 2024, the Bank's eligible available-for-sale investments were 26.55 percent of the quarterly average daily balance of loans outstanding. These investments serve to provide liquidity to the Bank's operations, to manage short-term funds, and to manage interest rate risk. AgFirst maintains an investment portfolio for these purposes comprised primarily of high-quality liquid investments.

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At December 31, 2024, the Bank pledged $41.7 million in U.S. Treasury securities for that purpose. These securities are excluded when calculating the amount of eligible liquidity investments. The remainder of the compensating balance is held in cash in a demand deposit account.

AgFirst's cash, cash equivalents and investment portfolio consisted of the following security types as of December 31:

	AgFirst Cash, Cash Equivalents and Investment Securities								
(dollars in thousands)	2024			2023			2022		
Investment Securities Available-for-Sale									
U.S. Govt. Treasury Securities	$	241,885	3.02 %	$	41,317	0.48 %	$	139,716	1.54 %
U.S. Govt. Guaranteed		3,269,652	40.86		3,626,462	41.92		3,979,473	43.85
U.S. Govt. Agency Guaranteed		4,190,940	52.37		4,289,558	49.59		4,537,545	50.00
Non-Agency Asset-Backed Securities		289,554	3.63		682,150	7.88		405,016	4.46
Total Available-for-Sale	$	7,992,031	99.88 %	$	8,639,487	99.87 %	$	9,061,750	99.85 %
Investment Securities Held-to-Maturity									
Farmer Mac Guaranteed	$	158	— %	$	184	— %	$	436	— %
Other Mission Related Investments		9,732	0.12		10,966	0.13		13,622	0.15
Total Held-to-Maturity		9,890	0.12		11,150	0.13		14,058	0.15
Total Investment Securities	$	8,001,921	100.00 %	$	8,650,637	100.00 %	$	9,075,808	100.00 %
Cash and Cash Equivalents									
Cash	$	363,737	19.59 %	$	260,169	17.45 %	$	332,977	30.37 %
Interest-earning Cash		453,263	24.41		395,645	26.54		413,415	37.71
Repurchase Agreements		1,040,000	56.00		835,000	56.01		350,000	31.92
Total Cash and Cash Equivalents	$	1,857,000	100.00 %	$	1,490,814	100.00 %	$	1,096,392	100.00 %
Total Investment Securities and Cash and Cash Equivalents	$	9,858,921		$	10,141,451		$	10,172,200	

Cash and cash equivalents, which increased $366.2 million from December 31, 2023 to a total of $1.9 billion at December 31, 2024, consist primarily of cash on deposit, reverse repurchase agreements, and money market securities that are short-term in nature (maturities of overnight to 90 days).

Investment securities decreased $648.7 million, or 7.50 percent, to $8.0 billion, or 17.01 percent of total assets at December 31, 2024, compared to $8.7 billion, or 19.23 percent, as of December 31, 2023. See above for discussion regarding the shift in management's liquidity strategy.

Nearly all investments are classified as being available-for sale. Investment securities classified as available-for-sale totaled $8.0 billion at December 31, 2024. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. As of December 31, 2024, all of the non-agency asset-backed securities were rated in the top category (AAA/Aaa) by Nationally Recognized Statistical Rating Organizations (NRSROs). In 2024, $224.8 million of non-agency asset backed securities (ABS) were sold for a net gain of $105 thousand.

Net unrealized losses related to investment securities were $899.5 million (10.12 percent of the book value of the available-for-sale portfolio) at December 31, 2024, compared to a net unrealized loss of $893.2 million (9.37 percent) at December 31, 2023. The net unrealized losses are primarily the result of the significant increase in market interest rates during 2022 and 2023 which reduced the fair value of available-for-sale fixed rate investment securities held. The Bank evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Bank does not intend to sell the securities prior to recovery of the amortized cost basis. In the unlikely event the Bank could not access the capital markets to issue debt or raise cash through repurchase agreements, the Bank approximates it could cover at least 79 days of maturing debt through sales of available-for-sale securities before recognizing a loss.

No allowance for credit losses on investments was considered necessary for the periods presented. See Note 2, *Summary of Significant Accounting Policies* and Note 4, *Investments,* in the Notes to the Financial Statements for further information.

Systemwide Debt Securities

The principal source of liquidity for AgFirst, unlike commercial banks and other depository institutions, comes from its ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the System banks. AgFirst continually raises funds in the debt markets to support its mission, to repay maturing Systemwide Debt Securities, and to meet other obligations.

The U.S. government does not guarantee, directly or indirectly, Systemwide Debt Securities. However, the Farm Credit System, as a GSE, has benefited from broad access to the domestic and global capital markets. This access has provided the System with a dependable source of competitively priced debt which is critical for supporting the System's mission of providing credit to agriculture and rural America.

The Farm Credit Act and Farm Credit Administration regulations require, as a condition for a Bank's participation in the issuance of Systemwide Debt Securities, that the Bank maintain specified eligible assets, referred to in the Farm Credit Act as "collateral," at least equal in value (100.00 percent) to the total amount of the debt securities outstanding for which it is primarily liable. As of December 31, 2024, and 2023 the ratio of collateral to debt was 103.81 percent and 103.95 percent, respectively.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Farm Credit System Insurance Corporation (FCSIC) has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB may advance funds to the FCSIC. Under its existing statutory authority, the FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the System banks' ability to repay maturing debt obligations. The agreement provides for advances of up to $10 billion and will remain in full force and effect until terminated by either the FCSIC or the FFB. The decision whether to seek funds from the FFB is at the discretion of the FCSIC. Each funding obligation of the FFB is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by AgFirst or the System.

As of December 31, 2024, Moody's Investor Service (Moody's) assigned long-term debt ratings for the System of Aaa and short-term debt ratings of P-1. The Moody's rating is the highest rating available from the three leading rating agencies. S&P Global Ratings (S&P) and Fitch Ratings (Fitch) maintain the long-term debt rating of the System at AA+, which directly corresponds to its AA+ long-term sovereign credit rating of the U.S. government. S&P and Fitch have assigned short-term debt ratings for the System of A-1+ and F1+, respectively. These rating agencies base their ratings on many quantitative and qualitative factors, including the System's status as a GSE.

As of December 31, 2024, AgFirst had $44.6 billion in total Systemwide debt outstanding compared to $42.7 billion as of December 31, 2023, and $40.1 billion as of December 31, 2022. Total interest-bearing liabilities increased primarily due to additional funding needs related to higher volume of loans as discussed elsewhere in this report.

Refer to Note 6, *Debt*, in the Notes to the Financial Statements, for additional information related to debt.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events, including the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and the risk of fraud by employees or persons outside the System. AgFirst's and the Associations' boards of directors are required, by regulation, to adopt internal control policies that provide adequate direction to their respective institutions in establishing effective controls over and accountability for operations, programs, and resources. The policies must include, at a minimum, the following items:

- recruiting and retaining skilled professional employees;
- direction to management that assigns responsibility for the internal control function to an officer of the institution;
- adoption of internal audit and control procedures;
- direction for the operation of a program to review and assess an institution's assets;
- adoption of loan, loan-related assets and appraisal review standards, including standards for scope of review selection and standards for work papers and supporting documentation;
- adoption of asset quality classification standards;
- adoption of standards for assessing credit administration, including the appraisal of collateral; and
- adoption of standards for the training required to initiate a program.

In addition, AgFirst has implemented an Enterprise Risk Management Policy to ensure that business exposures to risk are identified, measured and controlled, using the most effective and efficient methods to mitigate such exposures. AgFirst's risk management structure was designed to ensure that an effective enterprise-wide risk management program is in place. Exposure to operational risk is typically identified with the assistance of senior management, and internal audit plans are developed with higher risk areas receiving more attention. AgFirst's operations rely on the secure processing, transmission and storage of confidential information in its computer systems and networks. Although AgFirst believes that it has robust information security procedures and controls, its technologies, systems, networks and customers' devices may be the target of cyber-attacks or information security breaches. Failure in or breach of AgFirst's operational or security systems or infrastructure, or those of its third-party vendors and other service providers, including as a result of cyber-attacks, could disrupt AgFirst's businesses or the businesses of its customers, resulting in the unintended disclosure or misuse of confidential or proprietary information, damage the Bank's reputation, increase costs, and cause losses.

No control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met. Also, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by individual acts of some persons, collusion of two or more people, or management override of the control. The design of any system of controls also is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may be inadequate because of changes in conditions, or compliance with policies or procedures may deteriorate.

Human Capital

The Bank recognizes that its employees are the key to success and therefore strives to make the workplace attractive for all employees. Effective human capital management results from the recruitment and retention of a highly qualified workforce that is aligned with the Bank's core values and mission. The Bank has an onboarding program dedicated to familiarizing all new hires with the culture, values and the mission of effectively serving the needs of rural America and agriculture.

The Bank's human capital strategy is carried out under the oversight of the Board of Directors. The strategy includes a Human Capital Plan (Plan) that focuses on assessment of workforce, performance management and succession planning, among other things.

Assessment of Workforce and Performance Management
The Plan provides a description of the workforce and an assessment of strengths and weaknesses within the workforce. The Plan also takes into account effective strategies to evaluate the workforce including reviewing job descriptions to make sure the skills needed are accurately defined, engaging in a performance review process to assess skills desired against skills employees have, and training to address any gaps.

Succession Planning
Succession planning is necessary to ensure that talent and skills are available and essential knowledge and organizational culture are maintained when employees in key positions depart. The Plan also provides for management succession planning and strategies with the main objective of identifying critical workforce positions and developing a targeted pool of potential successors.

Workforce Composition
Effective workforce retention requires a continuous cultivation of a welcoming and collaborative environment that values strong collaboration, problem-solving innovation and employee retention. At December 31, 2024, the Bank employed 499 full-time employees of which 46 percent were women, 54 percent were men and 35 percent were minorities, based on employee self-reporting.

Reputational Risk Management

Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the Bank, System or any of its entities. Such risks include impacts related to investors' perceptions about agriculture, the reliability of the Bank, System, or other System institution financial information or actions by the Bank or any other System institution. Entities that serve the System at the national level, including the Presidents' Planning Committee and The Farm Credit Council (see below), will communicate guidance to the System for reputational issues that have broader consequences for the System as a whole. These entities support those business and other practices that are consistent with the Bank's mission.

Political Risk Management

Political risk to the Bank and System is the risk that actions taken by the U.S. government may negatively impact the System or the agriculture industry. System institutions are instrumentalities of the federal government and are intended to further governmental policy concerning the extension of credit to or for the benefit of agriculture and rural America. The System and its borrowers may be significantly affected by federal legislation that impacts the System directly, such as changes to the Farm Credit Act, or indirectly, such as agricultural appropriations bills. However, government support programs generally account for a relatively small percentage of net farm income in the territory served by the District Associations.

The District addresses political risk by actively supporting The Farm Credit Council, which is a full-service trade association representing the System before Congress, the Executive Branch, and others. The Farm Credit Council provides the mechanism for "grassroots" involvement in the development of System positions and policies with respect to federal legislation and government actions that impact the System. Additionally, the District takes an active role in representing the individual interests of System institutions and their borrowers before Congress. Each district has its own Council, which is a member of The Farm Credit Council. The district Councils represent the interests of their members on a local and state level, as well as on a federal level.

Cyber Risk Management

Cyber risk is the risk of loss, disruption or damage to the reputation of the Bank due to the failure or unauthorized or erroneous use of its information systems. The Bank has risk management policies and procedures to assess, identify and manage material risks from cybersecurity threats with the goal of providing the appropriate level of protection to maintain confidentiality, integrity and availability of the Bank's, District Associations' and borrowers' information. The Bank engages in a variety of activities to assess cybersecurity risks and implement layers of controls to prevent, detect or mitigate these risks. The effectiveness of the controls is tested through internal and external audits and assessments, including regular penetration tests, vulnerability scans and business continuity/disaster recovery tests. The Bank leverages industry standards and frameworks such as the National Institute of Standards and Technology, Center for Internet Security, and International Organization for Standardization to guide its cybersecurity management activities. In addition, the Bank has a cybersecurity incident response plan that assesses the nature and scope of an incident, the information systems and types of information accessed or misused, steps to be taken to resume business activities and reporting to the Board of Directors, the Farm Credit Administration, customers (former, current and potential) and employees. No cybersecurity threats or incidents have materially impacted the Bank or District Associations during the past three years.

The Risk Policy Committee of the Bank's Board of Directors oversees the risks from cybersecurity threats. The Bank's cybersecurity risk management is led by the Chief Information Security Officer (CISO), who reports to the Risk Policy Committee multiple times annually.

CAPITAL

Capital serves to support future asset growth and investment in new products and services, and to provide protection against credit, interest rate, and other risks, as well as operating losses. A sound capital position is critical to provide protection to investors in Systemwide Debt Securities and to ensure long-term financial success.

The AgFirst Capitalization Plan (the "Plan") approved by the Bank's Board of Directors establishes guidelines 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. The Bank's capital objectives are considered adequate to support inherent risk.

The following tables summarizes changes in Bank's Capital during the year:

Change in Shareholder's Equity	**Year Ended December 31,**	
(dollars in millions)	**2024**	**2023**
Shareholders' Equity (for prior year)	$ 1,682,748	$ 1,451,619
Increase (decrease) due to:		
Net Income	282,906	265,320
Capital stock issued/(retired)	30,358	132,320
Change in unrealized gains/(losses) on AFS securities	(6,304)	100,974
Cash patronage declared	(259,861)	(251,762)
Cumulative effect of change in accounting principle	—	(15,654)
Other	950	(69)
Total increase in shareholders' equity	48,049	231,129
Shareholders' equity	$ 1,730,797	$ 1,682,748

Total Shareholders' Equity increased during 2024 and 2023 primarily due to net income of $282.9 million and $265.3 million, respectively. Other significant factors contributing to the change in Total Shareholders' Equity are listed below.

The Associations are required to maintain ownership in the Bank in the form of Class B and Class C stock. At December 31, 2024, 2023, and 2022, the Associations' minimum stock requirement was 2.0 percent, 2.0 percent, and 1.0 percent, respectively, of risk-adjusted Direct Note balances. The Bank's capital stock and participation certificates totaled $600.2 million at December 31, 2024, compared to $561.5 million at December 31, 2023. The net increase of $38.7 million in 2024 was due primarily to an increase in stock issued to Associations of $28.2 million and the issuance of stock patronage to another System bank of $8.3 million.

In 2023, capital stock increased from $300.5 million to $561.5 million, an increase of $261.0 million. This increase was due to an increase in the Association minimum stock requirement from 1.0 percent to 1.5 percent effective October 31, 2023 resulting in $132.3 million of capital stock and the redesignation of $123.0 million of allocated equities as capital stock in December 2023 that increased the minimum stock requirement to 2.0 percent.

The change in unrealized gains/(losses) on available-for-sale securities in both years is primarily the result of changes in market rates which changes the fair value of existing available-for-sale fixed-rate securities. See further discussion in the Liquidity Risk Management section above.

The Bank's patronage declared was based on paying Associations and OFIs a dividend equal to 75 basis points relative to their average Direct Note balance and declaring a dividend to participants in Association capitalized participation pools in an amount equal to each Association's respective pool's net income. In addition, patronage related to eligible Capital Markets participations was declared at 100 basis points. This resulted in cash patronage of $259.9 million and $251.8 million declared in 2024 and 2023, respectively. Cash patronage is paid in the year following declaration, primarily in January. Effective January 1, 2025, the Bank's patronage target to Associations and OFIs was lowered to 60 basis points relative to the average Direct Note balance.

See Note 7, *Shareholders' Equity*, in the Notes to the Financial Statements and the *Additional Required Regulatory Capital Disclosures* section for further information.

Regulatory Ratios

The Bank's regulatory ratios (calculated using a three-month average daily balance) are shown in the following table:

	Regulatory Minimum, Including Buffer*	**AgFirst Ratios as of December 31,**		
		2024	**2023**	**2022**
Permanent Capital Ratio	7.00%	15.12 %	15.41 %	15.34 %
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	15.10 %	15.37 %	15.32 %
Tier 1 Capital Ratio	8.50%	15.10 %	15.37 %	15.32 %
Total Regulatory Capital Ratio	10.50%	15.28 %	15.66 %	15.46 %
Tier 1 Leverage Ratio**	5.00%	5.88 %	6.08 %	6.09 %
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	4.65 %	4.64 %	5.37 %

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

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations that ensure that the System's capital requirements are comparable with the Basel III framework and the standardized approach of federal banking regulatory agencies. The requirements are based on regulatory ratios as defined by the FCA and include common equity tier 1 (CET1) capital, tier 1 capital, total capital, and tier 1 leverage ratios. The tier 1 leverage ratio must include a minimum unallocated retained earnings (URE) and URE equivalents component. The permanent capital ratio required under the Farm Credit Act remains in effect.

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage ratio and URE and URE equivalents component of the tier 1 leverage ratio do not incorporate any risk-adjusted weighting of assets. These ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgFirst exceeded minimum regulatory requirements for all ratios.

See the *Capital* section above and *Additional Required Regulatory Capital Disclosures* section for further information.

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

The District is committed to providing sound and dependable credit to YBS farmers and ranchers. Because of the unique needs of these individuals, and their importance to the future of agriculture, the Associations have established annual marketing goals to increase market shares of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers' access to a stable source of credit. AgFirst and the District Associations recognize that YBS farmers are vitally important to the future of agriculture and are committed to continue offering programs to help educate, assist, and provide quality financial services to YBS farmers.

The FCA regulatory definitions for YBS farmers and ranchers are as follows:

Young Farmer – A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
Beginning Farmer – A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan is originally made.
Small Farmer – A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $350,000 in annual gross cash farm income of agricultural or aquatic products at the date the loan is originally made.

The following table summarizes information regarding the combined District's loans outstanding to YBS farmers and ranchers as of December 31, 2024:

(dollars in thousands)	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
Young only	4,051	2.2 %	$ 1,017,178	2.0 %
Young & beginning	4,841	2.7	1,332,188	2.7
Young & small	4,539	2.5	380,764	0.8
Beginning only	3,939	2.2	1,607,752	3.2
Beginning & small	33,170	18.3	5,054,942	10.1
Small only	44,240	24.5	3,990,050	8.0
Young, beginning, & small	22,878	12.7	2,607,308	5.2
Non-YBS	63,179	34.9	33,993,129	68.0
District Total	180,837	100.00 %	$ 49,983,311	100.00 %

The following table summarizes information regarding the combined District's new loans made to YBS farmers and ranchers for the year ended December 31, 2024:

(dollars in thousands)	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
Young only	1,043	2.3 %	$ 363,850	2.3 %
Young & beginning	1,366	3.0	446,317	2.8
Young & small	1,048	2.3	97,017	0.6
Beginning only	1,086	2.4	434,019	2.7
Beginning & small	7,353	16.3	1,433,580	8.9
Small only	10,536	23.4	993,229	6.2
Young, beginning, & small	5,797	12.9	767,201	4.8
Non-YBS	16,829	37.4	11,606,706	71.7
District Total	45,058	100.00 %	$ 16,141,919	100.00 %

COMMITMENTS AND CONTINGENCIES

On the basis of information presently available, management and legal counsel are of the opinion that the ultimate liability, if any, from legal actions pending against AgFirst would be immaterial in relation to the financial position of AgFirst. Refer to Note 13, *Commitments and Contingencies*, in the Notes to the Financial Statements for additional information.

REGULATORY MATTERS

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

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

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

OTHER MATTERS

Effective December 5, 2024, Darrick Paul, previously serving as Executive Vice President and Chief Human Resources Officer, left employment at the Bank and a search for a replacement is underway.

Effective December 31, 2024, Leon T. Amerson retired from the Bank. John. P. Calhoun, previously serving as Executive Vice President and Chief Credit Officer, and who has broad experience in the Farm Credit System as a previous CEO of AgSouth Farm Credit, was appointed as the acting Chief Executive Officer effective January 1, 2025.

Additional 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, *Organization and Operations,* to the Financial Statements 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 & Analysis of Results of Operations & Financial Condition* included in this Annual Report to shareholders.

Unincorporated Business Entities

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

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

Description of Property

The following table sets forth certain information regarding the properties owned by the Bank at December 31, 2024, all of which are located in Columbia, South Carolina:

Location	Description
1115 Calhoun Street	Bank operations facility
1901 Main Street	Bank office building and adjacent parking facility, partially leased to tenants

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 13, *Commitments and Contingencies,* to the Financial Statements included in this Annual Report to shareholders.

Description of Capital Structure

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

Description of Liabilities

The description of liabilities and contingent liabilities to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 10, and 13 to the Financial Statements included in this Annual Report to shareholders.

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

Management's Discussion & Analysis of Results of Operations & Financial Condition, which appears in this Annual Report to shareholders 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 Bank as of December 31, 2024.

The chief executive officer and all other senior officers of the Bank, together with their length of service at their present position, as well as positions held currently and during the last five years, are as follows:

Name and Title	Time in Position	Prior Experience in the last five years	Other Business Interests
Leon T. Amerson*, *President and Chief Executive Officer*	12.5 years		Member of the Finance Committee and Business Practices Committee of the Presidents Planning Committee of the Farm Credit System; Member of the AgFirst Plan Sponsor Committee and the AgFirst/FCBT Plan Sponsor Committee.
James A. Bumgarner, *Executive Vice President and Chief Administrative Officer*	3.25 years	Chief Stakeholder Relationship Officer May 2021 to October 2021, Vice President and Director of Association Relationships July 2016 to May 2021.	Board Member of the Farm Credit Captive Insurance Company.
John P. Calhoun*, *Executive Vice President and Chief Credit Officer*	0.25 Years	Principal and Chief Executive Officer of SK7 Enterprise Consulting, LLC, April 2023 to September 2024. Chief Executive Officer of AgSouth Farm Credit, ACA, September 2016 to March 2023.	
Stephen Gilbert, *Executive Vice President and Chief Financial Officer*	7.75 years		Member of the Farm Credit System Disclosure Committee; Appointed Member and Chair of the AgFirst/FCBT Plan Fiduciary Committee; Member of the National Council of Farmer Cooperatives; Member of the (Farm Credit System) Contractual Interbank Performance Committee Oversight Body; Member of the (Farm Credit System) Market Access Agreement Monitoring and Oversight Committee.
Frances S. Griggs, *Executive Vice President and Chief Legal Officer and General Counsel*	7.75 years		
Brian R. Runkle, *Executive Vice President and Chief Operating Officer*	0.25 years	Executive Vice President, Bank Operations, June 2018 to April 2024 at Webster Bank.	
Juan Silvera, *Executive Vice President and Chief Marketing Officer*	3.25 years	Executive Director, Marketing, Brand and Product Management January 2020 to October 2021, Chief Marketing Officer at Rabobank N.A. from January 2016 to January 2020.	Board Member of Transitions Homeless Center.
Chad E. Toney, *Executive Vice President and Chief Risk Officer*	0.75 years	Executive Vice President and Chief Information Security Officer July 2021 to March 2024, Vice President, Infrastructure and Operations July 2017 to June 2021.	
Daniel E. LaFreniere, *Executive Vice President and Chief Audit Executive*	11.5 years		

**On January 1, 2025, John. P. Calhoun was appointed as the acting Chief Executive Officer position following the retirement of Leon T. Amerson on December 31, 2024.*

The total amount of compensation earned by the Chief Executive Officer (CEO) and the senior officers and other highly compensated employees (HCE) as a group during the years ended December 31, 2024, 2023, and 2022, is as follows:

Name of Individual or Number in Group	Year	Salary	Incentives	Deferred Comp.	Change in Pension Value *(e)*	Perq./ Other*	Total
Leon T. Amerson	2024	$989,037	$192,284	$38,457	$699,145	$47,059	$1,965,982
Leon T. Amerson	2023	$969,644	$675,682	$38,678	$613,201	$31,588	$2,328,793
Leon T. Amerson	2022	$932,350	$867,055	$39,890	$(1,650,482)	$29,379	$218,192
11 Officers/HCE *(a) (b)*	2024	$3,894,396	$2,223,739	$153,242	$163,822	$1,428,580	$7,863,779
10 Officers/HCE *(a) (c)*	2023	$3,718,050	$2,123,092	$163,842	$260,612	$685,472	$6,951,068
11 Officers/HCE *(a) (d)*	2022	$3,019,657	$2,592,040	$201,911	$(338,228)	$374,996	$5,850,376

**For all years, includes company contributions to 401(k) plan (see Note 10, Employee Benefit Plans, to the Financial Statements), group life insurance premiums, spousal travel and Bank-provided automobile. For 2024, this also includes the value of a discount provided to senior officers who purchased Bank-provided automobiles when the*

Bank-provided automobile program was discontinued, a sign-on bonus in the amount of $100,000 offered to each of two senior officers who joined the bank in 2024, severance for one senior officer of $236,300 who left the bank in 2024, and severance and sign-on bonus forgiveness of $456,250 for another senior officer who left the bank in 2024. For 2023, this also includes a sign-on payment of $100,000 to a senior officer who joined the bank in 2023, payment to one officer of accrued annual leave of $5,578, and a payment to a senior officer who left the Bank in 2023 of $182,500 for separation pay and certain other compensation/benefits. For 2022, this also includes a sign-on payment of $52,500 to a senior officer who joined the Bank in 2022.

(a) Disclosure of information on the total compensation paid to any senior officer, or to any other individual included in the aggregate, for the years presented is available to shareholders upon request.

(b) For 2024, this includes eleven senior officers and one highly compensated employee. This also includes two senior officers who joined the Bank during 2024 and three senior officers who left the Bank during 2024.

(c) For 2023, this includes ten senior officers and one highly compensated employee. This also includes one senior officer who joined the Bank during 2023 and one senior officer who left the bank during 2023.

(d) For 2022, this includes nine senior officers and one highly compensated employee. This also includes one senior officer who joined the Bank during 2022.

(e) The changes in pension values as reflected in the table above resulted primarily from changes in the actuarial assumptions for discount rate and mortality and an additional year of benefit accrual. See further discussion in Note 10, Employee Benefit Plans, of the Financial Statements.

Pension Benefits Table
As of December 31, 2024

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
Leon T. Amerson	2024	AgFirst Farm Credit Retirement Plan	38.75	$ 4,131,529	$ —
Leon T. Amerson	2024	AgFirst Farm Credit Bank Supplemental Retirement Plan	38.75	6,088,526	—
				$ 10,220,055	$ —
Senior Officers and Highly Compensated Employees:					
1 Officer, excluding the CEO	2024	AgFirst Farm Credit Retirement Plan	24.67	$ 1,568,785	$ —
				$ 1,568,785	$ —

Executive Incentive Compensation Plan

In addition to a base salary, certain named senior officers may earn additional compensation under the Bank's Executive Incentive Plan, which has a short-term and a long-term component. Participation in the plan is at the sole discretion of the CEO or in the case of the CEO at the sole discretion of the Board of Directors. The objectives of this plan are to provide a market-competitive financial rewards package to executives, provide incentive for the achievement of the AgFirst short- and long-term business objectives and to provide the Bank the ability to attract and retain key executives. The plan's payments are based upon the Bank's achievement of certain performance factors including, but not limited to, capital adequacy, asset quality, profitability, liquidity, and sensitivity, and the senior officers' overall performance achievement as determined by an individual performance rating. Short-term incentive awards are shown in the year earned and payments are made in the first quarter of the following year.

The long-term component of the plan is subject to forfeiture based upon AgFirst's performance during the three-year performance period immediately following the plan year. Specifically, the long-term award for a particular plan year will be reduced by an amount equal to one-third of the original award for each subsequent year during the three-year performance period in which any one of the performance thresholds for capital adequacy or earnings is not achieved.

Long-term incentive award amounts are shown in the year accrued and are vested over a period of time composed of the plan year and the performance period subsequent to the end of the plan year. Incentive awards are forfeited if the participant fails to remain employed until the end of the performance period subsequent to the end of the plan year, unless the end of employment is due to the participant's death or disability, or the Board of Directors, in its sole discretion, determines that the participant should be paid all or a portion of the incentive awards. The participant is eligible to receive a prorated long-term incentive award if the end of employment is due to retirement and the participant remained employed for at least one year of the performance period.

In 2024, the Plan was changed to add a claw-back of short- and long-term awards, requiring participants to repay the monies requested by AgFirst in the event of either (1) The payment was based on materially inaccurate financial statements, or (2) it is determined that the Participant engaged in fraud against AgFirst during the performance period.

Capital Markets Incentive Compensation Plan

In addition to a base salary, certain named capital markets staff may earn additional compensation under the Bank's Capital Markets Incentive Plan, which has a short-term and a long-term component. Participation in the plan is limited to named AgFirst employees who work in AgFirst's capital markets activities. The objectives of this plan are to create profitable growth consistent with AgFirst's credit philosophy; attract, retain, and motivate AgFirst capital markets employees; and reward those employees for their performance. The plan's payments are based upon the Bank's achievement of certain performance factors including, but not limited to, net income and fee income, net volume growth, asset quality, and audit results. The capital markets staffs' overall performance achievement is determined by an individual performance rating. Short-term incentive awards are shown in the year earned and payments are made in the first quarter of the following year.

The long-term component of the plan is subject to forfeiture based upon AgFirst's performance during the three-year performance period immediately following the plan year. Specifically, the long-term award for a particular plan year will be reduced by an amount equal to one-third of the original award for each subsequent year during the three-year performance period in which any one of the performance thresholds for capital adequacy or earnings is not achieved.

Long-term incentive award amounts are shown in the year accrued and are vested over a period of time composed of the plan year and the performance period subsequent to the end of the plan year. Incentive awards are forfeited if the participant fails to remain employed until the end of the performance period subsequent to the end of the plan year, unless the end of employment is due to the participant's death or disability, or the Board of Directors, in its sole discretion, determines that the participant should be paid all or a portion of the incentive awards. The participant is eligible to receive a prorated long-term incentive award if the end of employment is due to retirement and the participant remained employed for at least one year of the performance period.

In 2024, the Plan was changed to add a claw-back of short- and long-term awards, requiring participants to repay the monies requested by AgFirst in the event of either (1) the payment was based on materially inaccurate financial statements, or (2) it is determined that the Participant engaged in fraud against AgFirst during the performance period.

Retirement and Deferred Compensation Plans

The Bank's compensation programs include retirement and deferred compensation plans designed to provide income following an employee's retirement. Although retirement benefits are paid following an employee's retirement, the benefits are earned while employed. The objective of the Bank is to offer benefit plans that are market competitive and aligned with the Bank's strategic objectives. The plans are designed to enable the Bank to proactively attract, retain, recognize and reward a highly skilled and motivated staff that supports the Bank's mission and that allows the Bank to align the human capital needs with the Bank's overall strategic plan.

Employees hired prior to January 1, 2003 participate in the AgFirst Farm Credit Retirement Plan. Employees are eligible to retire and begin drawing unreduced pension benefits at age 65 or when years of credited service plus age equal "85" once age 55 is reached. Upon retirement, annual payout is equal to 2 percent of the highest three years' average compensation times years of credited service, subject to the Internal Revenue Code limitations. For purposes of determining the payout, "average compensation" is defined as regular salary (i.e., does not include incentive awards compensation). At the election of the retiree, benefits are paid based upon various annuity terms and/or on a lump sum basis. Benefits under the plan are not subject to an offset for Social Security.

Employees participate in the Farm Credit Benefits Alliance 401(k) Plan, a qualified 401(k) defined contribution plan which has an employer matching contribution determined by the employee's date of hire. For employees hired on or prior to December 31, 2002, the Bank 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, 2003, the Bank 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. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired on or after January 1, 2003. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service.

Senior officers and other highly compensated employees participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, a nonqualified deferred compensation plan that allows certain key employees to defer compensation and which restores the benefits limited in the qualified 401(k) plan as a result of restrictions in the Internal Revenue Code. The plan also includes a provision for discretionary contributions to be made by the Bank.

Chief Executive Officer

Mr. Amerson participated in the AgFirst Farm Credit Retirement Plan, as described above.

Mr. Amerson participated in the AgFirst Farm Credit Bank Supplemental Retirement Plan, a nonqualified supplemental executive retirement plan. Benefits that would have accrued in the qualified defined benefit retirement plan in the absence of Internal Revenue Code limitations are made up through the nonqualified supplemental executive retirement plan. At the election of the retiree, benefits are paid based upon various annuity terms.

Mr. Amerson participated in the Farm Credit Benefits Alliance 401(k) Plan and the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, as described above.

Senior Officers

One senior officer participates in the AgFirst Farm Credit Retirement Plan, as described above.

Senior officers participate in the Farm Credit Benefits Alliance 401(k) Plan and the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, as described above.

Additionally, senior officers as well as all employees are reimbursed for all direct travel expenses incurred when traveling on Bank business. A copy of the travel policy is available to shareholders upon written request.

Bank compensation plans are reviewed annually by the Board of Directors' Compensation Committee.

AgFirst Farm Credit Bank Board of Directors

Information regarding directors who served on December 31, 2024, including business experience in the past five years and any other business interest where a Director serves on the board of directors or as a senior officer follows:

Name	Current Term Expires	Principal Occupation, Board Committees and Other Affiliations
William T. Robinson	12/2027	**Principal Occupation:**
Age: 57		Owner/operator of J&P Farm Management LLC which consists of corn and a cow/calf operation. Owner/operator of Whistlin' Pines, LLC, a timber management operation. Owner/operator of MMR Consultants, LLC, a business consulting firm specializing in utility and industrial market segments. Former Executive Director for The SEFA Group. Retired from the Department of Treasury and Corporate Financial Planning at Santee Cooper, a state owned electric and water utility.
Board Appointment: 2016		**Board Committees:**
		Chair of the Board; Chair of the Coordinating Committee, and ex-officio member of all Board Committees
		Other Affiliations:
		Board member: AgSouth Farm Credit, ACA; Tri-County Electric Cooperative; Member: Farm Credit System Audit Committee
Jenny R. Black	12/2028	**Principal Occupation:**
Age: 50		Certified Project Manager and owner/operator of Jenny Black Consulting, LLC, an information technology consulting company. Serves as manager for citrus and agricultural operations of Ridge Investments, LLC, Black Holdings, LLC; Crooked Lake Investments, LLC; Black & Myers Properties and BHB Holdings, LLC.
Board Appointment: 2018		**Board Committees:**
		Vice Chair of the Board; Compensation, Coordinating, and Governance Committees
		Other Affiliations:
		Board member: Farm Credit of Central Florida, ACA; The Farm Credit Council; Polk County Florida 4-H Foundation, a youth agricultural organization; National Watermelon Promotion Board Public Member (outside director)
Gary L. Baldosser	12/2027	**Principal Occupation:**
Age: 58		Owner/operator of Baldosser Farms, Inc., a cow/calf and row crop operation and Garbec Farms, a family land holding entity.
Board Appointment: 2020		**Board Committees:**
		Audit Committee
		Other Affiliations:
		Board member: AgCredit Agricultural Credit Association; Sunrise Co-op Clyde Condominium Association, a condominium grain storage association; Trustee: Tri-Grain, LLC, a family land holding entity; Member: Bloc-B, LLC, a family land holding entity
Jack W. Bentley, Jr.	12/2026	**Principal Occupation:**
Age: 67		Owner/operator A&J Dairy, a dairy, beef, pasture, crop, trucking and timberland operation.
Board Appointment: 2019		**Board Committees:**
Also Served: 2010-2017		Risk Policy Committee
		Other Affiliations:
		Board member: AgGeorgia Farm Credit, ACA; American Dairy Association; Lone Star Milk Producers and Wilkes County Farm Bureau
Sherry E. Bowden	12/2027	**Principal Occupation:**
Age: 63		Retired CFO State Street Corporation, a financial services organization; Certified public accountant and certified personal property appraiser.
Board Appointment: 2020		**Board Committees:**
		Coordinating Committee and Chair of Audit Committee (designated financial expert)
		Other Affiliations:
		Member: National Society of Accountants for Cooperatives
William K. Jackson*	12/2024	**Principal Occupation:**
Age: 69		Partner in Jackson Farms, a dairy operation with other farming interests. President of Jackson Farms 2, LLC, a small dairy processing facility that bottles milk, makes ice cream, and operates a convenience store. President of Jackson Farms 3, LLC and Jackson Farms Limited Partnership, which are involved in the production of natural gas.
Board Appointment: 2013		**Board Committees:**
		Compensation and Coordinating Committees and Chair of Governance Committee
		Other Affiliations:
		Board member: The Farm Credit Council; Fay-Penn Economic Development Board

Dwain K. Lanier Age: 67 Board Appointment: 2022	12/2025	**Principal Occupation:** Managing Partner of Pareto Consulting LLC, a performance consulting business. President of Aspire Higher LLC, a real estate rental company. Retired Vice President of Operational and Regulatory Assurance for Tennessee Valley Authority, a federally owned electric utility company. **Board Committees:** Coordinating Committee and Chair of Risk Policy Committee **Other Affiliations:** Board member: Chair: Accounting Advisory Board, North Carolina State University; Vice Chair: Southeast Raleigh YMCA, a non-profit youth and community organization; Poole College of Business, North Carolina State University
Fred R. Moore, Jr. Age: 72 Board Appointment: 2014	12/2025	**Principal Occupation:** President of Fred R. Moore & Son, Inc. d/b/a Collins Wharf Sod, a turf and grain operation. Partner of F&E Properties, LLC, a rental business. Partner of F&E Moore Properties, LLC, a land holding partnership. **Board Committees:** Risk Policy Committee **Other Affiliations:** Board member: Horizon Farm Credit, ACA; Allen Volunteer Fire Company Life Member
Michael W. Patrick Age: 59 Board Appointment: 2020	12/2027	**Principal Occupation:** Partner in Patrick Farms Joint Venture, a cotton, corn, soybean and timber operation, that includes the following entities where Mr. Patrick serves as Officer: Big Black Farms, Inc.; Cotton Picker, Inc.; and Cotton Country, Inc. **Board Committees:** Coordinating and Governance Committees and Chair of Compensation Committee **Other Affiliations:** Commissioner: Madison County Soil and Water Commission; Madison County USDA FSA County Committee
John Whitworth Player Age: 58 Board Appointment: 2022	12/2025	**Principal Occupation:** Owner/operator of J. Whit Player Farms, a farming operation. Owner/operator of Players Stoney Run Farms, a farming operation. Part owner of St. Charles Gin Company, a cotton ginning company. Forestry Technician, South Carolina Forestry Commission, a state agency overseeing forestry management. **Board Committees:** Compensation and Governance Committees **Other Affiliations:** Board member: ArborOne, ACA; Carolina Cotton Growers Cooperative, a cotton marketing organization; SC Boll Weevil Eradication Program, an agricultural organization. Part Owner: Canoe Slough LLC, a recreational land holding entity
David L. Richesin Age: 58 Board Appointment: 2022	12/2025	**Principal Occupation:** Owner/operator of Cherry Brook Farm, a farming operation. **Board Committees:** Audit Committee **Other Affiliations:** Board member: Chair - River Valley AgCredit, ACA; London County Farm Bureau; Tennessee Farm Bureau Federation, a lobbying organization; Tennessee Farmers Service, an accounting and tax services organization; Tennessee Rural Health, a health insurance service organization; Tennessee Farmers Mutual, an insurance provider
Alfred W. Stephens, Jr. Age: 57 Board Appointment: 2023	12/2026	**Principal Occupation:** Owner/operator of Stephens Dairy Farm, a dairy and beef cow/calf operation and farming operation. **Board Committees:** Compensation and Governance Committees **Other Affiliations:** Board member: Farm Credit of the Virginias; Wythe/Bland DHIA, a production, recordkeeping, and data collection organization; VA Tech Dairy Science Advisory Board, an education advisory board
Michael T. Stone Age: 53 Board Appointment: 2015	12/2026	**Principal Occupation:** Owner/operator of P & S Farms, Inc. and Bo Stone Farms, LLC. **Board Committees:** Risk Policy Committee **Other Affiliations:** Board member: AgCarolina Farm Credit, ACA; The Farm Credit Council; Chair: Farm Credit Council Services; Appointed member and Chair: AgFirst Plan Sponsor Committee, AgFirst/FCBT Plan Sponsor Committee

Ellis W. Taylor	12/2028	**Principal Occupation:**	
Age: 55		Owner/operator of Mush Island Farms, LLC, a row crop operation. Part owner of Roanoke Cotton Company, LLC, which operates cotton gins and a warehouse. Manager of Taylor Farm Properties, LLC, a land-holding entity.	
Board Appointment: 2012		**Board Committees:**	
		Audit Committee	
		Other Affiliations:	
		Board member: AgCarolina Farm Credit, ACA; Northampton County Farm Bureau; Federal Farm Credit Banks Funding Corporation	

** This Director's term expired effective December 31, 2024.*

Committees

The Board has established an Audit Committee, Compensation Committee, Risk Policy Committee, Governance Committee and Coordinating Committee. All members of the Board, other than the Chair, serve on a committee. The Chair of the Board serves as an ex-officio member of all Board committees and the Vice Chair serves as a member of the Board Compensation Committee. The Board has one designated financial expert who serves on the Audit Committee. The responsibilities for each committee are set forth in its respective Board approved charter.

During February 2025, the Board elected William T. Robinson as Chair of the Board and Jenny R. Black as Vice Chair of the Board for 2025. The Chair appointed the following Chairpersons to the Board Committees: Sherry E. Bowden - Audit Committee; Jenny R. Black - Compensation Committee; Dwain K. Lanier - Risk Policy Committee; John Whitworth Player - Governance Committee; and William T. Robinson - Coordinating Committee.

Compensation of Directors

Directors were compensated in 2024 in cash at the rate of $89,695 per year, payable at $7,475 per month. This is compensation for attendance at Board meetings, Board committee meetings, certain other meetings pre-approved by the Board and other duties as assigned. Farm Credit Administration (FCA) regulations also allow additional compensation to be paid to a director in exceptional circumstances where extraordinary time and effort are involved. In this regard, additional compensation was paid for certain leadership positions on the Board, including the Chair of the Board, Vice Chair of the Board, Chair of each Board standing committee as well as to members of the Board Audit Committee in recognition of greater than normal participation in Board activities. Total cash compensation paid to all directors as a group during 2024 was $1.3 million. Directors received no non-cash compensation during 2024. Additional information for each director who served during 2024 is provided in the following table.

	Number of Days Served			
Name of Director	**Board Meetings**	**Other Official Activities***	**Farm Credit Council Bd. Activities**	**Total Comp. Paid During 2024**
Gary L. Baldosser	17.25	14.25	6.75	$ 97,195
Jack W. Bentley, Jr.	17.25	8.25	6.75	90,320
Jenny R. Black	17.00	18.50	6.75	99,487
Sherry E. Bowden	17.25	17.00	6.75	104,695
William K. Jackson	17.25	17.00	6.75	97,195
Dwain K. Lanier	17.25	19.50	6.75	96,570
Fred R. Moore, Jr.	17.25	11.25	6.75	89,695
Michael W. Patrick	17.25	14.00	3.75	97,195
John Whitworth Player	17.25	13.75	6.75	89,695
David L. Richesin	17.00	14.25	3.75	97,195
William T. Robinson	17.25	18.75	6.75	108,861
Alfred W. Stephens, Jr.	17.25	11.25	6.75	89,695
Michael T. Stone**	17.25	9.00	6.75	91,362
Ellis W. Taylor	15.75	12.50	3.50	97,195
Total				$1,346,355

** Other official activities include Board committee meetings and Board training.*
*** Does not include 3.0 days served as Board-appointed member of the AgFirst and AgFirst/FCBT Plan Sponsor Committees.*

Directors 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 upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $99,387 for 2024, $103,719 for 2023, and $104,866 for 2022.

Transactions with Senior Officers and Directors

The Bank's disclosure on loans to and transactions with its officers and directors, to be disclosed in this section, is incorporated herein by reference to Note 12, *Related Party Transactions*, to the Financial Statements included in this Annual Report to shareholders. Such loans are subject to special approval requirements contained in the FCA regulations and were made on the same terms, including interest rate, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons. No loan to a director or to any organization affiliated with such person, or to any immediate family member who resides in the same household as such person or in whose loan or business operation such person has a material financial or legal interest, involved more than the normal risk of collectability.

There have been no transactions between the Bank and senior officers or directors which require reporting per FCA regulations.

Involvement in Certain Legal Proceedings

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

Relationship with Independent Registered Public Accounting Firm

There were no changes in or material disagreements with the Bank's independent registered public accounting firm on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees paid by the Bank for services rendered by PricewaterhouseCoopers LLP, the Bank's independent registered public accounting firm, for the year ended December 31, 2024 were as follows:

Independent Registered Public Accounting Firm	
PricewaterhouseCoopers LLP (PwC)	
Audit services for the Bank	$ 1,657,876
Audit-related services	126,957
Non-audit services	50,000
Total	$ 1,834,833

The engagement letter for audit services for 2024 for the integrated audit for the Bank reflects an accrued fee of $1.3 million plus reasonable out-of-pocket expenses. Audit-related fees were for benefit plan audits. Non-audit fees of $50,000 were for Farmer Mac examination procedures. Out-of-pocket expenses are included in the fee amounts reported above.

All services provided by PwC require pre-approval by the Audit Committee.

Financial Statements

The Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP, dated February 28, 2025, and the Report of Management, which appear in this Annual Report to shareholders are incorporated herein by reference.

Borrower Information Regulations

FCA regulations require that borrower information be held in strict confidence by Farm Credit institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

FCA Board policy requires Farm Credit 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 to shareholders. 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.

Shareholder Investment

Shareholder investment in a District Association is materially affected by the results of operations and financial condition of AgFirst Farm Credit Bank. Copies of AgFirst's Annual and Quarterly Reports and combined information concerning AgFirst Farm Credit Bank and District Associations are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, SVP and Controller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. This information can also be obtained at the Bank's website, **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 each Quarterly Report within 40 days after the end of each fiscal quarter, except that no report is prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report on Internal Control Over Financial Reporting

The Bank'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 purposes of this report, "internal control over financial reporting" is defined as a process designed by or under the supervision of the Bank's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America (GAAP).

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

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

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

The Bank's internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the Report of Independent Registered Public Accounting Firm which expresses an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2024.

/s/ John P. Calhoun
Acting Chief Executive Officer and Chief Credit Officer

/s/ Stephen Gilbert
Executive Vice President and Chief Financial Officer

February 28, 2025

Report of the Audit Committee

The Audit Committee of the Board of Directors (the Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of AgFirst Farm Credit Bank (the Bank) and in the opinion of the Board of Directors, each is free of any relationship with the Bank 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 Bank's audited financial statements with management, which has primary responsibility for the financial statements. The financial statements were prepared under the oversight of the Committee.

PricewaterhouseCoopers LLP (PwC), the Bank's independent registered public accounting firm for 2024, is responsible for expressing an opinion on the conformity of the Bank'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 PCAOB Auditing Standard No. 16, *Communications with Audit Committees*. The Committee discussed with PwC its independence from the Bank. 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 Bank's Annual Report for 2024. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ Sherry E. Bowden
Chairman of the Audit Committee

Members of Audit Committee

Gary L. Baldosser
Jennifer L. Rhodes
Ellis W. Taylor

February 28, 2025

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of AgFirst Farm Credit Bank

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying balance sheets of AgFirst Farm Credit Bank (the "Company") as of December 31, 2024, 2023 and 2022, and the related statements of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for the allowance for credit losses in 2023.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct and the Farm Credit Administration's independence rules set forth in 12 CFR Part 621, Accounting and Reporting Requirements, Subpart E, Auditor Independence.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans – Pooled Component

As described in Notes 2 and 3 to the financial statements, the allowance for credit losses on loans was $28 million, of which a majority is related to the pooled component as of December 31, 2024. The allowance for credit losses on loans represents management's estimate of credit losses over the remaining expected life of loans and takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. Management's process and methodology to establish the allowance for credit losses on loans has two basic components: (i) an asset-specific component and (ii) a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. In estimating the component of the allowance for credit losses on loans that shares 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. Management uses a two-dimensional loan rating model that incorporates a scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is management's assumption of the probability that a borrower will experience a default and loss given default is management's assumption as to the anticipated principal loss on a specific loan assuming default has occurred. The allowance for credit losses on loans is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan pool by considering the probability of default and the severity of loss.

The principal considerations for our determination that performing procedures relating to the pooled component of the allowance for credit losses on loans is a critical audit matter are (i) the significant judgment by management in developing the estimate of the pooled component of the allowance for credit losses on loans; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's probability of default and loss given default significant assumptions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the effectiveness of controls relating to management's allowance for credit losses on loans estimation process, including controls over the probability of default and loss given default significant assumptions. These procedures also included, among others, (i) testing management's process for developing the estimate of the pooled component of the allowance for credit losses on loans; (ii) evaluating the appropriateness of the methodology and model; (iii) testing the completeness and accuracy of certain data used in the estimate; and (iv) evaluating the reasonableness of the significant assumptions used by management related to probability of default and loss given default. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the methodology and model and (ii) the reasonableness of the probability of default and loss given default assumptions.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 28, 2025

We have served as the Company's auditor since 1985.

Balance Sheets

	As of December 31,		
(dollars in thousands)	**2024**	**2023**	**2022**
Assets			
Cash	**$ 817,000**	$ 655,814	$ 746,392
Cash equivalents	**1,040,000**	835,000	350,000
Investments in debt securities:			
Available-for-sale (amortized cost of $8,891,544, $9,532,696, and $10,055,933, respectively)	**7,992,031**	8,639,487	9,061,750
Held-to-maturity (fair value of $9,391, $10,924, and $13,500, respectively)	**9,890**	11,150	14,058
Total investments in debt securities	**8,001,921**	8,650,637	9,075,808
Loans	**36,664,796**	34,326,724	31,468,732
Allowance for credit losses on loans	**(28,153)**	(39,420)	(26,070)
Net loans	**36,636,643**	34,287,304	31,442,662
Loans held for sale	**—**	29,669	—
Accrued interest receivable	**165,597**	162,757	125,349
Accounts receivable	**85,486**	90,908	89,980
Equity investments in other Farm Credit institutions	**93,257**	91,887	88,081
Premises and equipment, net	**151,385**	148,391	122,578
Other property owned	**2,082**	260	—
Other assets	**39,011**	33,195	31,870
Total assets	**$ 47,032,382**	$ 44,985,822	$ 42,072,720
Liabilities			
Systemwide bonds payable	**$ 41,673,261**	$ 39,197,358	$ 35,233,552
Systemwide notes payable	**2,953,145**	3,486,082	4,906,369
Accrued interest payable	**320,658**	237,253	137,220
Accounts payable	**304,848**	333,736	298,139
Other liabilities	**49,673**	48,645	45,821
Total liabilities	**45,301,585**	43,303,074	40,621,101
Commitments and contingencies (Note 13)			
Shareholders' Equity			
Capital stock and participation certificates	**600,182**	561,527	300,539
Additional paid-in-capital	**63,668**	63,668	63,668
Retained earnings			
Allocated	**413**	413	123,413
Unallocated	**1,964,881**	1,950,133	1,957,897
Accumulated other comprehensive loss	**(898,347)**	(892,993)	(993,898)
Total shareholders' equity	**1,730,797**	1,682,748	1,451,619
Total liabilities and shareholders' equity	**$ 47,032,382**	$ 44,985,822	$ 42,072,720

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

Statements of Comprehensive Income

(dollars in thousands)	For the Year Ended December 31, 2024	2023	2022
Interest Income			
Investments	**$ 347,131**	$ 323,244	$ 199,809
Loans	**1,594,747**	1,417,476	919,416
Other	**22,546**	18,767	5,016
Total interest income	**1,964,424**	1,759,487	1,124,241
Interest Expense	**1,601,325**	1,268,161	518,706
Net interest income	**363,099**	491,326	605,535
(Reversal of) provision for credit losses	**(9,587)**	15,953	7,704
Net interest income after (reversal of) provision for credit losses	**372,686**	475,373	597,831
Noninterest Income			
Loan fees	**12,770**	13,596	14,034
Gains on sales of investments, net	**105**	—	—
(Losses) gains on debt extinguishment	**(22,774)**	(6,515)	56
Gains (losses) on other transactions	**3,353**	(706)	(1,553)
Insurance premium refund	**5,400**	—	—
Patronage refunds from other Farm Credit institutions	**34,778**	31,303	20,595
Fees from other Farm Credit institutions	**104,654**	2,681	5,135
Other noninterest income	**5,476**	5,466	5,442
Total noninterest income	**143,762**	45,825	43,709
Noninterest Expenses			
Salaries and employee benefits	**97,256**	88,347	79,211
Occupancy and equipment	**6,817**	7,302	7,302
Insurance Fund premiums	**14,901**	27,407	26,979
Purchased services	**40,181**	61,020	57,487
Data processing	**47,886**	45,576	32,520
Other operating expenses	**26,675**	26,059	26,082
(Gains) losses from other property owned	**(174)**	167	(1)
Total noninterest expenses	**233,542**	255,878	229,580
Net income	**$ 282,906**	$ 265,320	$ 411,960
Other comprehensive (loss) income:			
Unrealized (losses) gains on investments	**(6,304)**	100,974	(1,016,190)
Change in value of cash flow hedges	**—**	—	(201)
Employee benefit plans adjustments	**950**	(69)	3,895
Other comprehensive (loss) income (Note 7)	**(5,354)**	100,905	(1,012,496)
Comprehensive income (loss)	**$ 277,552**	$ 366,225	$ (600,536)

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

Statements of Changes in Shareholders' Equity

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-In-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2021	$ 32,500	$ 299,131	$ 63,673	$ 416	$ 1,888,462	$ 18,598	$ 2,302,780
Comprehensive income (loss)					411,960	(1,012,496)	(600,536)
Redemption of perpetual preferred stock (Note 7)	(32,500)		(5)				(32,505)
Capital stock/participation certificates issued/ (retired), net		(3,111)					(3,111)
Stock dividends declared/paid		4,519			(4,519)		—
Dividends paid on perpetual preferred stock					(271)		(271)
Patronage distribution							
Cash					(214,735)		(214,735)
Nonqualified allocated retained earnings				123,000	(123,000)		—
Retained earnings retired				(3)			(3)
Balance at December 31, 2022	$ —	$ 300,539	$ 63,668	$ 123,413	$ 1,957,897	$ (993,898)	$ 1,451,619
Cumulative effect of change in accounting principle					(15,654)		(15,654)
Comprehensive income					265,320	100,905	366,225
Capital stock/participation certificates issued/ (retired), net		132,320					132,320
Stock dividends declared/paid		5,668			(5,668)		—
Cash patronage distribution					(251,762)		(251,762)
Redesignation of allocated surplus		123,000		(123,000)			—
Balance at December 31, 2023	$ —	$ 561,527	$ 63,668	$ 413	$ 1,950,133	$ (892,993)	$ 1,682,748
Comprehensive income (loss)					**282,906**	**(5,354)**	**277,552**
Capital stock/participation certificates issued/ (retired), net		**30,358**					**30,358**
Stock dividends declared/paid		**8,297**			**(8,297)**		**—**
Cash patronage distribution					**(259,861)**		**(259,861)**
Balance at December 31, 2024	**$ —**	**$ 600,182**	**$ 63,668**	**$ 413**	**$ 1,964,881**	**$ (898,347)**	**$ 1,730,797**

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

Statements of Cash Flows

(dollars in thousands)	For the Year Ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 282,906**	$ 265,320	$ 411,960
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation on premises and equipment	**26,516**	24,426	16,883
Amortization of net deferred loan costs and premium amortization	**(2,130)**	(2,973)	1,473
(Discount) premium amortization on investment securities	**730**	(1,337)	7,347
Discount accretion on bonds and notes	**165,115**	204,583	81,597
(Reversal of) provision for credit losses	**(9,587)**	15,953	7,704
Gains on sales of other property owned, net	**(183)**	—	(1)
Gains on sales of investments, net	**(105)**	—	—
Losses (gains) on debt extinguishment	**22,774**	6,515	(56)
(Gains) losses on other transactions	**(3,353)**	706	1,553
Net decrease (increase) in loans held for sale	**30,043**	(29,638)	—
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(2,840)**	(37,408)	(40,817)
Decrease (increase) in accounts receivable	**5,422**	(928)	20,955
Increase in accrued interest payable	**83,405**	100,033	96,279
(Decrease) increase in accounts payable	**(34,030)**	2,042	22,980
Change in other, net	**(443)**	(2,011)	711
Total adjustments	**281,334**	279,963	216,608
Net cash provided by operating activities	**564,240**	545,283	628,568
Cash flows from investing activities:			
Investment securities purchased	**(737,743)**	(889,064)	(2,890,220)
Proceeds from maturities and prepayments of investment securities	**1,154,703**	1,416,546	2,127,379
Proceeds from sales of investment securities	**224,827**	—	—
Net increase in loans	**(2,344,496)**	(2,870,995)	(2,936,304)
Increase in equity investments in other Farm Credit System institutions	**(1,370)**	(3,806)	(3,159)
Purchase of premises, software and equipment, net	**(30,256)**	(50,256)	(55,553)
Proceeds from sale of premises and equipment	**394**	180	90
Proceeds from sale of other property owned	**5,171**	—	1
Net cash used in investing activities	**(1,728,770)**	(2,397,395)	(3,757,766)
Cash flows from financing activities:			
Bonds and notes issued	**33,618,612**	24,772,771	21,491,609
Bonds and notes retired	**(31,863,535)**	(22,440,350)	(17,790,000)
Redemption of perpetual preferred stock	**—**	—	(32,505)
Capital stock and participation certificates issued/(retired), net	**30,358**	132,320	(3,111)
Distribution to shareholders	**(254,719)**	(218,207)	(465,417)
Dividends paid on perpetual preferred stock	**—**	—	(271)
Retained earnings retired	**—**	—	(3)
Net cash provided by financing activities	**1,530,716**	2,246,534	3,200,302
Net increase in cash and cash equivalents	**366,186**	394,422	71,104
Cash and cash equivalents, beginning of period	**1,490,814**	1,096,392	1,025,288
Cash and cash equivalents, end of period	**$ 1,857,000**	$ 1,490,814	$ 1,096,392
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ 6,810**	$ 260	$ —
Change in unrealized (losses) gains on investments, net	**(6,304)**	100,974	(1,016,190)
Cumulative effect of a change in accounting principle	**—**	(15,654)	—
Change in value of cash flow hedges	**—**	—	(201)
Employee benefit plans adjustments	**(950)**	69	(3,895)
Distribution of nonqualified unallocated retained earnings	**—**	—	(123,000)
Redesignation of allocated surplus	**—**	123,000	—
Supplemental information:			
Interest paid	**$ 1,352,805**	$ 963,546	$ 340,830

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

Notes to the Financial Statements

Note 1 — Organization and Operations

Organization: AgFirst Farm Credit Bank (the Bank or AgFirst) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers. The Bank is chartered to serve the states of Pennsylvania, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, the Commonwealth of Puerto Rico and portions of Ohio, Tennessee, Kentucky, and Louisiana.

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

As of December 31, 2024, there were 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. The System Banks obtain a substantial majority of the funds for their lending operations through the sale of consolidated Systemwide bonds and notes to the public, but may also obtain a portion from internally generated earnings, the issuance of common and preferred stock and, to a lesser extent, the issuance of subordinated debt.

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 and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders jointly own AgFirst during the periods presented. As of year-end, the AgFirst District consisted of the Bank and sixteen District Associations. All sixteen were structured as ACA holding companies, with PCA and FLCA subsidiaries.

On December 6, 2024, the boards of Farm Credit of Central Florida, ACA, and Southwest Georgia Farm Credit, ACA announced their intentions to pursue a merger. The two Associations, with combined total assets of $1.8 billion as of December 31, 2024, anticipate a merger date of January 1, 2026 subject to receiving all regulatory and shareholder approval. This merger has not and is not expected to have a material impact on the Bank's Balance Sheet and Results of Operations.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and associations. The FCA examines the activities of System institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (FCSIC) 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 FCSIC to provide assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System Bank has been required to pay premiums, which may be passed on to the Associations, into the Insurance Fund until the assets in the 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 FCSIC at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums and 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.

AgFirst, in conjunction with other System Banks, jointly owns organizations that were created to provide a variety of services for the System:

- Federal Farm Credit Banks Funding Corporation (Funding Corporation) – provides for the issuance and marketing of Systemwide Debt Securities using a network of investment dealers and dealer banks. The Funding Corporation also provides financial accounting and reporting services.
- FCS Building Association – leases premises and equipment to the FCA, as required by the Farm Credit Act.
- Farm Credit System Association Captive Insurance Company – a reciprocal insurer that provides insurance services to its member organizations.

In addition, the Farm Credit Council acts as a full-service federated trade association which represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis.

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

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

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 lending agreement between the Bank and each 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' interest rate risk is primarily transferred to the Bank.

In addition to providing loan funds, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. Prior to January 1, 2024, when the Bank and Associations amended the related line of credit agreement and master service agreement, the costs of these support services were primarily included in the interest charges to the Associations. After January 1, 2024, the fees charged by the Bank for these support services are included in the Bank's noninterest income. See *Note 9, Revenue Recognition* and *Note 12, Related Party Transactions* for further discussion.

The Bank is also authorized to provide, in participation with other lenders and the secondary market, 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 Bank may also lend to OFIs qualified to engage in lending to eligible borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Bank conform to 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 the management of the Bank to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying Financial Statements include the accounts of the Bank and reflect the investments in and allocated earnings of the service organizations in which the Bank has partial ownership interests.

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

A. **Recently Issued or Adopted Accounting Pronouncements:** In November 2023, the FASB issued ASU 2023-07 -Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this guidance did not have a material effect on the Bank's financial statements. *Note 11 - Segment Reporting* has been added to the Bank's footnotes.

In November 2024, the FASB issued ASU 2024-03 Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities, and require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e).
- Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements.
- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Bank is currently assessing the potential impact of this standard on its disclosures.

B. **Cash and Cash Equivalents:** Cash and Cash Equivalents include cash on hand and short-term investments with original maturities of three months or less. This includes reverse repurchase agreements where funds are sold overnight and returned to the Bank the following business day and return interest overnight. Such investments are recorded at fair value which is generally their face value. At the most recent year-end, the Bank held $537.4 million in cash in excess of insured amounts.

C. **Loans and Allowance for Credit Losses (ACL):** The loan portfolios include originated wholesale loans (i.e. Direct Notes), purchased capital markets loans, and purchased rural residential mortgage loans.

Long-term real estate mortgage loans generally have original maturities up to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less.

Loans are carried at amortized cost, including adjustments for charge-offs, premiums, discounts, deferred loan fees or costs, and hedging valuation adjustments, 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 is deferred as part of the carrying amount of the loan and the net difference is amortized over the life of the related loan as an adjustment to interest income using the interest method.

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

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 allowance for credit losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

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

Accrued Interest Receivable
Upon the adoption of CECL, the Bank applied 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 Balance Sheets. The Bank does 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. The allowance for credit losses accounting guidance requires an entity 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 Bank 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
Beginning January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. 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 Balance Sheets,
- the allowance for credit losses on unfunded commitments, which is presented on the 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 Balance Sheets.

Determining the appropriateness of the ACL 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 hedge accounting adjustments.

The Bank 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 Bank'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 shares 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 pool 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 Bank's ACLL evaluation and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Bank uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point 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 management's assumption of the probability that a borrower will experience a default during the life of the loan. The loss given default is management's assumption as to the anticipated principal loss on a specific loan assuming default has occurred during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Bank reviews, at least on an annual basis, or when a credit action is taken, the probability of default category.

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:

a. lending policies and procedures;
b. national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
c. the nature of the loan portfolio, including the terms of the loans;
d. the experience, ability and depth of the lending management and other relevant staff;
e. the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
f. the quality of the loan review and process;
g. the value of underlying collateral for collateral-dependent loans;
h. the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
i. 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 Bank's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent scenarios over a reasonable and supportable forecast period of three years. Subsequent to the forecast period of three years, the Bank reverts to long run historical loss experience over 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 are updated on a quarterly basis. These economic forecasts include, but are not limited to, 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 Bank 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. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowance for loan losses, which included, but were not limited to, the concentration of lending in agriculture, combined with

Allowance for Credit Losses on Unfunded Commitments
The Bank evaluates the need for an allowance for credit losses on unfunded commitments under ASC 326, Financial Instruments - Credit Losses (commonly referred to as the Current Expected Credit Loss (CECL) standard), and, if required, an amount is recognized and included in Other Liabilities on the 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 Bank and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable by the Bank.

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 market.

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 from Other Property Owned in the Statements of Comprehensive Income.

F. **Premises and Equipment:** Land is carried at cost. Premises and equipment, including software, are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Computer software and hardware are amortized over 3 to 10 years. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense and improvements that extend the useful life of the asset 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.

G. **Investments:** The Bank holds investments and investment securities 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.

Investments in Debt Securities
The Bank holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Balance Sheets as securities on the trade date.

Securities for which the Bank has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost, net of allowance for credit losses on investments. Investment securities classified as available-for-sale (AFS) are carried at fair value, net of allowance for credit losses on investments, with net unrealized gains and losses included as a component of other comprehensive income (OCI). Purchase premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method. The amortization of premiums on certain purchased callable debt securities that have explicit, noncontingent call features and that are callable at fixed prices on preset dates are amortized to the earliest call date.

Other Investments
As discussed in Note 8, *Fair Value Measurement*, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Balance Sheets.

Allowance for Credit Losses on Investments
Upon adoption of the CECL standard on January 1, 2023, the Bank's investments are presented net of an allowance for credit losses on investments. Impairment requiring an allowance for credit losses on investments may result from credit deterioration of the issuer or collateral underlying the security. If an AFS security in an unrealized loss position, due to estimated credit losses, then an allowance for credit losses on investments would be recorded. The Bank's AFS portfolio consists predominantly of investments backed by the U.S. government or one of its agencies. For these instruments, the Bank has not recorded an ACL due to its long history of no credit losses, as well as the broad industry history. The Bank's relatively small HTM portfolio is evaluated quarterly for credit deterioration, and based on that evaluation, determined credit losses to be immaterial for all periods presented. Therefore, no ACL is recorded on the Bank's HTM portfolio. The Bank will continue to evaluate the need for an allowance for credit losses on investments on an ongoing basis.

Investment Income
Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Dividends from equity investments in other Farm Credit institutions are generally recorded as patronage income and included in Noninterest Income.

H. **Debt:** Any discount or premium resulting from cash or noncash debt transactions is not an asset or liability separable from the instrument that gives rise to it. Therefore, the discount or premium is reported in the Balance Sheet as a direct deduction from or addition to the face amount of the note. Direct expenses incurred in issuing debt and mandatorily redeemable preferred stock are deferred and amortized using the interest method over the contractual term of the related indebtedness or mandatorily redeemable preferred stock. Debt issuance costs are presented in the Balance Sheets as a direct deduction from the carrying amount of the respective debt liability. All amortization and accretion of reductions or additions to the face amount of debt instruments is reported in Interest Expense.

The Bank issues both callable and noncallable debt instruments. A call feature is an agreement, stated in a financial instrument's terms, detailing how an issuance may be retired fully, or in part, before its contractual maturity date. The first call option date, and whether the instrument is continuously callable, or callable only on certain dates, is also explicitly stated. When a call option is exercised, it is accounted for as an extinguishment of debt. Any difference between the reacquisition price and the net carrying amount of the extinguished debt is recognized as losses or gains in current period earnings. Gains and losses are not amortized to future periods.

I. **Employee Benefit Plans:** Employees participate in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit other postretirement benefits, and defined contribution plans. Additional information may be found in Note 10, *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 a defined contribution 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. Employer contributions to the plan are expensed as funded.

The Bank also offers a Farm Credit Benefits Alliance (FCBA) supplemental 401(k) plan for certain key employees. This plan is nonqualified. Employer contributions to the plan are expensed as funded.

Multiemployer Defined Benefit Plans
Certain employees may participate in one or more defined benefit plans. The Plans are noncontributory and include eligible Bank and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

The Bank provides certain health care and life insurance benefits for retired employees (Other Postretirement Benefits) through a retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Bank. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to an employee, their beneficiaries and covered dependents during the years the employee renders service necessary to become eligible for benefits. This Other Postretirement Benefits plan is unfunded with expenses paid as incurred.

Since the foregoing plans are multiemployer, the employers' accounting for defined benefit pension and other postretirement plans is reflected in the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plan
The Bank also sponsors a defined benefit plan for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Bank's Balance Sheets in Other Liabilities.

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

J. **Income Taxes:** The Bank is exempt from federal and other income taxes as provided in the Farm Credit Act.

K. **Valuation Methodologies:** FASB guidance defines fair value, establishes a framework for measuring the fair value and expands disclosures about fair value requirements. It prescribes three levels of inputs that may be used to measure fair value.

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs to the valuation methodology have observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets and liabilities in active markets; (b) quoted prices in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default swaps; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. 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 and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, and other instruments for which the determination of fair value requires significant management judgment or estimation.

Additional information may be found in Note 8, *Fair Value Measurement*.

L. **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 creditworthiness.

Unfunded commitments, and other 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.

M. **Revenue Recognition:** The Bank generates income from multiple sources.

Financial Instruments
The largest source of revenue for the Bank is interest income. Interest income is recognized on an accrual basis governed by 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.

Contracts with Customers
The Bank maintains contracts with customers, primarily other System entities, 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 Bank maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Bank also does not generally incur costs to obtain contracts.

The Bank determines revenue recognition for these contracts through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the performance obligation is satisfied

Core Services
Core services revenue primarily consists of fees for accounting and reporting, loan operations, human resources, information technology and security services provided by the Bank to the Associations. Core services revenue is recognized as services are rendered over the contract term beginning on the date that the service is made available to the customer, which represents the Bank's performance obligation. The subscription contract is twelve months in duration, billed monthly and cancellable with a penalty. The contractual amount due from the customer includes a minimum amount to be collected annually as outlined in the master service agreement. The master service agreement further provides the Bank discretion to also charge the Associations variable consideration for incremental operating expenses. Payments from customers are due on demand.

Expanded Services
Expanded services revenues primarily consist of fees for project-based or specified services separate from the core service offering. The Bank has determined that an agreement to purchase these professional services constitutes an option to purchase services in accordance with ASC 606, Revenue from Contracts with Customers, rather than an agreement that creates enforceable rights and obligations because of the customer's contractual right to cancel services that have not yet been used. These service agreements do not contain a material right and are accounted for when the customer exercises its option to purchase additional services. Revenue is recognized for these services as performed which represents the Bank's performance obligation and payments from customers are due on demand.

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 expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Bank has entered into a valid contract and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Bank 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.

N. **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. In the course of normal operations, the Bank may enter into leases for various business purposes.

Lessee
Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the 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.

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

Lessor

The Bank acts as lessor in certain contractual arrangements. The contracts relate to office space in an owned property and are considered operating leases. Generally, leases are for terms up to fifteen 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 non-lease components are accounted for separately in the 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 Balance Sheets and Other Noninterest Income in the Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Bank's accounting for loans, including nonaccrual loans, and the ACLL, see Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

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

- Direct Notes and loans to other financial institutions (OFIs) — revolving lines of credit provided to financing institutions to fund the lending needs of their borrowers.
- 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 follows:

(dollars in thousands)	December 31, 2024	2023	2022
Direct Notes	$ 25,281,191	$ 23,151,310	$ 21,217,281
Rural residential real estate	3,268,500	3,172,405	3,044,026
Agribusiness:			
Loans to cooperatives	492,283	556,928	574,334
Processing and marketing	2,226,817	2,001,088	1,932,474
Farm-related business	134,837	101,562	127,789
Rural infrastructure:			
Communication	785,966	794,993	680,224
Power and water/waste disposal	1,758,602	1,729,869	1,208,373
Production and intermediate-term	1,284,618	1,389,873	1,245,308
Real estate mortgage	1,119,842	1,149,186	1,163,090
Other:			
International	131,365	106,454	104,238
Lease receivables	1,143	356	388
Loans to OFIs	175,122	167,962	166,260
Other (including Mission Related)	4,510	4,738	4,947
Total loans	$ 36,664,796	$ 34,326,724	$ 31,468,732

A substantial portion of the Bank's loan portfolio consists of notes receivable from District Associations. As described in Note 1, *Organization and Operations*, these notes are used by the Associations to fund their loan portfolios, which collateralize the notes. Therefore, the Bank's concentration of credit risk in various agricultural commodities associated with these notes approximates that of the District as a whole. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. A substantial portion of the Associations' lending activities is collateralized, and their exposure to credit loss associated with lending activities is reduced accordingly, which further mitigates credit risk to the Bank. In addition, the ACLL is maintained to provide for current expected credit losses within the loan portfolio. See further discussion in Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*.

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During 2024, 2023, and 2022 the Bank purchased $440.1 million, $426.4 million, and $604.1 million, respectively, of residential mortgage loans from various System associations and sold $60.9 million, $35.1 million, and $1.8 million, respectively, from the portfolio. These amounts are not included in the table below. The following tables present the principal balance of participation loans at periods ended:

	December 31, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ 1,657,875	$ —	$ —	$ —	$ 1,657,875
Agribusiness	2,480,797	1,679,724	2,058,705	—	4,539,502	1,679,724
Rural infrastructure	3,165,844	613,606	—	—	3,165,844	613,606
Production and intermediate-term	2,523,155	1,425,349	190,527	—	2,713,682	1,425,349
Real estate mortgage	1,466,688	449,406	5,137	—	1,471,825	449,406
Other	215,891	78,634	—	—	215,891	78,634
Total	$ 9,852,375	$ 5,904,594	$ 2,254,369	$ —	$ 12,106,744	$ 5,904,594

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ 1,476,038	$ —	$ —	$ —	$ 1,476,038
Agribusiness	2,280,281	1,500,646	1,885,517	—	4,165,798	1,500,646
Rural infrastructure	3,104,937	575,717	—	—	3,104,937	575,717
Production and intermediate-term	2,694,152	1,525,836	233,495	16,547	2,927,647	1,542,383
Real estate mortgage	1,567,652	519,069	10,267	14,375	1,577,919	533,444
Other	181,575	69,754	—	—	181,575	69,754
Total	$ 9,828,597	$ 5,667,060	$ 2,129,279	$ 30,922	$ 11,957,876	$ 5,697,982

	December 31, 2022					
	Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ 1,329,542	$ —	$ —	$ —	$ 1,329,542
Agribusiness	2,230,008	1,335,136	1,744,876	—	3,974,884	1,335,136
Rural infrastructure	2,212,262	319,804	—	—	2,212,262	319,804
Production and intermediate-term	2,524,995	1,473,253	212,096	16,625	2,737,091	1,489,878
Real estate mortgage	1,605,583	543,144	8,786	12,187	1,614,369	555,331
Other	167,149	57,322	—	—	167,149	57,322
Total	$ 8,739,997	$ 5,058,201	$ 1,965,758	$ 28,812	$ 10,705,755	$ 5,087,013

Loan Quality

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Bank manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Bank 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, doubtful, or 14, loss, 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 the amortized cost of loans classified under the Uniform Loan Classification System by origination year at December 31, 2024 and the gross charge-offs for the year ended December 31, 2024:

	Term Loans Amortized Cost by Origination Year							
	2024	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
Direct Notes								
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 25,162,248	$ 25,162,248
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	118,943	118,943
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 25,281,191	$ 25,281,191
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural residential real estate								
Acceptable	$ 245,713	$ 302,912	$ 523,960	$ 554,426	$ 278,019	$ 1,333,086	$ —	$ 3,238,116
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	411	1,337	3,198	4,374	1,830	19,234	—	30,384
Total	$ 246,124	$ 304,249	$ 527,158	$ 558,800	$ 279,849	$ 1,352,320	$ —	$ 3,268,500
Current period gross charge-offs	$ —	$ —	$ 58	$ 6	$ 17	$ 53	$ —	$ 134
Agribusiness								
Acceptable	$ 506,718	$ 257,986	$ 349,286	$ 292,680	$ 80,291	$ 349,776	$ 819,103	$ 2,655,840
OAEM	10,564	80	64,959	14,920	52	1,970	37,871	130,416
Substandard/Doubtful/Loss	5,666	7,168	282	327	17,996	2,415	33,827	67,681
Total	$ 522,948	$ 265,234	$ 414,527	$ 307,927	$ 98,339	$ 354,161	$ 890,801	$ 2,853,937
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural infrastructure								
Acceptable	$ 452,044	$ 664,457	$ 512,793	$ 304,064	$ 125,283	$ 281,182	$ 142,040	$ 2,481,863
OAEM	5,524	—	8,857	2,190	37,434	—	1,435	55,440
Substandard/Doubtful/Loss	—	1,717	—	—	—	5,548	—	7,265
Total	$ 457,568	$ 666,174	$ 521,650	$ 306,254	$ 162,717	$ 286,730	$ 143,475	$ 2,544,568
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Production and intermediate-term								
Acceptable	$ 148,974	$ 131,472	$ 148,364	$ 61,188	$ 6,628	$ 87,914	$ 554,703	$ 1,139,243
OAEM	—	26,028	324	—	—	8,064	69,068	103,484
Substandard/Doubtful/Loss	2,979	3,894	5,886	—	132	1,143	27,857	41,891
Total	$ 151,953	$ 161,394	$ 154,574	$ 61,188	$ 6,760	$ 97,121	$ 651,628	$ 1,284,618
Current period gross charge-offs	$ —	$ 446	$ —	$ —	$ —	$ 1,269	$ —	$ 1,715
Real estate mortgage								
Acceptable	$ 25,542	$ 107,544	$ 178,798	$ 234,871	$ 92,562	$ 378,404	$ 34,356	$ 1,052,077
OAEM	4,900	4,949	3,611	11,572	1,280	2,797	2	29,111
Substandard/Doubtful/Loss	6,749	5,073	12,887	5,259	—	5,417	3,269	38,654
Total	$ 37,191	$ 117,566	$ 195,296	$ 251,702	$ 93,842	$ 386,618	$ 37,627	$ 1,119,842
Current period gross charge-offs	$ —	$ —	$ 35	$ —	$ —	$ —	$ —	$ 35
Other								
Acceptable	$ 16,788	$ 58,344	$ 16,888	$ 16,636	$ —	$ 19,506	$ 183,978	$ 312,140
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ 16,788	$ 58,344	$ 16,888	$ 16,636	$ —	$ 19,506	$ 183,978	$ 312,140
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Loans								
Acceptable	$ 1,395,779	$ 1,522,715	$ 1,730,089	$ 1,463,865	$ 582,783	$ 2,449,868	$ 26,896,428	$ 36,041,527
OAEM	20,988	31,057	77,751	28,682	38,766	12,831	108,376	318,451
Substandard/Doubtful/Loss	15,805	19,189	22,253	9,960	19,958	33,757	183,896	304,818
Total	$ 1,432,572	$ 1,572,961	$ 1,830,093	$ 1,502,507	$ 641,507	$ 2,496,456	$ 27,188,700	$ 36,664,796
Current period gross charge-offs	$ —	$ 446	$ 93	$ 6	$ 17	$ 1,322	$ —	$ 1,884

The following table shows the amortized cost of loans classified under the Uniform Loan Classification System by origination year at December 31, 2023 and the gross charge-offs for the year ended December 31, 2023:

	Term Loans Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Direct Notes								
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,032,728	$ 23,032,728
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	118,582	118,582
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,151,310	$ 23,151,310
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural residential real estate								
Acceptable	$ 331,556	$ 636,568	$ 497,951	$ 335,076	$ 217,270	$ 1,134,017	$ —	$ 3,152,438
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	2,163	2,755	931	1,721	12,397	—	19,967
Total	$ 331,556	$ 638,731	$ 500,706	$ 336,007	$ 218,991	$ 1,146,414	$ —	$ 3,172,405
Current period gross charge-offs	$ —	$ —	$ 46	$ 15	$ —	$ 213	$ —	$ 274
Agribusiness								
Acceptable	$ 321,533	$ 437,425	$ 324,583	$ 111,451	$ 122,394	$ 355,152	$ 857,445	$ 2,529,983
OAEM	—	23,081	21,195	105	—	—	13,717	58,098
Substandard/Doubtful/Loss	4,402	—	—	19,928	4,424	—	42,743	71,497
Total	$ 325,935	$ 460,506	$ 345,778	$ 131,484	$ 126,818	$ 355,152	$ 913,905	$ 2,659,578
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural infrastructure								
Acceptable	$ 685,153	$ 591,662	$ 418,882	$ 198,116	$ 154,184	$ 248,696	$ 162,455	$ 2,459,148
OAEM	17,542	—	—	37,434	—	6,047	2,624	63,647
Substandard/Doubtful/Loss	2,067	—	—	—	—	—	—	2,067
Total	$ 704,762	$ 591,662	$ 418,882	$ 235,550	$ 154,184	$ 254,743	$ 165,079	$ 2,524,862
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 701	$ 701
Production and intermediate-term								
Acceptable	$ 193,650	$ 198,817	$ 62,944	$ 60,004	$ 33,610	$ 109,128	$ 698,143	$ 1,356,296
OAEM	1,612	237	44	—	15	46	6,009	7,963
Substandard/Doubtful/Loss	5,499	6,753	—	263	7,103	—	5,996	25,614
Total	$ 200,761	$ 205,807	$ 62,988	$ 60,267	$ 40,728	$ 109,174	$ 710,148	$ 1,389,873
Current period gross charge-offs	$ —	$ 2,967	$ —	$ —	$ 9,791	$ —	$ 2,149	$ 14,907
Real estate mortgage								
Acceptable	$ 114,494	$ 186,831	$ 251,343	$ 103,023	$ 101,316	$ 325,190	$ 30,080	$ 1,112,277
OAEM	5,015	227	286	—	—	2,198	1	7,727
Substandard/Doubtful/Loss	182	20,342	—	—	—	3,853	4,805	29,182
Total	$ 119,691	$ 207,400	$ 251,629	$ 103,023	$ 101,316	$ 331,241	$ 34,886	$ 1,149,186
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 15	$ —	$ 15
Other								
Acceptable	$ 58,322	$ 16,883	$ 16,664	$ —	$ —	$ 19,674	$ 167,967	$ 279,510
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ 58,322	$ 16,883	$ 16,664	$ —	$ —	$ 19,674	$ 167,967	$ 279,510
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Loans								
Acceptable	$ 1,704,708	$ 2,068,186	$ 1,572,367	$ 807,670	$ 628,774	$ 2,191,857	$ 24,948,818	$ 33,922,380
OAEM	24,169	23,545	21,525	37,539	15	8,291	22,351	137,435
Substandard/Doubtful/Loss	12,150	29,258	2,755	21,122	13,248	16,250	172,126	266,909
Total	$ 1,741,027	$ 2,120,989	$ 1,596,647	$ 866,331	$ 642,037	$ 2,216,398	$ 25,143,295	$ 34,326,724
Current period gross charge-offs	$ —	$ 2,967	$ 46	$ 15	$ 9,791	$ 228	$ 2,850	$ 15,897

The following table shows loans, including accrued interest, under the Farm Credit Administration Uniform Loan Classification System by loan type as of December 31, 2022, prior to the adoption of CECL:

(dollars in thousands)	December 31, 2022 Direct Notes	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Acceptable	$ 21,274,539	$ 1,156,016	$ 1,197,236	$ 2,585,812	$ 1,887,320	$ 3,035,212	$ 277,266	$ 31,413,401
OAEM	—	12,729	16,640	28,043	—	—	—	57,412
Substandard/Doubtful/Loss	—	2,984	37,576	31,028	5,870	15,554	—	93,012
Total	$ 21,274,539	$ 1,171,729	$ 1,251,452	$ 2,644,883	$ 1,893,190	$ 3,050,766	$ 277,266	$ 31,563,825

Accrued interest receivable on loans of $136.3 million, $132.4 million, and $95.1 million at December 31, 2024, 2023, and 2022, respectively, have been excluded from the amortized cost of loans and reported separately in the Balance Sheets.

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

(dollars in thousands)	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	Accruing Loans 90 Days or More Past Due
Direct Notes	$ —	$ —	$ —	$ 25,281,191	$ 25,281,191	$ —
Rural residential real estate	45,299	17,510	62,809	3,205,691	3,268,500	—
Agribusiness	—	—	—	2,853,937	2,853,937	—
Rural infrastructure	—	—	—	2,544,568	2,544,568	—
Production and intermediate-term	19,487	1,771	21,258	1,263,360	1,284,618	—
Real estate mortgage	8,307	3,028	11,335	1,108,507	1,119,842	—
Other	—	—	—	312,140	312,140	—
Total	$ 73,093	$ 22,309	$ 95,402	$ 36,569,394	$ 36,664,796	$ —

(dollars in thousands)	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	Accruing Loans 90 Days or More Past Due
Direct Notes	$ —	$ —	$ —	$ 23,151,310	$ 23,151,310	$ —
Rural residential real estate	56,551	10,129	66,680	3,105,725	3,172,405	—
Agribusiness	587	—	587	2,658,991	2,659,578	—
Rural infrastructure	—	—	—	2,524,862	2,524,862	—
Production and intermediate-term	3,008	7,390	10,398	1,379,475	1,389,873	—
Real estate mortgage	12,322	625	12,947	1,136,239	1,149,186	—
Other	—	—	—	279,510	279,510	—
Total	$ 72,468	$ 18,144	$ 90,612	$ 34,236,112	$ 34,326,724	$ —

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

(dollars in thousands)	December 31, 2022 30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Direct Notes	$ —	$ —	$ —	$ 21,274,539	$ 21,274,539	$ —
Rural residential real estate	39,066	9,958	49,024	3,001,742	3,050,766	1,586
Agribusiness	—	—	—	2,644,883	2,644,883	—
Rural infrastructure	—	—	—	1,893,190	1,893,190	—
Production and intermediate-term	8,129	3,912	12,041	1,239,411	1,251,452	—
Real estate mortgage	2,156	90	2,246	1,169,483	1,171,729	—
Other	—	—	—	277,266	277,266	—
Total	$ 49,351	$ 13,960	$ 63,311	$ 31,500,514	$ 31,563,825	$ 1,586

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as interest income recognized on nonaccrual loans during the period:

	December 31, 2024			For the Year Ended December 31, 2024
Nonaccrual loans:	**Amortized Cost with Allowance**	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized**
Rural residential real estate	$ 2,022	$ 30,690	$ 32,712	$ 1,063
Rural infrastructure	1,717	—	1,717	—
Production and intermediate-term	18,401	2,055	20,456	527
Real estate mortgage	2,210	3,555	5,765	36
Total	$ 24,350	$ 36,300	$ 60,650	$ 1,626

	December 31, 2023			For the Year Ended December 31, 2023
Nonaccrual loans:	**Amortized Cost with Allowance**	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized**
Rural residential real estate	$ 1,786	$ 20,281	$ 22,067	$ 778
Rural infrastructure	2,067	—	2,067	—
Production and intermediate-term	9,601	7,263	16,864	102
Real estate mortgage	—	3,083	3,083	13
Total	$ 13,454	$ 30,627	$ 44,081	$ 893

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

(dollars in thousands)	December 31, 2022			Year Ended December 31, 2022	
Impaired Loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Rural residential real estate	$ 27,089	$ 26,540	$ 879	$ 23,924	$ —
Agribusiness	—	—	—	—	—
Rural Infrastructure	2,966	2,966	117	10,656	—
Production and intermediate-term	4,366	4,383	2,852	1,078	—
Real estate mortgage	154	153	21	155	—
Other	3,547	3,544	92	3,590	224
Total	$ 38,122	$ 37,586	$ 3,961	$ 39,403	$ 224
With no related allowance for credit losses:					
Rural residential real estate	$ 19,318	$ 18,998	$ —	$ 19,327	$ 2,364
Agribusiness	10,828	10,833	—	3,597	445
Rural Infrastructure	—	—	—	—	—
Production and intermediate-term	10,014	10,055	—	5,901	20
Real estate mortgage	3,808	3,703	—	3,320	176
Other	—	—	—	—	—
Total	$ 43,968	$ 43,589	$ —	$ 32,145	$ 3,005
Total:					
Rural residential real estate	$ 46,407	$ 45,538	$ 879	$ 43,251	$ 2,364
Agribusiness	10,828	10,833	—	3,597	445
Rural Infrastructure	2,966	2,966	117	10,656	—
Production and intermediate-term	14,380	14,438	2,852	6,979	20
Real estate mortgage	3,962	3,856	21	3,475	176
Other	3,547	3,544	92	3,590	224
Total	$ 82,090	$ 81,175	$ 3,961	$ 71,548	$ 3,229

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

	Nonaccrual Loans
Rural residential real estate	$ 17,210
Rural infrastructure	2,966
Production and intermediate-term	13,552
Real estate mortgage	3,390
Total	$ 37,118

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

(dollars in thousands)	Rural Residential Real Estate	Agribusiness	Rural Infrastructure	Production and Intermediate-Term	Real Estate Mortgage	Other	Total
Allowance for credit losses on loans:							
Balance at December 31, 2023	$ 18,758	$ 8,911	$ 3,840	$ 5,894	$ 2,002	$ 15	$ 39,420
Charge-offs	(134)	—	—	(1,715)	(35)	—	(1,884)
Recoveries	140	—	—	—	—	—	140
Provision for (reversal of) credit losses on loans	(11,241)	(513)	388	1,534	165	144	(9,523)
Balance at December 31, 2024	$ 7,523	$ 8,398	$ 4,228	$ 5,713	$ 2,132	$ 159	$ 28,153
Allowance for unfunded commitments:							
Balance at December 31, 2023	$ —	$ 2,862	$ 374	$ 732	$ 28	$ 43	$ 4,039
Provision for (reversal of) unfunded commitments	—	(383)	71	267	(5)	(14)	(64)
Balance at December 31, 2024	$ —	$ 2,479	$ 445	$ 999	$ 23	$ 29	$ 3,975
Total allowance for credit losses	$ 7,523	$ 10,877	$ 4,673	$ 6,712	$ 2,155	$ 188	$ 32,128
Allowance for credit losses on loans:							
Balance at December 31, 2022	$ 6,194	$ 8,212	$ 2,945	$ 6,757	$ 1,421	$ 541	$ 26,070
Cumulative effect of a change in accounting principle	13,180	1,135	(403)	(1,308)	51	(493)	12,162
Balance at January 1, 2023	$ 19,374	$ 9,347	$ 2,542	$ 5,449	$ 1,472	$ 48	$ 38,232
Charge-offs	(274)	—	(701)	(14,907)	(15)	—	(15,897)
Recoveries	141	—	41	—	—	—	182
Provision for (reversal of) credit losses on loans	(483)	(436)	1,958	15,352	545	(33)	16,903
Balance at December 31, 2023	$ 18,758	$ 8,911	$ 3,840	$ 5,894	$ 2,002	$ 15	$ 39,420
Allowance for unfunded commitments:							
Balance at December 31, 2022	$ —	$ 1,338	$ 31	$ 128	$ —	$ —	$ 1,497
Cumulative effect of a change in accounting principle	—	2,365	404	654	28	41	3,492
Balance at January 1, 2023	$ —	$ 3,703	$ 435	$ 782	$ 28	$ 41	$ 4,989
Provision for (reversal of) unfunded commitments	—	(841)	(61)	(50)	—	2	(950)
Balance at December 31, 2023	$ —	$ 2,862	$ 374	$ 732	$ 28	$ 43	$ 4,039
Total allowance for credit losses	$ 18,758	$ 11,773	$ 4,214	$ 6,626	$ 2,030	$ 58	$ 43,459

For the year ended December 31, 2024, the ACL declined by $11.3 million primarily as a result of provision reversals in the pooled component of the Correspondent Lending portfolio. The Correspondent Lending portfolio is primarily comprised of loans within the Rural Residential Real Estate segment in the table above. This was due to an update in the model that incorporated additional historical data which closely aligns with the long-term realized losses experienced within this portfolio. In addition, there was a provision reversal within the asset-specific component of the Capital Markets portfolio reserves during 2024 primarily related to an improvement in the collateral valuation upon the transfer of one relationship to other property owned during the second quarter.

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

	Direct Note	Rural Residential Real Estate	Agribusiness	Rural Infrastructure	Production and Intermediate-Term	Real Estate Mortgage	Other	Total
Activity related to the allowance for loan losses:								
Balance at December 31, 2021	$ —	$ 5,149	$ 5,532	$ 3,848	$ 3,583	$ 1,513	$ 522	$ 20,147
Charge-offs	—	(1,279)	—	(864)	(10)	(13)	—	(2,166)
Recoveries	—	385	—	—	—	—	—	385
Provision for (reversal of) loan losses	—	1,939	2,680	(39)	3,184	(79)	19	7,704
Balance at December 31, 2022	$ —	$ 6,194	$ 8,212	$ 2,945	$ 6,757	$ 1,421	$ 541	$ 26,070
Allowance on loans evaluated for impairment:								
Individually	$ —	$ 879	$ —	$ 117	$ 2,852	$ 21	$ 92	$ 3,961
Collectively	—	5,315	8,212	2,828	3,905	1,400	449	22,109
Balance at December 31, 2022	$ —	$ 6,194	$ 8,212	$ 2,945	$ 6,757	$ 1,421	$ 541	$ 26,070
Loans (including accrued interest) evaluated for impairment:								
Individually	$ 21,274,539	$ 554,453	$ 10,828	$ 2,966	$ 14,380	$ 116,034	$ 3,547	$ 21,976,747
Collectively	—	2,496,313	2,634,055	1,890,224	1,237,072	1,055,695	273,719	9,587,078
Balance at December 31, 2022	$ 21,274,539	$ 3,050,766	$ 2,644,883	$ 1,893,190	$ 1,251,452	$ 1,171,729	$ 277,266	$ 31,563,825

There was no allowance for credit loss for the Direct Note portfolio for any of the periods presented.

To mitigate risk of loan losses, the Bank and Associations may enter into guarantee arrangements with certain government-sponsored enterprises (GSEs), including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the Bank or the Association the right to be reimbursed for losses incurred or to sell designated loans to the guarantor in the event of default (typically four months past due), subject to certain conditions. The guaranteed balance of designated loans under these agreements was $2.6 billion, $2.6 billion, and $2.7 billion at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guaranteed commitments totaled $2.8 million, $2.9 million, and $3.0 million for 2024, 2023, and 2022, respectively. These amounts are classified as noninterest expense.

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 tables present 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, 2024 and 2023, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2024				
(dollars in thousands)	Interest Rate Reduction	Maturity Extension	Payment Deferral	Total	Percentage of Total by Loan Type
Rural residential real estate	$ —	$ 5,812	$ —	$ 5,812	0.18 %
Agribusiness	—	27,875	5,429	33,304	1.17 %
Production and intermediate-term	—	7,195	169	7,364	0.57 %
Real estate mortgage	11,128	2,379	—	13,507	1.21 %
Total	$ 11,128	$ 43,261	$ 5,598	$ 59,987	0.16 %

	For the Year Ended December 31, 2023				
(dollars in thousands)	Interest Rate Reduction	Maturity Extension	Payment Deferral	Total	Percentage of Total by Loan Type
Rural residential real estate	$ —	$ 5,890	$ —	$ 5,890	0.19 %
Agribusiness	6,892	17,720	—	24,612	0.93 %
Production and intermediate-term	—	2,945	—	2,945	0.21 %
Real estate mortgage	—	77	—	77	0.01 %
Total	$ 6,892	$ 26,632	$ —	$ 33,524	0.10 %

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024 and 2023:

	Interest Rate Reduction	
	Financial Effect	
	December 31, 2024	December 31, 2023
Agribusiness		Reduced weighted average contractual interest rate from 10.95% to 8.95%
Real estate mortgage	Reduced weighted average contractual interest rate from 7.52% to 7.36%	

	Maturity Extension	
	Financial Effect	
	December 31, 2024	December 31, 2023
Rural residential real estate	Added a weighted average 12.3 years to the life of loans	Added a weighted average 8.4 years to the life of loans
Agribusiness	Added a weighted average 2.0 years to the life of loans	Added a weighted average 0.7 years to the life of loans
Rural infrastructure		Added a weighted average 1.1 years to the life of loans
Production and intermediate-term	Added a weighted average 1.3 years to the life of loans	Added a weighted average 2.3 years to the life of loans
Real estate mortgage	Added a weighted average 0.8 years to the life of loans	Added a weighted average 1.2 years to the life of loans

	Payment Deferral	
	Financial Effect	
	December 31, 2024	December 31, 2023
Agribusiness	Added a weighted average 0.5 years to the life of loans	
Production and intermediate-term	Added a weighted average 0.5 years to the life of loans	

Loans to borrowers experiencing financial difficulty that received a modification during the year ended December 31, 2024 and 2023 and that subsequently defaulted in the period presented had an amortized cost of $2.9 million and $3.0 million, respectively, and had received maturity extensions.

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

	Payment Status of Loans Modified During the Year Ended December 31, 2024			
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Rural residential real estate	$ 3,201	$ 941	$ 1,670	$ 5,812
Agribusiness	33,304	—	—	33,304
Production and intermediate-term	7,364	—	—	7,364
Real estate mortgage	13,507	—	—	13,507
Total	$ 57,376	$ 941	$ 1,670	$ 59,987

	Payment Status of Loans Modified During the Year Ended December 31, 2023			
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Rural residential real estate	$ 4,146	$ 1,744	$ —	$ 5,890
Agribusiness	24,612	—	—	24,612
Production and intermediate-term	2,945	—	—	2,945
Real estate mortgage	77	—	—	77
Total	$ 31,780	$ 1,744	$ —	$ 33,524

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, 2024, and 2023 was $489 thousand and $214 thousand, respectively. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were $21.6 million and $16.2 million at December 31, 2024, and 2023, respectively.

Troubled Debt Restructurings

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

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

(dollars in thousands)	Year Ended December 31, 2022				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ —	$ 471	$ —	$ 471	
Production and intermediate-term	2,292	11,603	—	13,895	
Agribusiness	—	11,045	—	11,045	
Rural residential real estate	13,141	3,573	—	16,714	
Total	$ 15,433	$ 26,692	$ —	$ 42,125	
Post-modification:					
Real estate mortgage	$ —	$ 471	$ —	$ 471	$ —
Production and intermediate-term	2,292	11,603	—	13,895	—
Agribusiness	—	11,045	—	11,045	—
Rural residential real estate	14,423	3,899	—	18,322	(1,244)
Total	$ 16,715	$ 27,018	$ —	$ 43,733	$ (1,244)

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the twelve months ended December 31, 2022 and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

(dollars in thousands)	**Defaulted Troubled Debt Restructurings**
Real estate mortgage	$ —
Production and intermediate-term	4,891
Rural residential real estate	6,170
Total	$ 11,061

The following table provides information at December 31, 2022 on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

(dollars in thousands)	**Total TDRs**	**Nonaccrual TDRs**
Real estate mortgage	$ 1,000	$ 428
Production and intermediate-term	6,172	5,344
Agribusiness	10,828	—
Rural residential real estate	32,271	4,660
Other	3,547	—
Total	$ 53,818	$ 10,432
Additional commitments to lend	$ —	

Note 4 — Investments

Equity Investments in Other Farm Credit System Institutions
Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA.

Investments in Debt Securities
The Bank's investments in debt securities consist primarily of mortgage-backed securities (MBSs) collateralized by U.S. government or U.S. agency guaranteed residential and commercial mortgages. Also included are asset-backed securities (ABSs) which are issued through the Small Business Administration and are guaranteed by the full faith and credit of the U.S. government. They are held to maintain a liquidity reserve, manage short-term surplus funds, and manage interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

Non-agency ABSs are included in AFS investments. These securities must meet the applicable FCA regulatory guidelines, which require them to be high quality, senior class, and rated in the top category (AAA/Aaa) by Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. To achieve these ratings, the securities may have a guarantee of timely payment of principal and interest, credit enhancements achieved through over-collateralization or other means, priority of payments for senior classes over junior classes, or bond insurance. All of the non-agency securities owned have one or more credit enhancement features. In 2024, $224.8 million of non-agency ABSs were sold for a net gain of $105 thousand.

HTM investments in debt securities consist primarily of Mission Related Investments acquired primarily under the Rural America Bond (RAB) pilot programs. RABs are private placement securities which generally have some form of credit enhancement.

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At December 31, 2024, the Bank held $41.7 million in U.S. Treasury securities for that purpose. The remainder of the compensating balance is held in cash in a demand deposit account. These securities are excluded when calculating the amount of eligible liquidity investments.

Available-for-sale

A summary of the amortized cost and fair value of debt securities held as available-for-sale investments at each period end follows:

	December 31, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 242,256	$ 144	$ (515)	$ 241,885	4.56 %
U.S. Govt. Guaranteed	3,751,811	2,105	(484,264)	3,269,652	2.74
U.S. Govt. Agency Guaranteed	4,608,697	3,075	(420,832)	4,190,940	3.61
Non-Agency ABSs	288,780	1,292	(518)	289,554	4.30
Total	$ 8,891,544	$ 6,616	$ (906,129)	$ 7,992,031	3.29 %

	December 31, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 42,385	$ —	$ (1,068)	$ 41,317	1.61 %
U.S. Govt. Guaranteed	4,105,757	1,292	(480,587)	3,626,462	2.70
U.S. Govt. Agency Guaranteed	4,700,716	1,325	(412,483)	4,289,558	3.50
Non-Agency ABSs	683,838	1,506	(3,194)	682,150	5.02
Total	$ 9,532,696	$ 4,123	$ (897,332)	$ 8,639,487	3.25 %

	December 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 142,345	$ —	$ (2,629)	$ 139,716	0.57 %
U.S. Govt. Guaranteed	4,481,124	582	(502,233)	3,979,473	2.58
U.S. Govt. Agency Guaranteed	5,022,259	268	(484,982)	4,537,545	2.68
Non-Agency ABSs	410,205	25	(5,214)	405,016	3.96
Total	$ 10,055,933	$ 875	$ (995,058)	$ 9,061,750	2.66 %

Held-to-maturity

A summary of the amortized cost and fair value of debt securities held as HTM investments at each period end follows:

	December 31, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 158	$ —	$ (2)	$ 156	5.77 %
RABs and Other	9,732	30	(527)	9,235	5.82
Total	$ 9,890	$ 30	$ (529)	$ 9,391	5.82 %

	December 31, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 184	$ —	$ (3)	$ 181	5.80 %
RABs and Other	10,966	146	(369)	10,743	5.86
Total	$ 11,150	$ 146	$ (372)	$ 10,924	5.86 %

	December 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 436	$ —	$ (8)	$ 428	5.92 %
RABs and Other	13,622	56	(606)	13,072	5.90
Total	$ 14,058	$ 56	$ (614)	$ 13,500	5.90 %

A summary of the contractual maturity, estimated fair value, and amortized cost of investment securities at December 31, 2024, follows:

Available-for-sale

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Treasury Securities	$ 14,896	3.57 %	$ 226,989	4.63 %	$ —	— %	$ —	— %	$ 241,885	4.56 %
U.S. Govt. Guaranteed	—	—	83,915	2.56	349,697	2.47	2,836,040	2.78	3,269,652	2.74
U.S. Govt. Agency Guaranteed	1,952	5.39	1,021,099	4.86	893,488	5.34	2,274,401	2.54	4,190,940	3.61
Non-Agency ABSs	—	—	289,554	4.30	—	—	—	—	289,554	4.30
Total fair value	$ 16,848	3.78 %	$ 1,621,557	4.60 %	$ 1,243,185	4.47 %	$ 5,110,441	2.67 %	$ 7,992,031	3.29 %
Total amortized cost	$ 16,909		$ 1,636,902		$ 1,283,935		$ 5,953,798		$ 8,891,544	

Held-to-maturity

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency Guaranteed	$ —	— %	$ —	— %	$ 158	5.77 %	$ —	— %	$ 158	5.77 %
RABs and Other	—	—	—	—	—	—	9,732	5.82	9,732	5.82
Total amortized cost	$ —	— %	$ —	— %	$ 158	5.77 %	$ 9,732	5.82 %	$ 9,890	5.82 %
Total fair value	$ —		$ —		$ 156		$ 9,235		$ 9,391	

A substantial portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for AFS investments that have been in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	December 31, 2024					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 26,831	$ (454)	$ 14,896	$ (61)	$ 41,727	$ (515)
U.S. Govt. Guaranteed	69,972	(1,452)	2,999,006	(482,812)	3,068,978	(484,264)
U.S. Govt. Agency Guaranteed	174,403	(436)	3,055,755	(420,396)	3,230,158	(420,832)
Non-Agency ABSs	—	—	169,734	(518)	169,734	(518)
Total	$ 271,206	$ (2,342)	$ 6,239,391	$ (903,787)	$ 6,510,597	$ (906,129)

(dollars in thousands)	December 31, 2023 Less Than 12 Months Fair Value	Unrealized Losses	12 Months Or Greater Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ —	$ —	$ 41,317	$ (1,068)	$ 41,317	$ (1,068)
U.S. Govt. Guaranteed	82,468	(2,263)	3,414,490	(478,324)	3,496,958	(480,587)
U.S. Govt. Agency Guaranteed	334,638	(1,378)	3,619,731	(411,105)	3,954,369	(412,483)
Non-Agency ABSs	94,508	(473)	183,369	(2,721)	277,877	(3,194)
Total	$ 511,614	$ (4,114)	$ 7,258,907	$ (893,218)	$ 7,770,521	$ (897,332)

Prior to the adoption of CECL on January 1, 2023, the following tables included the fair value and gross unrealized loss of the AFS and HTM investments.

(dollars in thousands)	December 31, 2022 Less Than 12 Months Fair Value	Unrealized Losses	12 Months Or Greater Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 14,575	$ (253)	$ 125,141	$ (2,376)	$ 139,716	$ (2,629)
U.S. Govt. Guaranteed	2,605,800	(228,069)	1,296,188	(274,164)	3,901,988	(502,233)
U.S. Govt. Agency Guaranteed	2,767,577	(152,133)	1,759,524	(332,857)	4,527,101	(484,990)
Non-Agency ABSs	364,991	(5,214)	—	—	364,991	(5,214)
RABs and Other	9,404	(606)	—	—	9,404	(606)
Total	$ 5,762,347	$ (386,275)	$ 3,180,853	$ (609,397)	$ 8,943,200	$ (995,672)

The Bank evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Bank does not intend to sell the securities prior to recovery of the amortized cost basis. The Bank also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At December 31, 2024 and 2023, the Bank does not consider these unrealized losses to be credit-related and an ACL is not necessary.

The guidance, prior to the adoption of CECL, for other-than-temporary impairment contemplated numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

Prior to the adoption of CECL, the Bank performed an evaluation quarterly on a security-by-security basis considering all available information. If the Bank intended to sell the security or it was more likely than not that it would be required to sell the security, the impairment loss equaled the full difference between amortized cost and fair value of the security. When the Bank did not intend to sell securities in an unrealized loss position, other-than-temporary impairment was considered using various factors, including the length of time and the extent to which the fair value was less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. The Bank used estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considered factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The Bank did not recognize any credit impairment losses in earnings during year ended December 31, 2022.

Note 5 — Premises and Equipment

Premises and equipment consisted of the following:

(dollars in thousands)	December 31, 2024	2023	2022
Land	$ 12,348	$ 12,348	$ 12,258
Buildings and improvements	49,970	48,109	47,334
Furniture, software, and equipment	148,529	137,399	67,374
Work in progress	52,672	43,434	67,608
	263,519	241,290	194,574
Less: accumulated depreciation	112,134	92,899	71,996
Total	$ 151,385	$ 148,391	$ 122,578

Note 6 — Debt

Bonds and Notes

AgFirst, unlike commercial banks and other depository institutions, obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued jointly by the System Banks through the Funding Corporation. Certain conditions must be met before AgFirst can participate in the issuance of Systemwide Debt Securities. As one condition of participation, AgFirst is required by the Farm Credit Act and FCA regulations to maintain specified eligible assets, at least equal in value to the total amount of debt obligations outstanding for which it is primarily liable. This requirement does not provide holders of Systemwide Debt Securities with a security interest in any assets of the banks. The System Banks and the Funding Corporation have entered into the Third Amended and Restated Market Access Agreement (MAA), which establishes criteria and procedures for the banks to provide certain information and, under certain circumstances, for restricting or prohibiting an individual bank's participation in Systemwide debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liabilities. At December 31, 2024, AgFirst was in compliance with the conditions of participation for the issuances of Systemwide Debt Securities.

In accordance with FCA regulations, each issuance of Systemwide Debt Securities ranks equally with other unsecured Systemwide Debt Securities. Systemwide Debt Securities are not issued under an indenture, and no trustee is provided with respect to these securities. Systemwide Debt Securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event.

The following table provides a summary of AgFirst's recorded liability for outstanding Systemwide Debt Securities by maturity.

	December 31, 2024					
	Bonds		Discount Notes		Total	
Maturities	Cost	Weighted Average Interest Rate	Cost	Weighted Average Interest Rate	Cost	Weighted Average Interest Rate
	(dollars in thousands)					
2025	$ 13,191,310	3.94%	$ 2,953,145	4.60%	$ 16,144,455	4.06%
2026	7,916,416	3.49%	—	—	7,916,416	3.49%
2027	4,081,008	3.08%	—	—	4,081,008	3.08%
2028	3,113,652	2.95%	—	—	3,113,652	2.95%
2029	2,455,666	3.00%	—	—	2,455,666	3.00%
2030 and after	10,915,209	4.06%	—	—	10,915,209	4.06%
Total	$ 41,673,261	3.68%	$ 2,953,145	4.60%	$ 44,626,406	3.74%

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at period end was 89 days.

Systemwide debt includes callable bonds consisting of the following as of the most recent year-end:

Amortized Cost	First Call Date	Year of Maturity
	(dollars in thousands)	
$ 25,899,753	2025	2025 - 2044
$ 25,899,753	Total	

Most callable debt may be called on the first call date and any time thereafter.

As described in Note 1, *Organization and Operations*, the Insurance Fund is available to ensure the timely payment of principal and interest on Systemwide Debt Securities (Insured Debt) of System Banks to the extent net assets are available in the Insurance Fund and not designated for specific use.

Note 7 — Shareholders' Equity

Descriptions of the Bank's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

A. **Description of Equities:** In accordance with the Farm Credit Act and the Bank's capitalization bylaws (Bylaws), the Bank is authorized to issue and have outstanding Classes B, C, D, and E Common Stock, Participation Certificates, Preferred Stock, and other classes of equity as may be provided for in the Bylaws. All Common Stock and Participation Certificates have a par or face value of five dollars per share.

The Bank had the following shares of common equities outstanding at December 31, 2024:

		Shares Outstanding (dollars in thousands)	
Class	Protected Status	Number of Shares	Aggregate Par Value
B Common/Non-OFI	No	1,077,258	$ 5,386
C Common/Voting	No	106,810,637	534,053
D Common/Nonvoting	No	10,497,861	52,489
E Common/Nonvoting	No	—	—
Participation Certificates/Nonvoting	No	1,650,748	8,254
Total Capital Stock and Participation Certificates		120,036,504	$ 600,182

B. **Perpetual Preferred Stock:** During 2022, the total outstanding Class B Perpetual Non-Cumulative Fixed-to-Floating Subordinated Preferred Stock of $32.5 million was redeemed at par.

C. **Capital Stock:** District Associations are required to maintain ownership in the Bank in the form of Class B or Class C Common Stock as determined by the Bank. Associations fund stock purchases through Direct Note advances. A stock equalization computation is made not less than annually. The Bank may require additional capital contributions to maintain its capital at appropriate levels.

In 2023, the Board of Directors approved an increase to the Association minimum required investment in AgFirst from 1.0 percent to 1.5 percent of the average Association Direct Note balance. This resulted in an increase in the Class C Common Stock of $132.3 million. During 2023, the Board of Directors also approved a redesignation of the Bank's 2022 special patronage distribution of $123.0 million in the form of allocated surplus to Class C Common Stock effective December 31, 2023. At December 31, 2024, 2023, and 2022, the Associations' minimum stock requirement was 2.0 percent, 2.0 percent, and 1.0 percent, respectively, of Association Direct Note balances based on a risk-adjusted asset formula.

Additionally, the Bank has issued Class D Common Stock through patronage distributions in connection with participations purchased by the Bank from another System institution selling loans to the Bank in accordance with the provisions of the Bank's capitalization plan. Class D Common Stock issued in connection with participations has no voting rights except to the extent that voting rights are granted to the Class D Common Stock pursuant to the Act, the FCA Regulations. Class D Common Stock issued in connection with participations has no voting rights except to the extent that voting rights are granted to the Class D Common Stock pursuant to the Act, the FCA Regulations, or when bylaws amendments modify voting rights or the Capitalization plan and would materially adversely affect the outstanding shares or units of such class of stock. Such stock may be retired at the discretion of the Board, and if retired, shall be retired at book value not to exceed its par value.

Class E Common Stock may be issued for any lawful purpose subject to a plan adopted by the Board. Class E Common Stock has no voting rights except to the extent voting rights are granted to the Class E Common Stock pursuant to the Act, the FCA regulations. Class E Common Stock pursuant to the Act, the FCA Regulations, or when bylaws amendments modify voting rights or the Capitalization plan and would materially adversely affect the outstanding shares or units of such class of stock. Such stock may be retired at the discretion of the Board, and if retired, shall be retired at book value, not to exceed its par value.

D. **Other Equity:** OFIs make cash purchases of participation certificates and are required to capitalize their loans. At December 31, 2024, 2023, and 2022, the OFIs' minimum stock requirement was 5.0, 2.5, and 2.5 percent, respectively of the respective Direct Note balances.

E. **Order of Priority Upon Impairment or Liquidation:**

Impairment

Net losses, to the extent they exceed unallocated surplus, shall, except as otherwise provided in the Act, be treated as impairing stock in the following order:

First, Class B Common Stock, Class C Common Stock, Class D Common Stock, Class E Common Stock, and Participation Certificates, pro rata, in proportion to the number of shares or units of each such class of stock then issued and outstanding, until such stock is fully impaired; and

Second, Preferred Stock, if applicable, in proportion to the number of shares of each class and series thereof then issued and outstanding (applied, as among series that rank differently upon liquidation or dissolution of AgFirst, in reverse order of priority first to the most junior ranking series and then successively to each next most junior ranking series) and consistent with the terms of each such class or series until such stock is fully impaired; and

Third, subject to the Act, as amended, and the regulations thereunder, in such manner as shall be determined by the Board.

Liquidation

In the event of liquidation or dissolution of AgFirst, any assets of AgFirst remaining after payment or retirement of all liabilities shall be distributed in the following order or priority:

First, to the holders of Preferred Stock, if applicable, in proportion to the number of shares of each class and series thereof then issued and outstanding and consistent with the terms of each such series until an amount equal to the liquidation preference provided for in the terms of such series of Preferred Stock has been distributed to such holders (applied, as among series that rank differently upon liquidation or dissolution of AgFirst, in order of priority first to the most senior ranking series and then successively to each next most senior ranking series); and

Second, to the holders of Class B Common Stock, Class C Common Stock, Class D Common Stock, Class E Common Stock, and Participation Certificates, pro rata, in proportion to the number of shares or units of each such class of stock then issued and outstanding, until an amount equal to the aggregate par or face value of all such shares or units has been distributed to such holders; and

Third, in accordance with the memorandum of accounting established in the Agreement and Plan of Consolidation between The Farm Credit Bank of Columbia and The Farm Credit Bank of Baltimore, dated as of October 31, 1994; and

Fourth, all remaining assets of AgFirst after such distributions shall be to the extent practicable distributed to all stockholders and holders of Participation Certificates on a patronage basis.

F. **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 Bank has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

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 regulatory capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

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

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total regulatory 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 loan losses 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 PCR is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	15.10%	15.37%	15.32%
Tier 1 Capital	6.00%	2.50%	8.50%	15.10%	15.37%	15.32%
Total Regulatory Capital	8.00%	2.50%	10.50%	15.28%	15.66%	15.46%
Permanent Capital	7.00%	0.00%	7.00%	15.12%	15.41%	15.34%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	5.88%	6.08%	6.09%
URE and UREE Leverage	1.50%	0.00%	1.50%	4.65%	4.64%	5.37%

**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.

G. **Accumulated Other Comprehensive Income (Loss):** The following presents activity related to AOCI for the periods presented.

	Changes in AOCI by Component *(a)*		
	For the Year Ended December 31,		
(dollars in thousands)	**2024**	**2023**	**2022**
Investment Securities:			
Balance at beginning of period	$ (893,209)	$ (994,183)	$ 22,007
OCI before reclassifications	(6,199)	100,974	(1,016,190)
Amounts reclassified from AOCI	(105)	—	—
Net current period OCI	(6,304)	100,974	(1,016,190)
Balance at end of period	$ (899,513)	$ (893,209)	$ (994,183)
Cash Flow Hedges:			
Balance at beginning of period	$ —	$ —	$ 201
OCI before reclassifications	(53)	(107)	(79)
Amounts reclassified from AOCI	53	107	(122)
Net current period OCI	—	—	(201)
Balance at end of period	$ —	$ —	$ —
Employee Benefit Plans:			
Balance at beginning of period	$ 216	$ 285	$ (3,610)
OCI before reclassifications	928	(91)	3,195
Amounts reclassified from AOCI	22	22	700
Net current period OCI	950	(69)	3,895
Balance at end of period	$ 1,166	$ 216	$ 285
Total AOCI:			
Balance at beginning of period	$ (892,993)	$ (993,898)	$ 18,598
OCI before reclassifications	(5,324)	100,776	(1,013,074)
Amounts reclassified from AOCI	(30)	129	578
Net current period OCI	(5,354)	100,905	(1,012,496)
Balance at end of period	$ (898,347)	$ (892,993)	$ (993,898)

	Reclassifications Out of AOCI *(b)*			
	For the Year Ended December 31,			
(dollars in thousands)	**2024**	**2023**	**2022**	**Income Statement Line Item**
Investment Securities:				
Sales gains & losses	$ 105	$ —	$ —	Gains on investments, net
Net amounts reclassified	105	—	—	
Cash Flow Hedges:				
Interest income	$ —	$ —	$ 201	Interest income on investment securities
Losses on other transactions	(53)	(107)	(79)	Gains (losses) on other transactions
Net amounts reclassified	$ (53)	$ (107)	$ 122	
Employee Benefit Plans:				
Periodic pension costs	$ (22)	$ (22)	$ (700)	See Note 10, *Employee Benefit Plans*
Net amounts reclassified	$ (22)	$ (22)	$ (700)	
Reclassifications for the period	$ 30	$ (129)	$ (578)	

(a) Amounts in parentheses indicate reductions to AOCI.
(b) Amounts in parentheses indicate reductions 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. Other Financial Instruments are assets and liabilities not measured at fair value in statement of financial position, but their fair values are estimated as of each period end date. Additionally, the table below includes the carrying amount for assets and liabilities that are not measured at fair value in the *Balance Sheets*.

	December 31, 2024				
(dollars in thousands)	**Total Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury Securities	$ 241,885	$ —	$ 241,885	$ —	$ 241,885
U.S. Govt. Guaranteed	3,269,652	—	3,269,652	—	3,269,652
U.S. Govt. Agency Guaranteed	4,190,940	—	4,190,940	—	4,190,940
Non-Agency ABSs	289,554	—	289,554	—	289,554
Total investments in debt securities available-for-sale	7,992,031	—	7,992,031	—	7,992,031
Cash equivalents	1,040,000	—	1,040,000	—	1,040,000
Assets held in trust funds	20,515	20,515	—	—	20,515
Recurring Assets	$ 9,052,546	$ 20,515	$ 9,032,031	$ —	$ 9,052,546
Nonrecurring Measurements					
Assets:					
Nonaccrual loans	$ 19,952	$ —	$ —	$ 19,952	$ 19,952
Other property owned	2,082	—	—	2,082	2,082
Nonrecurring Assets	$ 22,034	$ —	$ —	$ 22,034	$ 22,034
Other Financial Instruments					
Assets:					
Cash	817,000	817,000	—	—	817,000
Investments in debt securities held-to-maturity	9,890	—	156	9,235	9,391
Loans	36,616,691	—	—	34,924,865	34,924,865
Other Financial Assets	$ 37,443,581	$ 817,000	$ 156	$ 34,934,100	$ 35,751,256
Liabilities:					
Systemwide debt securities	$ 44,626,406	$ —	$ —	$ 43,323,884	$ 43,323,884
Other Financial Liabilities	$ 44,626,406	$ —	$ —	$ 43,323,884	$ 43,323,884

(dollars in thousands)	December 31, 2023 Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury Securities	$ 41,317	$ —	$ 41,317	$ —	$ 41,317
U.S. Govt. Guaranteed	3,626,462	—	3,626,462	—	3,626,462
U.S. Govt. Agency Guaranteed	4,289,558	—	4,289,558	—	4,289,558
Non-Agency ABSs	682,150	—	682,150	—	682,150
Total investments in debt securities available-for-sale	8,639,487	—	8,639,487	—	8,639,487
Cash equivalents	835,000	—	835,000	—	835,000
Assets held in trust funds	17,787	17,787	—	—	17,787
Recurring Assets	$ 9,492,274	$ 17,787	$ 9,474,487	$ —	$ 9,492,274
Nonrecurring Measurements					
Assets:					
Nonaccrual loans	$ 8,589	$ —	$ —	$ 8,589	$ 8,589
Other property owned	260	—	—	260	260
Loans held for sale	29,669	—	29,669	—	29,669
Nonrecurring Assets	$ 38,518	$ —	$ 29,669	$ 8,849	$ 38,518
Other Financial Instruments					
Assets:					
Cash	$ 655,814	$ 655,814	$ —	$ —	$ 655,814
Investments in debt securities held-to-maturity	11,150	—	181	10,743	10,924
Loans	34,278,715	—	—	32,603,724	32,603,724
Other Financial Assets	$ 34,945,679	$ 655,814	$ 181	$ 32,614,467	$ 33,270,462
Liabilities:					
Systemwide debt securities	$ 42,683,440	$ —	$ —	$ 41,105,112	$ 41,105,112
Other Financial Liabilities	$ 42,683,440	$ —	$ —	$ 41,105,112	$ 41,105,112

(dollars in thousands)	December 31, 2022 Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury Securities	$ 139,716	$ —	$ 139,716	$ —	$ 139,716
U.S. Govt. Guaranteed	3,979,473	—	3,979,473	—	3,979,473
U.S. Govt. Agency Guaranteed	4,537,545	—	4,537,545	—	4,537,545
Non-Agency ABSs	405,016	—	405,016	—	405,016
Total investments in debt securities available-for-sale	9,061,750	—	9,061,750	—	9,061,750
Cash equivalents	350,000	—	350,000	—	350,000
Assets held in trust funds	16,896	16,896	—	—	16,896
Recurring Assets	$ 9,428,646	$ 16,896	$ 9,411,750	$ —	$ 9,428,646
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 34,161	$ —	$ —	$ 34,161	$ 34,161
Nonrecurring Assets	$ 34,161	$ —	$ —	$ 34,161	$ 34,161
Other Financial Instruments					
Assets:					
Cash	$ 746,392	$ 746,392	$ —	$ —	$ 746,392
Investments in debt securities held-to-maturity	14,058	—	428	13,072	13,500
Loans*	31,408,501	—	—	29,369,063	29,369,063
Other Financial Assets	$ 32,168,951	$ 746,392	$ 428	$ 29,382,135	$ 30,128,955
Liabilities:					
Systemwide debt securities	$ 40,139,921	$ —	$ —	$ 37,649,443	$ 37,649,443
Other Financial Liabilities	$ 40,139,921	$ —	$ —	$ 37,649,443	$ 37,649,443

**The Level 3 fair value amount has been revised to correct an error in the amount disclosed in the previously issued annual financial statements. The correction increased the fair value of Level 3 loans by $1.3 billion.*

With regard to nonrecurring measurements for nonaccrual loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as, income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policie*s, 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:

Investments in Debt Securities
Where quoted prices for identical instruments are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available for identical instruments in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services or discounted cash flows. These securities would be classified as Level 2. This would include U.S. Treasury, U.S. agency and certain mortgage-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include a small portion of asset-backed securities and certain mortgage-backed securities, including private label-FHA/VA securities and those issued by Farmer Mac.

To estimate the fair value of the majority of the investments held, the Banks obtain prices from third party pricing services. For the valuation of securities not actively traded, including certain non-agency securities, the Banks utilize either a third-party cash flow model or an internal model. Generally, the Bank averages the price obtained from the pricing service with the price generated by its third party or internal cash flow model. The significant unobservable inputs for the valuation models include yields, probability of default, loss severity and prepayment rates.

Cash Equivalents
This includes securities purchased under resale agreements where the carrying value approximates the fair value and is based upon observable inputs including the par/principal amount and appropriate interest yield and therefore classified as Level 2.

Assets Held in Non-Qualified Benefits Trusts
Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment
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.

Loans
Fair value is estimated by discounting the expected future cash flows based on the observable loan origination rates. The Bank utilizes a third party for these nonrecurring fair value measurements and the third party's measurements includes unobservable inputs that are not developed by the Bank such as prepayment forecasts, probability of default, and loss severity.

For purposes of estimating the fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogenous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

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.

Loans held for sale
Loans held for sale are carried at fair value with changes in fair value recognized in current period earnings. The fair value is based upon commitments from investors with the secondary market for loans with similar characteristics. As such, the fair value measurements for loans held for sale are Level 2.

Note 9 — Revenue Recognition

Effective January 1, 2024, the Bank and Associations amended the line of credit agreement to exclude the Associations' allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to charge the Associations for these services separately on a monthly basis as a factor of each Association's Direct Note balance plus an incremental operating expense reimbursement to be charged at the Bank's discretion. Prior to this amendment, fees associated with these services were recorded within Interest Income on the Statements of Comprehensive Income.

The following table presents income from services provided, primarily to Associations. Core services include areas such as accounting and reporting, loan operations, human resources, information technology and security.

	For the Year Ended December 31,		
(dollars in thousands)	2024	2023	2022
Core services	$ 102,390	$ —	$ —
Expanded services	2,264	2,681	5,135
Total	$ 104,654	$ 2,681	$ 5,135

Note 10 — Employee Benefit Plans

The Bank participates in three District-sponsored qualified benefit plans. First is a multiemployer defined benefit pension plan, the AgFirst Farm Credit Retirement Plan, which is a final average pay plan (FAP Plan). Second, the Bank participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the FCBA Retiree and Disabled Medical and Dental Plan. Third is a defined contribution 401(k) plan (401(k) Plan), the FCBA 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 Bank chooses to stop participating in some of its multiemployer plans, the Bank 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 to be filed. 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).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Bank. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Bank's Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Bank's Statements of Comprehensive Income were $3.2 million for 2024, $3.2 million for 2023, and $3.5 million for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP Plan was $9.8 million, $33.7 million, and $32.6 million, respectively. The FAP Plan was 98.52 percent, 95.43 percent, and 95.81 percent funded to the projected benefit obligation as of December 31, 2024, 2023, and 2022, respectively.

In addition to providing pension benefits, the Bank provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Bank employees may become eligible for the benefits if they reach early retirement age while working for the Bank. 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 that were hired prior to December 31, 2002, are required to pay the full cost of their retiree health insurance coverage. In addition, substantially all District employees who retired on or before December 1, 2007, after reaching early retirement age are provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Bank or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Bank's 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 Bank's Statements of Comprehensive Income were $1.1 million for all periods presented. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182.6 million, $161.0 million, and $167.9 million at December 31, 2024, 2023, and 2022, respectively.

The Bank 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, 2002, the Bank 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, 2003, the Bank 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. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002. 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 employee benefit costs were $5.5 million, $5.3 million, and $4.7 million, for the years ended December 31, 2024, 2023, and 2022, respectively.

In addition to the multiemployer plans above, the Bank sponsors a single employer defined benefit supplemental retirement plan and offers a FCBA supplemental 401(k) plan for employees that meet certain eligibility requirements. These plans are nonqualified; therefore, the associated liabilities are included in the Bank's Balance Sheets in Other Liabilities. The supplemental retirement plan is unfunded and had a projected benefit obligation of $11.6 million and a net under-funded status of $11.6 million at December 31, 2024. Assumptions used to determine the projected benefit obligation as of that date included a discount rate of 5.65 percent and a rate of compensation increase of 4.00 percent. Expenses of these nonqualified plans included in noninterest expenses were $1.1 million, $1.1 million, and $1.5 million for 2024, 2023, and 2022, respectively.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2024, 2023, and 2022, a net credit of $950 thousand, a net debit of $69 thousand, and a net credit of $3.9 million, respectively, have been recognized to AOCI to reflect these elements.

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

Note 11 — Segment Reporting

The Bank is engaged in a single line of business which, by regulation, lends and provides services to District Associations in addition to providing, in participation with other lenders and the secondary market, 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. As AgFirst activity either directly or indirectly provides service to eligible borrowers, AgFirst operates under a single operating segment.

The chief operating decision maker (CODM) is the Chief Executive Officer, who uses net income as the reportable measure of segment portfolio and loss, found in the accompanying financial statements, when assessing segment performance, resource allocation, and other operational decisions. Within the reportable measure, some of those key operational profit and loss measures include interest income and expense as well as non-interest expense found in the accompanying *Statements of Comprehensive Income.* The measure of segment assets is reported on the *Balance Sheets* as total assets. The accounting policies of this segment are the same as those disclosed in *Note 2 - Summary of Significant Accounting Policies* above. There is no separate segment financial information as the entity has only one segment.

The Bank's major customers include members with revenue in excess of 10 percent of the Bank's total revenue, which includes interest income and noninterest income. For the years ended December 31, 2024 and 2023, the Bank had one major customer (an Association) with total revenue of $273.3 million, $217.1 million, respectively. There were no major customers meeting this threshold for the year ended December 31, 2022.

Note 12 — Related Party Transactions

In the ordinary course of business, the Bank enters into loan transactions with related parties which may include loans to officers and directors, their immediate families and other organizations with which such persons may be affiliated. There were no material loans outstanding with related parties for any of the periods presented.

As discussed in Note 1, *Organization and Operations*, the Bank lends funds to the District Associations primarily to fund their loan portfolios and lending terms are specified in a separate General Financing Agreement (GFA) and master service agreement between AgFirst and each Association. As part of these lending terms, the Bank has the ability to amend the interest rate and collect additional capital and fees from the Associations at any time at its sole discretion. Further disclosure regarding these related party transactions is found in Note 3, *Loans and Allowance for Credit Losses*; Note 7, *Shareholders' Equity*; and Note 13, *Commitments and Contingencies*.

Interest income recognized, net of participations sold, on Direct Notes receivable from District Associations and OFIs was $935.0 million, $807.2 million, and $559.8 million for 2024, 2023, and 2022, respectively, and fees received for services provided to District Associations totaled $104.7 million, $2.7 million, and $5.1 million for 2024, 2023, and 2022, respectively.

Note 13 — Commitments and Contingencies

From time to time, legal actions are pending against the Bank in which claims for money damages are asserted. On at least a quarterly basis, the Bank 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 and legal counsel are of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Bank. Because it is remote that the Bank 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 Bank may participate in credit related financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers or the borrowers of the District Associations. These financial instruments may include commitments to extend credit, letters of credit, or various guarantees. 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 financial instruments have off-balance-sheet credit risk because their amounts could be drawn upon at the option of the borrower. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and the same credit policies are applied by management. 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 loan collateral is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, $7.2 billion of commitments to extend credit were outstanding with a related reserve for unfunded commitments of $4.0 million included in Other Liabilities in the Balance Sheets. No reserve for unfunded commitments is established for commitments related to the Bank's Direct Note portfolio.

The Bank also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled $74.9 million, with expiration dates ranging from January 2025 to February 2044.

Under the Farm Credit Act, each System Bank is primarily liable for its portion of Systemwide bond and discount note obligations. Additionally, the four banks are jointly and severally liable for the bonds and notes of the other System Banks under the terms of the Joint and Several Liability Allocation Agreement. Published in the Federal Register, the agreement prescribes the payment mechanisms to be employed in the event one of the banks is unable to meet its debt obligations.

In the event a bank is unable to timely pay principal or interest on an insured debt obligation for which it is primarily liable, the FCSIC must expend amounts available in the Insurance Fund to ensure the timely payment of principal and interest on the insured debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the banks on the obligation cannot be invoked until the amounts in the Insurance Fund have been exhausted. At December 31, 2024, the assets of the Insurance Fund totaled $8.0 billion. However, because of other mandatory and discretionary uses of the Insurance Fund, there is no assurance that there will be sufficient funds to pay the principal or interest on the insured debt obligation.

Once the joint and several liability provisions are initiated, the FCA is required to make calls to satisfy the liability first on all non-defaulting banks in the proportion that each non-defaulting bank's available collateral (collateral in excess of the aggregate of the bank's collateralized obligations) bears to the aggregate available collateral of all non-defaulting banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each non-defaulting bank's remaining assets. Upon making a call on non-defaulting banks with respect to a Systemwide Debt Security issued on behalf of a defaulting bank, the FCA is required to appoint the FCSIC as the receiver for the defaulting bank. The receiver would be required to expeditiously liquidate the bank.

AgFirst did not anticipate making any payments on behalf of its co-obligors under the Joint and Several Liability Allocation Agreement for any of the periods presented. The total amounts outstanding under the agreement are as follows:

(dollars in billions)	December 31, 2024	2023	2022
Total System bonds and notes	$ 447.9	$ 415.5	$ 390.0

Note 14 — Additional Financial Information

Quarterly Financial Information (Unaudited)

(dollars in thousands)	2024 First	Second	Third	Fourth	Total
Net interest income	$ 89,054	$ 87,025	$ 91,938	$ 95,082	$ 363,099
(Reversal of) provision for credit losses	(819)	(9,661)	772	121	(9,587)
Noninterest (expense), net	(24,209)	(30,590)	(33,557)	(1,424)	(89,780)
Net income	$ 65,664	$ 66,096	$ 57,609	$ 93,537	$ 282,906

(dollars in thousands)	2023 First	Second	Third	Fourth	Total
Net interest income	$ 131,225	$ 121,588	$ 119,687	$ 118,826	$ 491,326
Provision for credit losses	15,416	(3,130)	743	2,924	15,953
Noninterest (expense), net	(45,514)	(60,269)	(58,189)	(46,081)	(210,053)
Net income	$ 70,295	$ 64,449	$ 60,755	$ 69,821	$ 265,320

(dollars in thousands)	2022 First	Second	Third	Fourth	Total
Net interest income	$ 155,927	$ 152,902	$ 150,968	$ 145,738	$ 605,535
Provision for loan losses	1,277	562	1,039	4,826	7,704
Noninterest (expense), net	(41,950)	(48,732)	(53,452)	(41,737)	(185,871)
Net income	$ 112,700	$ 103,608	$ 96,477	$ 99,175	$ 411,960

Offsetting of Financial and Derivative Assets

(dollars in thousands)	December 31, 2024	2023	2022
Reverse repurchase and similar arrangements	$ 1,040,000	$ 835,000	$ 350,000
Gross Amount of Recognized Assets	1,040,000	835,000	350,000
Reverse repurchase and similar arrangements	—	—	—
Gross Amounts Offset in the Balance Sheets	—	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 1,040,000	$ 835,000	$ 350,000
Financial Instruments	(1,040,000)	(835,000)	(350,000)
Cash Collateral Received	—	—	—
Gross Amounts Not Offset in the Balance Sheets	(1,040,000)	(835,000)	(350,000)
Net Amount	$ —	$ —	$ —

There were no liabilities subject to master netting arrangements or similar agreements during the reporting periods.

The reverse repurchase agreements are accounted for as collateralized lending.

Combined Districtwide Financial Statements
The accompanying financial statements exclude financial information of the Bank's affiliated Associations. The Bank and its affiliated Associations are collectively referred to as the AgFirst District. The Bank separately publishes in a report certain unaudited combined financial information of the AgFirst District, including a statement of condition and statement of comprehensive income, which can be found on the Bank's website at ***www.agfirst.com***.

Note 15 — Subsequent Events

The Bank evaluated subsequent events and determined no subsequent events have occurred requiring disclosure through February 28, 2025, which was the date the financial statements were issued.

Additional Required Regulatory Capital Disclosures

(unaudited)

The following disclosures contain regulatory disclosures as required for the Bank under Regulation §628.62 and §628.63 for risk-adjusted ratios: common equity tier 1 capital, tier 1 capital and total capital ratios. As required, these disclosures are made available for at least three years and can be accessed via AgFirst's website at www.agfirst.com.

DISCLOSURE MAP

Disclosure Requirement	Description	Annual Report Reference
Scope of Application	Corporate entity and structure	Note 1
	Restrictions of capital	Note 7, Capital section of MD&A
Capital Structure	Terms and conditions of capital instruments	Note 7
Credit Risk: General	Qualitative disclosures	Note 2; Note 3
	Distribution of risk exposure	Note 3; Note 4
	Loans by loan type	Note 3
	Major industry type	Note 3, Loan Portfolio section of MD&A
	Composition of Direct Notes	Direct Notes section of MD&A
	Allowance for Credit Losses Reconciliation	Note 3
Interest Rate Risk for Non-Trading Activities	Quantitative & qualitative disclosure requirements	Interest Rate Risk Management section of MD&A

SCOPE OF APPLICATION

AgFirst Farm Credit Bank (AgFirst or the Bank) is one of the four banks of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The Bank prepares financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

As of December 31, 2024, the AgFirst District consisted of the Bank and 16 District Associations. See further discussion in *Note 1 - Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements* related to Association mergers. All Associations were structured as Agricultural Credit Association (ACA) holding companies, with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. AgFirst is owned jointly by these Associations, certain Other Financing Institutions (OFIs), and other System institutions. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital for purposes of calculating regulatory capital ratios, as only the institution that issued the equities may count the amount as regulatory capital.

CAPITAL STRUCTURE

Descriptions of the Bank's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are included in Note 7, *Shareholders' Equity,* of the Notes to the Financial Statements.

The table below outlines the Bank's capital structure for the capital adequacy calculations as of December 31, 2024:

(dollars in thousands)	3-Month Average Daily Balance
Common Equity Tier 1 Capital (CET1)	
Common cooperative equities:	
Statutory minimum purchased borrower stock	$ 20
Other required member purchased stock	237,524
Allocated equities:	
Allocated stock subject to retirement	330,863
Nonqualified allocated surplus subject to retirement	413
Unallocated retained earnings	2,178,244
Paid-in capital	63,668
Regulatory adjustments and deductions made to CET1*	(87,927)
Total CET1 Capital	$ 2,722,805
Additional Tier 1 Capital (AT1)	
Total AT1 Capital	$ —
Total Tier 1 Capital	$ 2,722,805
Tier 2 Capital	
Allowance for credit losses on loans	$ 27,242
Reserve for unfunded commitments	4,720
Total Tier 2 Capital	$ 31,962
Total Regulatory Capital	$ 2,754,767

* *Primarily investments in other System institutions.*

CAPITAL ADEQUACY AND CAPITAL BUFFERS

In conjunction with the annual business and financial planning process, the Board of Directors reviews and approves a capital adequacy plan which includes target levels for capital and capital ratio baselines. When reviewing the capital adequacy plan and setting an appropriate target equity level, the Board considers the following: credit risk and allowance levels; quality and quantity of earnings; sufficiency of liquid funds; operational risk; interest rate risk; growth in determining optimal capital levels; the Bank's overall risk profile; capability of management; quality of operating policies, procedures, and internal controls; capital composition; loan volume projections; anticipated future capital needs; and the Bank's capital levels in comparison to regulatory minimum capital standards.

The Board balances the desire to distribute a level of patronage that provides appropriate returns to the Bank's customer/owners with the need to properly capitalize the Bank. The Board may increase or decrease these patronage levels based on its ongoing evaluation of the Bank's business. As a result, there is no assurance that patronage will remain at current levels.

As part of its business planning process, the Bank performs stress tests to examine the Bank's financial condition and performance, including capital levels, under a variety of market and economic environments, including unanticipated loan growth and prolonged periods of financial and loan quality stress. These stress tests illustrate the Bank's ability to continue to maintain compliance with regulatory requirements through severe market conditions while continuing to fulfill the Bank's mission. Results of these stress tests are reviewed with the ALCO, Board of Directors and the FCA.

The table below outlines the Bank's risk-weighted assets by exposure (including accrued interest of that exposure) as of December 31, 2024. Risk-weighted assets are calculated on a three-month average daily balance.

(dollars in thousands)		3-Month Average Risk-Weighted Assets
On-Balance Sheet Asset Exposures:		
Government-sponsored entities, including Direct Notes to Associations	$	6,028,403
Depository institutions		94,341
Corporate exposures, including borrower loans and leases		7,839,766
Residential mortgage loans		1,566,957
Past due > 90 days and nonaccrual loans		49,519
Securitizations		61,760
Exposures to obligors and other assets		231,070
Total Risk Weighted Assets, On-Balance Sheet	$	15,871,816
Off-Balance Sheet Exposures:		
Letters of credit	$	75,605
Commitments		2,084,952
Over-the-counter derivatives		4
Total Risk Weighted Assets, On-Balance Sheet	$	2,160,561
Total Risk-Weighted Assets Before Adjustments	$	18,032,377
Additions:		
Intra-system equity investments		87,926
Deductions:		
Regulatory capital deductions		(87,926)
Total Standardized Risk-Weighted Assets	$	18,032,377

As of December 31, 2024, the Bank exceeded all capital requirements to which it was subject, including applicable capital buffers. The Bank's risk-adjusted capital ratios exceeded the regulatory minimum levels, including the conservation buffer by at least 4.78 percent. Additionally, the Bank's leverage ratio was 0.88 percent in excess of its required minimum leverage ratio, including the buffer. 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.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	15.10%	15.37%	15.32%
Tier 1 Capital	6.00%	2.50%	8.50%	15.10%	15.37%	15.32%
Total Capital	8.00%	2.50%	10.50%	15.28%	15.66%	15.46%
Permanent Capital	7.00%	0.00%	7.00%	15.12%	15.41%	15.34%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	5.88%	6.08%	6.09%
URE and UREE Leverage	1.50%	0.00%	1.50%	4.65%	4.64%	5.37%

** The Tier 1 Leverage Ratio must include a minimum of 1.5% of URE and URE Equivalents.*

CREDIT RISK: GENERAL

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs) as well as Other Financing Institutions (OFIs). The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for credit losses on loans is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be nonperforming based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of December 31, 2024.

Refer to Note 2, *Summary of Significant Accounting Policies*, of the accompanying financial statements for the Bank's policy for determining past due or delinquency status, policy for placing loans on nonaccrual status, policy for returning loans to accrual status, definition of and policy for identifying nonperforming loans, description of the methodology used to estimate allowance for credit losses on loans, and policy for charging-off uncollectible amounts. Refer to Note 3, *Loans and Allowance for Credit Losses*, and Note 4, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1, *Organization and Operations*, in the Notes to the Financial Statements, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios.

The Bank and District Associations limit their exposure to both borrower and commodity concentrations through the District Associations' and Bank's participation in loans or interests in loans to/from other institutions within the System and outside the System. This also allows the Bank and District Associations to manage growth and capital, and to improve geographic diversification. Concentration risk is reviewed and measured by industry, product, geography and customer limits.

Although neither the Bank nor any other System institution receives any direct government support, credit quality is indirectly enhanced by government support in the form of program payments to borrowers, which improve their ability to honor their commitments.

The following table illustrates credit risk mitigants within AgFirst's loan portfolio which reduce capital requirements as of December 31, 2024:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 4,778	$ 5,013	$ —	— %
Loans with conditional guarantee	488,719	497,270	99,454	1 %
Direct Notes	25,365,547	24,939,683	4,987,937	69 %
Total	$ 25,859,044	$ 25,441,966	$ 5,087,391	70 %

An additional technique to reduce credit risk is AgFirst's monitoring for commodity and geographic concentrations. Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government. This system is used to assign commodity or industry categories based on the largest agricultural commodity of the customer.

The Bank's credit risk associated with its Direct Note portfolio approximates that of the aggregate District Associations' portfolios as a whole. The Associations' credit portfolios are comprised of a number of commodity segments having varied, and in some cases complementary, agricultural characteristics. Excluding accrued interest receivable, at December 31, 2024, the Bank's Direct Note portfolio totaled $25.3 billion and aggregate District Associations' loan portfolios totaled $32.1 billion. For geographic and commodity distributions for the District Associations' total loan portfolio, see *Direct Notes* in the *Loan Portfolio* section in Management's Discussion and Analysis.

The following table illustrates AgFirst's loan portfolio total exposure (includes outstanding balance and unfunded amounts) by geographic distribution at December 31, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by State*

	At Period End	Year-to-Date Average Balance
North Carolina	4	4
Georgia	4	4
Florida	3	3
Texas	2	2
South Carolina	2	2
Virginia	2	1
All other states	20	21
Direct Note	63	63
Total loans	100 %	100 %

*The distribution is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.

The following table shows the various major commodity groups total exposure (includes outstanding balance and unfunded amounts) in the portfolio based on borrower eligibility at December 31, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by Commodity Group Based on Eligibility

	At Period End	Year-to-Date Average Balance
Rural Home Loans	8 %	8 %
Utilities	7	7
Processing	6	6
Forestry	4	4
Field Crops	2	2
Other	10	10
Direct Note	63	63
Total loans	100 %	100 %

The following table segregates the total exposure (outstanding balance and unfunded amounts) of loans based upon repayment dependency by commodity at December 31, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by Commodity Group Based on Repayment Dependency

	At Period End	Year-to-Date Average Balance
Non-Farm Income	9 %	9 %
Utilities	7	7
Processing	6	6
Forestry	3	3
Field Crops	2	2
Other	10	10
Direct Note	63	63
Total loans	100 %	100 %

A significant source of liquidity for the Bank is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end. This table does not include accrued interest.

	December 31, 2024				
(dollars in thousands)	Due Less Than 1 Year	Due 1 Through 5 Years	Due 5 to 15 Years	Due After 15 Years	Total
Direct Notes*	$ 2,453,851	$ 5,798,049	$ 8,678,374	$ 8,350,917	$ 25,281,191
Real estate mortgage	42,135	255,994	543,248	278,465	1,119,842
Production and intermediate-term	261,593	817,316	205,709	—	1,284,618
Agribusiness	207,851	1,964,021	663,936	18,129	2,853,937
Rural infrastructure	85,757	1,425,893	690,732	342,186	2,544,568
Rural residential real estate	177,367	22,099	343,684	2,725,350	3,268,500
Other	29,848	237,980	44,312	—	312,140
Total	$ 3,258,402	$ 10,521,352	$ 11,169,995	$ 11,715,047	$ 36,664,796
Percentage	8.89 %	28.70 %	30.46 %	31.95 %	100.00 %

**Based on the underlying Association loans serving as collateral for the Direct Note which is a revolving line of credit*

The following table illustrates AgFirst's nonperforming loans by geographic distribution at December 31, 2024. This table does not include accrued interest.

Total Outstanding Nonperforming Loans by State

(dollars in thousands)	At Period End	Average Balance
Texas	$ 22,723	$ 11,440
North Carolina	15,882	11,572
Georgia	4,142	2,670
South Carolina	3,840	2,788
Maryland	3,690	471
Virginia	3,086	2,399
Florida	2,532	1,732
Nebraska	1,717	934
California	—	2,057
All other states	3,038	3,281
Total nonperforming loans	$ 60,650	$ 39,344

The increase in total outstanding nonperforming loans in Texas is the result of one relationship within the nursery/greenhouse commodity segment that transferred into nonaccrual during the fourth quarter of 2024.

The Bank does not use credit default swaps as part of its credit risk management approach.

Credit Risk Mitigation Related to Investments

Credit risk in AgFirst's investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies.

The following table shows the investment exposures covered by a guarantee as of December 31, 2024. This table does not include accrued interest.

(dollars in thousands)	Amortized Cost	Fair Value	% of Total Investments	Risk-Weighted Exposures
Unconditional Guarantee:				
U.S. Govt. Treasury Securities	$ 242,256	$ 241,885	3 %	$ —
U.S. Govt. Guaranteed	3,751,811	3,269,652	41 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	4,608,855	4,191,096	52 %	941,517
Total	$ 8,602,922	$ 7,702,633	96 %	$ 941,517

The remaining credit risk in the Bank's investment portfolio primarily relates to the four percent of the portfolio composed of asset-backed securities (ABS), Rural Housing Mortgage-Backed Securities (RHMS) and Rural America Bonds (RABs). The ABS securities must meet the applicable FCA regulatory guidelines, which require them to be high quality, senior class, and rated in the top category (AAA/Aaa) by Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. To achieve these ratings, the securities may have a guarantee of timely payment of principal and interest, credit enhancements achieved through over-collateralization or other means, priority of payments for senior classes over junior classes, or bond insurance.

All of the non-agency securities owned have one or more credit enhancement features. The RHMS portfolio must be fully guaranteed by a government agency or government sponsored enterprise. RABs are private placement securities, which generally have some form of credit enhancement. Credit risk in the investment portfolio also arises from the inability of guarantors and third-party providers of other credit enhancements, such as bond insurers or Farmer Mac, to meet their contractual obligations to the Bank.

COUNTERPARTY CREDIT RISK

Counterparty credit risk exposures may consist of derivative instruments and repurchase-style transactions. By using derivative instruments, the Bank exposes itself to credit and market risk. The amount of this exposure depends on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain in the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the Bank is exposed to an economic loss if the counterparty defaults. When the fair value of the derivative contract is negative, the counterparty is exposed to an economic loss in the event of a Bank default and the Bank has no credit risk exposure.

To minimize the risk of credit losses, the Bank transacts with counterparties that have an investment grade credit rating from a major rating agency and also monitors the credit standing of, and levels of exposure to, individual counterparties. The Bank typically enters into master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts.

Financial instruments qualifying as eligible collateral are specifically defined under individual counterparty credit support agreements, but generally include cash, U.S. Treasury debt obligations, debt obligations of certain federal agencies and mortgage-backed securities guaranteed by certain federal agencies. Federal agencies include the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks. The value of the instrument when used as collateral may be discounted from its market price up to 10 percent, depending on the security type, issuer and term. Such discounts are defined in the credit support agreement.

At December 31, 2024, the Bank had a foreign currency forward outstanding with a notional value of $569 thousand.

SECURITIZATION

Securitizations are transactions in which:

- The credit risk of the underlying exposure is transferred to third parties, and has been separated into two or more tranches;
- The performance of the securitization depends upon the performance of the underlying exposures or reference assets; and
- All or substantially all of the underlying exposures or reference assets are financial exposures.

Securitizations include on- or off-balance sheet exposures (including credit enhancements) that arise from a securitization or re-securitization transaction; or an exposure that directly or indirectly references a securitization (e.g., credit derivative). A re-securitization is a securitization transaction in which one or more of the underlying exposures that have been securitized is itself a securitization.

The Bank currently only participates in securitizations as an investor through the purchase of mortgage-backed securities (MBSs) and asset-backed securities (ABSs) as included in its investment portfolio. As of December 31, 2024, the Bank did not retain any re-securitization exposures.

The Bank is subject to liquidity risk with respect to securitization exposures. In volatile market conditions, it could be difficult to sell such investments, if the need arises, and the discounts from face value would likely be significant. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of these investments may differ significantly from the values that would have been used had a ready market existed for the investments.

The Bank has elected to utilize the simplified supervisory formula risk-based capital approach (SSFA) for securitization exposures related to investments. As such, the Bank's ABS portfolio is risk weighted on an individual security level. As of December 31, 2024, the ABS risk weights ranged from 20.00 percent to 20.36 percent, with a weighted average risk-weight of 20.07 percent. Total risk-weighted assets for the investment securitization portfolio utilizing a 3-month average daily balance was $58.0 million at December 31, 2024. At December 31, 2024, the Bank's ABS portfolio, which is risk weighted using the SSFA approach included, excluding accrued interest, $288.8 million of credit card ABSs.

As of December 31, 2024, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the year ended December 31, 2024, there were $224.8 million in sales of ABSs that resulted in gross realized gains of $127 thousand and gross realized losses of $22 thousand.

Refer to Note 4, *Investments*, in the Notes to the Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of MBSs and ABSs held in the Bank's investment portfolio.

EQUITIES

At December 31, 2024, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

See *Interest Rate Risk Management* in the *Risk Management* section of Management's Discussion and Analysis for the disclosures on the Bank's interest rate risk management practices.

Glossary of Certain Acronyms

ABS	Asset backed security
ACA	Agricultural Credit Association
ACB	Agricultural Credit Bank
ACL	Allowance for credit losses
ACLL	Allowance for credit losses on loans
AFS	Available-for-sale
ALCO	Asset/Liability Management Committee
AOCI	Accumulated Other Comprehensive Income
ASU	Accounting Standards Update
CECL	Current expected credit losses
CET1	Common equity tier 1
CIPA	Contractual Interbank Performance Agreement
CMO	Collateralized Mortgage Obligation
FAP	Final average pay
FASB	Financial Accounting Standards Board
FCA	Farm Credit Administration
FCB	Farm Credit Bank
FCBA	Farm Credit Benefits Alliance
FCBT	Farm Credit Bank of Texas
FCSIC	Farm Credit System Insurance Corporation
FFB	Federal Financing Bank
FLCA	Federal Land Credit Association
FSA	Farm Service Agency
GAAP	Generally Accepted Accounting Principles
GFA	General Financing Agreement
GNMA	Government National Mortgage Association (Ginnie Mae)
GSE	Government-sponsored enterprise
HTM	Held-to-maturity
HVCRE	High volatility commercial real estate
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LLC	Limited liability company
LTSP	Long-term standby commitment to purchase
MAA	Market Access Agreement
MBS	Mortgage-backed security
NII	Net interest income
NRSRO	Nationally Recognized Statistical Rating Organization
OAEM	Other Assets Especially Mentioned
OCI	Other Comprehensive Income
OFI	Other financing institution
OPEB	Other postretirement benefits plan
OPO	Other property owned
OTTI	Other-than-temporary impairment
PCA	Production Credit Association
PD	Probability of default
RAB	Rural America Bond
RHMS	Rural Housing Mortgage-Backed Securities
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SSFA	Simplified supervisory formula risk-based capital approach
TDR	Troubled debt restructuring
UBE	Unincorporated business entity
URE	Unallocated retained earnings
UREE	Unallocated retained earnings equivalents
USD	U.S. dollar
USDA	United States Department of Agriculture
YBS	Young, beginning, and small

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