2024

2024 FARM CREDIT OF NORTHWEST FLORIDA ANNUAL REPORT

Farm Credit of Northwest Florida, ACA

2024 Annual Report

Contents

Message from the President 2-3
Report of Management 4
Consolidated Five-Year Summary of Selected Financial Data 5
Management's Discussion & Analysis of Financial Condition & Results of Operations 6-21
Disclosure Required by FCA Regulations 22-29
Report of the Audit Committee 30
Report of Independent Auditors 31-32
Consolidated Financial Statements 33-36
Notes to the Consolidated Financial Statements 37-57

Management

Michael Digmon .... Interim President & Chief Executive Officer and Chief Lending Officer
Abby Todd .... Chief Financial Officer
Chuck Thiele .... Chief Credit Officer
DeAndrea Barber .... Chief Operations Officer
Dorislynn White-Padgett .... Chief Human Resource Officer

Board of Directors

D. Mark Fletcher .... Chairman
R. Douglas Walker .... Vice Chairman
Damon Boutwell .... Director
Joshua Churchwell .... Director
Levi Findley .... Director
Ernest C. Fulford .... Director
Dana Powell .... Director
R. Allen Scheffer .... Director
Glen Strange .... Director
Michael Thompson .... Director
David Yoder .... Director

Message from the President

Dear Members,

On behalf of the Board of Directors, management, and staff of Farm Credit of Northwest Florida, ACA, (Association) I am pleased to present the 2024 Annual Report for your Association. The Association achieved another year of solid financial performance while at the same time continuing to address the challenges inherent in large scale technology upgrades and changes in leadership, both of which are discussed in this message.

Financial Performance

The Association continued to grow in 2024 while maintaining strong credit quality. The Association ended the year at approximately $491.3 million in loan assets ($417.2 million net of participations sold to other financial institutions) which is approximately $22.3 million larger than year end 2023. Net income for 2024 was $6.9 million, which is slightly less than the $7.1 million for the preceding year. You may question why the Association was able to grow its size yet generated slightly less in profits. In large part this was due to continued work and investments in 2024 on major technology system upgrades by the Association's funding bank, AgFirst Farm Credit Bank, and the associations it serves including Northwest Florida. This, combined with the impact of general inflation, continued to put pressure on earnings. It is disappointing the hard work to grow the size of your Association did not translate to similar growth in profitability. However, these technology initiatives are important long-term investments that once fully implemented, should help us serve our members more efficiently.

Aside from the above expenses outside the Association's direct control, management and staff have continued to do a good job managing locally-controlled expenses. In last year's message, there was discussion regarding the need for the Association to focus on what it can control as essential to remaining a strong, locally-owned Association. Our success in doing this in 2024 is evidenced by continued loan growth, the maintenance of the expenses that are within our control, and continued profitability in the face of rising expenses. In 2025, to help offset continued expense for technology investments, the Association will focus on continuing to attract quality new business. This will include additional focus on expanding our options for meeting home lending needs within the Florida Panhandle through both locally held loans and increased fee income from home loan sales into the secondary mortgage market.

Rooted in Giving

Your Association takes pride in being rooted in our local communities and rooted in giving back to them. One of the unique ways a local, member-owned lending cooperative benefits our communities is in the return of excess profits to our members through patronage. Receipt of these funds is welcomed by our members who are also feeling the effects of inflation and they are often spent by our members in support of businesses in their local communities. I am delighted to let you know that from 2024 earnings, the Board of Directors has approved a $4.45 million cash patronage payment. It is the business you do with the Association that allows for this patronage return, and our whole team thanks you for continuing to trust us to help with your financing needs.

Your Association also continued to invest in our agricultural and rural communities throughout 2024. This includes initiatives such as our AgVocator scholarship program, where a worthy recipient was awarded a $24,000 scholarship; sponsorships and donations to support a variety of agricultural events including programs for young, beginning, and small farmers and youth programs such as FFA and 4-H. Through our year-end charitable giving campaign, our staff celebrates "Blue Jean Fridays" with donations matched by the Association and then funds are distributed to local charitable organizations nominated by our staff. This year, approximately $19,000 in total was given to the area food banks that support our 18-county territory, Project Narrow Way, Panhandle Warriors Partnership, Innovative Charities of Northwest Florida, and a special gift to WNC Communities, a charity helping farmers devastated by Hurricane Helene in Western North Carolina. This philanthropic spirit carried through beyond money to the many hours of time our staff dedicated to attend and support these events. We believe you can be proud of the positive impact your Association made in 2024, and we are honored to support the communities we serve.

Economic Outlook

The coming year is certain to have economic challenges. Between significant weather events, and continued pressure with commodity prices versus input prices, the past two years have been challenging for the farm community across the Northwest Florida footprint. Unfortunately, the outlook for the 2025 local farm economy will once again be difficult as commodity prices relevant to the region remain depressed. In addition, there is concern about reciprocal tariffs on U.S. agriculture that will restrict demand for U.S. agricultural products. The completion of a new Farm Bill is the single most important policy platform for our local farm economy and American agriculture, serving as a vital safety net for an industry that feeds the world and that undergirds our national security. It will be imperative a new farm bill is completed in 2025 with enhanced support for the American farmer.

Yet, the economic outlook in the Florida Panhandle is generally optimistic, with growth expected in this region. The Association remains well capitalized, has excellent credit quality, and a strong level of allowance for potential credit losses. The mission of the Farm Credit System is to provide a steady, reliable source of credit through both good and challenging times. As previously noted, agriculture in Northwest Florida has seen its share of challenges over the past few years. However, know your Association is well positioned to ensure that local agriculture, as well as those looking to own rural land and homes, have a dependable source of financing in Farm Credit.

Staffing Transitions

I did not start my year expecting the honor of writing you this message for your Annual Report. The Association's prior CEO, John Gregory, resigned his position effective January 31, 2025, to assume leadership of another Farm Credit association. Under John's three-year tenure your Association prospered, and we thank him for his work and wish him well. Below is a message from our outgoing CEO:

"Thank you to Northwest Florida for allowing me to include a few words in your annual report. I started working for Northwest Florida in 2008 and am grateful for its members, employees, and Board and the relationships we have built over the years. My time at the Association helped me grow professionally and personally. Moreover, I am proud of the work we did to grow the Association for the membership and communities in the Florida Panhandle. Though I have moved across the Suwannee River to Farm Credit of Florida, I hope our two associations can work together to support agriculture and rural communities in our state. Thank you, John."

Upon Mr. Gregory's departure, as the Association's Chief Lending Officer, I was asked to serve as the Interim CEO while the board undertook the important task of selecting a new leader. We are delighted that W. Stacy Sikes has accepted the role as Northwest Florida's new CEO effective April 1, 2025. Mr. Sikes has significant Farm Credit System and financial services industry experience, most recently as the Director of Farm Credit Express, a technology-based point-of-sale equipment financing program that has generated over $500 million in loans and lease volume for Farm Credit System associations. Mr. Sikes expresses his excitement to join your local Association. Mr. Sikes has also expressed that he looks forward to meeting many of you in the days and months to come.

In closing, thank you again for the continued confidence you place in the Association. We like to say that we provide financing for people who have a dream to live, work, or play in the country because, we know that behind each loan is someone's hopes and dreams for their and their family's future. We do not take the trust you place in us lightly and, again, thank you.

If you have any questions, please feel free to reach out to me at mdigmon@farmcredit-fl.com or 850-313-1152.
Sincerely,

/s/ Michael Digmon
Interim Chief Executive Officer

March 11, 2025

Report of Management

The accompanying consolidated financial statements and related financial information appearing throughout this Annual Report have been prepared by management of Farm Credit of Northwest Florida, ACA (Association) in accordance with accounting principles generally accepted in the United States and are appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems, and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The consolidated financial statements have been audited by independent auditors, whose report appears elsewhere in this Annual Report. The Association is also subject to examination by the Farm Credit Administration.

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

/s/ D. Mark Fletcher
Chairman of the Board

/s/ Michael Digmon
Interim Chief Executive Officer

/s/ Abby Todd
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	2024	2023	December 31, 2022	2021	2020
Balance Sheet Data					
Loans	**$ 417,254**	$ 390,933	$ 354,384	$ 318,613	$ 299,608
Allowance for credit losses on loans	**(1,475)**	(1,174)	(4,980)	(4,968)	(4,912)
Net loans	**415,779**	389,759	349,404	313,645	294,696
Equity investments in other Farm Credit institutions	**6,541**	5,974	4,268	2,932	3,018
Other property owned	**—**	—	14	45	—
Other assets	**9,427**	9,475	7,413	10,392	9,037
Total assets	**$ 431,747**	$ 405,208	$ 361,099	$ 327,014	$ 306,751
Notes payable to AgFirst Farm Credit Bank*	**$ 325,304**	$ 300,170	$ 264,071	$ 230,976	$ 213,221
Accrued interest payable and other liabilities with maturities of less than one year	**8,639**	9,747	7,899	9,571	8,891
Total liabilities	**333,943**	309,917	271,970	240,547	222,112
Capital stock and participation certificates	**1,547**	1,495	1,444	1,393	1,274
Retained earnings					
Allocated	**36,420**	36,420	36,420	36,420	36,420
Unallocated	**59,837**	57,376	51,265	48,654	46,945
Total members' equity	**97,804**	95,291	89,129	86,467	84,639
Total liabilities and members' equity	**$ 431,747**	$ 405,208	$ 361,099	$ 327,014	$ 306,751
Statement of Income Data					
Net interest income	**$ 13,157**	$ 11,452	$ 9,694	$ 9,257	$ 8,876
Provision for (reversal of) allowance for credit losses	**303**	(552)	(192)	—	—
Noninterest income (expense), net	**(5,943)**	(4,930)	(2,926)	(1,179)	(1,680)
Net income	**$ 6,911**	$ 7,074	$ 6,960	$ 8,078	$ 7,196
Key Financial Ratios					
Rate of return on average:					
Total assets	**1.68%**	1.86%	2.08%	2.56%	2.49%
Total members' equity	**6.99%**	7.37%	7.82%	9.25%	8.34%
Net interest income as a percentage of average earning assets	**3.30%**	3.09%	2.92%	2.96%	3.11%
Net (chargeoffs) recoveries to average loans	**0.012%**	0.066%	0.062%	0.018%	0.134%
Total members' equity to total assets	**22.65%**	23.52%	24.68%	26.44%	27.59%
Debt to members' equity (:1)	**3.41**	3.25	3.05	2.78	2.62
Allowance for credit losses to loans	**0.35%**	0.30%	1.41%	1.56%	1.64%
Permanent capital ratio	**22.18%**	23.06%	24.02%	26.02%	27.56%
Common equity tier 1 capital ratio	**22.10%**	23.00%	23.72%	25.69%	27.22%
Tier 1 capital ratio	**22.10%**	23.00%	23.72%	25.69%	27.22%
Total regulatory capital ratio	**22.48%**	23.31%	24.97%	26.95%	28.47%
Tier 1 leverage ratio**	**22.40%**	23.27%	24.49%	26.51%	28.38%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**22.04%**	22.89%	24.08%	26.21%	28.21%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 4,450**	$ 4,400	$ 4,000	$ 6,369	$ 5,850

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

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

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

(dollars in thousands, except as noted)

GENERAL OVERVIEW

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

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

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

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

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, ***www.farmcredit-fl.com***, or by calling 1-850-526-4910, or writing Abby Todd, Chief Financial Officer, Farm Credit of Northwest Florida, P.O. Box 7000, Marianna, FL 32447. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Report to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly Report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD-LOOKING INFORMATION

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

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

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

USDA’s forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 5.2 percent in 2024 to $3.7 trillion. Farm real estate value is expected to increase 5.5 percent and non-real estate farm assets are expected to increase 3.1 percent, while farm sector debt is forecasted to increase 4.4 percent in 2024. Farm real estate debt as a share of total debt has been rising since 2014 at about the same rate as the value of farm real estate and is expected to account for 66.5 percent of total farm debt in 2024, as compared with 66.4 percent in 2023.

Farm sector solvency ratios, a measure of a farm’s ability to satisfy its debt obligations when due and for which lower values for ratios is preferred, is forecasted by the USDA. The USDA is forecasting the debt-to-equity ratio to improve slightly from 14.8 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, reducing egg supply, and causing a spike in egg prices. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

- *Allowance for credit losses* (ACL) — Management estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance for credit losses on loans is increased through provisions for loan losses and loan recoveries and is decreased through allowance reversals and loan charge-offs. The Association’s Risk Management Committee, which is comprised of senior management and a member of the Board of Directors, evaluates the adequacy of the allowance on a quarterly basis. The evaluation considers factors which include, but are not limited to, loan loss experience, portfolio quality, loan portfolio composition, commodity prices, agricultural production conditions, and general economic conditions.

  Significant individual loans are evaluated based on the borrower’s overall financial condition, resources and payment record, the prospects for support from any financially responsible guarantor, and, if appropriate, the estimated net realizable value of any collateral. The allowance for credit losses encompasses various judgments, evaluations and appraisals with respect to the loans and underlying security that, by nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary from the Association’s expectations and predictions of those circumstances.

  The ACL comprises:

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

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

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

ECONOMIC CONDITIONS

Florida Economy[i]

The University of Central Florida's Institute for Economic Forecasting forecasts low growth for the U.S. economy in 2025; however, Florida's economy is expected to outpace the U.S. economy through 2027. UCF projects annual Florida Real Gross State Product (GSP) to decelerate to 3.6 percent in 2024 and 3.1 percent in 2025. Florida's Real GSP is expected to grow an average of 2.8 percent during 2024-2027, which is due to the anticipated slowdown in the U.S. economy. Growth for Florida's economy over the next four years is expected to be higher than the forecasted real GDP growth for the U.S. economy. Florida payroll job growth is projected to be 2.2 percent in 2024, following growth of 3.3 percent in 2023. Total payroll jobs are expected to decelerate by 0.5 percent in 2025 and contract by 1.2 percent and 0.3 percent in 2026 and 2027, respectively. Florida's labor market will outperform the national economy each year through 2027. Labor force growth in Florida is projected to average 1.0 percent from 2024-2027 due to slower economic growth.

Additional key factors for the Florida economy include:

- Sectors expected to have the strongest average job growth during 2024-2027 are Construction, Federal Government, Education & Health Services, Leisure & Hospitality, and State & Local Government.
- Housing starts have declined due to higher mortgage rates. Total housing starts are forecasted at 164,924 in 2025, and increasing to 171,450 in 2027. Higher interest rates have had a dampening effect on home construction activity.
- Real personal income growth is expected to average 3.7 percent during 2024-2027. Florida's average real personal income growth is projected to be 0.8 percent higher than the national rate over 2024-2027.
- Retail sales are forecasted to grow at an average pace of 3.8 percent during 2024-2027, with 2027 hitting a growth rate of 4.6 percent.

The Florida housing market shows a market for existing housing with a rising level of inventories but still in a state of shortage due to the rapid price appreciation during 2021 – 2023. The October 2024 single-family home report released by Florida Realtors® reflects price appreciation due to the inventory shortage. The median sales price for single-family homes increased by $5,000 from October 2023, year over year, and now stands at $415,000, an annual increase of 1.2 percent. Inventories of single-family homes represent just 4.7 months of supply, indicating an inventory balance which is slightly skewed in favor of sellers in the single- family market. Distressed sales of single-family homes in the form of short sales continue to remain low, yet increased 23.5 percent year over year. However, foreclosure/REO sales, have increased by 10.9 percent from October 2023 through October 2024.

The housing market in Florida is still challenged by the burden of high prices and higher insurance premiums despite somewhat lower mortgage rates. Economic and job growth in Florida is forecasted to slow as the U.S. economy decelerates. More baby boomers continue to reach the end of their working lives, and this bodes well for continued population growth via the in-migration of retirees as well as job seekers to Florida.

Overall, the Florida economic performance is expected to outpace the national economy through 2027, even considering the uncertainty about fiscal policy post-election and the Fed pausing its interest rate cuts. Deceleration of growth is projected to be mild in 2024-2027.

Regional Economy

The Northwest Florida/Panhandle area has an estimated population of 1.64 million as of April 2024 and an estimated workforce of over 640,000 as of June 2024. The Association's eighteen county region includes over 25 percent of the state's counties and 20 percent of Florida's land mass. The area's economy is driven by tourism, government, service and manufacturing industries. Three research universities – Florida State University, Florida A&M University, and the University of West Florida – provide cutting-edge research in a variety of disciplines. The region's military facilities provide contract opportunities for a number of local, regional and national companies, while also providing a source of skilled and dedicated workers after they separate from the military.

The regional economy as a whole has recovered from the trough of the COVID-19 pandemic. Employment in the eighteen-county region is up 0.9 percent from June 2023. Florida statewide employment is up 1.6 percent over the same period. Employment growth continues to be uneven within the Association's territory, albeit mostly positive growth over its 18-county territory. Multiple inland counties recorded stronger employment growth than MSA regions.

Anchored by the metro areas of Tallahassee to the east and Pensacola to the west, with local economies in between driven by agriculture, tourism and a strong military base presence, economic growth in the Panhandle is typically less cyclical than in peninsular Florida. Economic growth is forecasted to experience mixed results throughout the Florida Panhandle during 2024-2027.

Employment in construction and mining sector and other services sector are currently leading growth in the Panhandle. During 2024-2027, Information and Manufacturing sectors are expected to contract. Operations at area military bases have been expanded over the past several years and, unless there is a significant cut in defense spending, these facilities should continue to be positive economic growth engines for the foreseeable future.

The absence of a state income tax and the presence of a hospitable climate should help to attract retirees and others to the Panhandle region in the coming years.

Agricultural Economy

The Agricultural economy in Northwest Florida experienced an overall average to below-average year in 2024. Growing conditions were adequate for much of the year with some drier weather to finish out the crop. Weather conditions have been generally favorable during harvest, resulting in no significant delays. Please see below for additional information on the primary commodity groups served by the Association.

Forestry –
The southern United States continues to be a world leader in traditional and emerging timber products due to a favorable exchange rate, strong infrastructure of mills, productive forestland, and updated market strategies. The south-wide “stumpage prices” for one of the five major products (hardwood saw timber) in the Association’s territory increased year over year. However, housing starts were behind 2023 levels on a year-over-year basis. Remodeling and improvement expenditures increased on a year-over-year basis. Timberland values remained steady in 2024. Bioenergy and wood pellet industries continue to develop and grow.

Row Crops –
World cotton demand is projected to increase to 115.7 million bales in 2024/25. World supply is expected to outpace consumption in 2024/25, resulting in an increase in ending stocks to 76.3 million bales. In the U.S., the 2024 harvested area was forecasted at 8.63 million acres compared with 6.44 million acres in 2023. The national yield is estimated at 789 pounds per harvested acre compared with 899 pounds in 2023. Total U.S. cotton production in 2024 is projected at 14.2 million bales, an increase of 2.1 million bales over the 2023 crop. Cotton prices for 2024 varied from the lower $0.66 per pound range to $0.85 per pound, with the price softening during the year and currently at the lower end of the range as harvest nears completion.

U.S. corn production is estimated at 15.2 billion bushels in 2024, a decrease of 138 million bushels from the previous year. Yields are forecasted at 183.1 bushels per acre. Growers in the U.S. planted approximately 90.7 million acres in 2024, a decrease from the previous year. U.S. ending stocks are projected to increase to 2.0 billion bushels resulting in a stock-to-use ratio of 13.3 percent. The majority of corn grown in Northwest Florida is used for feed and sold locally, often receiving a positive basis, resulting in a cash price higher than reported national prices.

Livestock –
The U.S. cattle industry has a history of cycling between expansion and contraction phases that generally span ten years. The nationwide herd size in January 2024 totaled 87.2 million head, a 2 percent reduction from January 2023 total head count of 88.8 million. U.S. beef sector production is forecasted to contract by 1 percent in 2024 and the USDA anticipates an additional 4.4 percent decline in 2025. With the tighter beef supply, feeder cattle and fed cattle prices were strong in 2024 and it is anticipated this will carry into 2025. Exposure to swine and poultry within the Association’s territory is very limited.

Peanuts –
Acreage for the 2024 crop was up 160,000 acres from 2023 plantings of 1.64 million acres. Harvested acres in 2024 were forecasted at 1.75 million acres, an increase of 12.2 percent from 2023. Early reports indicate the peanut crop yield will be below average, with average yields of 3,723 pounds per acre. Production is forecasted to increase by 10.8 percent in 2024 to 6.51 billion pounds. Domestic peanut use has continued to increase, with exports slightly decreasing in 2024. Total use is projected slightly lower than total production resulting in an increase in ending stocks to 1.65 billion pounds. Peanut prices on the national level have been fairly stable and averaged approximately $550 per ton in 2024.

Dairy –
In 2024, average milk prices increased $1.00 per CWT from 2023 levels. Milk prices began to increase in June and is expected to end with a year-end average of $24.74 per CWT. U.S. milk production in 2024 was anticipated to be 226.0 billion pounds. The national dairy herd declined slightly in 2024 to 9.34 million head. Exports continue to remain a key driver for milk prices. Feed costs decreased in 2024, resulting in an improved dairy margin when compared to 2023.

LOAN PORTFOLIO

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

The gross loan volume of the Association as of December 31, 2024 was $417,254, an increase of $26,321 or 6.73 percent compared to $390,933 at December 31, 2023, which represented an increase of $36,549 or 10.31 percent compared to $354,384 at December 31, 2022. Net loans outstanding (gross loans net of the allowance for credit losses on loans) at December 31, 2024 were $415,779, an increase of $26,020 or 6.68 percent compared to $389,759 at December 31, 2023, which represented an increase of $40,355 or 11.55 percent compared to $349,404 at December 31, 2022. Net loans accounted for 96.30 percent of total assets at December 31, 2024, compared to 96.19 percent of total assets at December 31, 2023 and 96.76 percent of total assets at December 31, 2022. The increases in gross loan volume and net loans outstanding in 2024 were due to increases in originated loans, purchased participation loans, nonaccrual loans and decreases in sold participation loans.

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

Loan Type	December 31, 2024		2023		2022	
	(dollars in thousands)					
Real estate mortgage	$ 282,268	67.65%	$ 273,532	69.97%	$ 251,739	71.04%
Production and intermediate-term	73,368	17.58	64,553	16.51	59,557	16.81
Loans to cooperatives	2,111	0.51	2,110	0.54	1,693	0.48
Processing and marketing	24,935	5.98	15,492	3.96	13,539	3.82
Farm-related business	5,349	1.28	5,565	1.42	5,101	1.44
Communication	6,437	1.54	6,747	1.73	4,411	1.24
Power and water/waste disposal	4,107	0.98	6,388	1.63	–	–
Rural residential real estate	17,266	4.14	15,504	3.97	16,691	4.71
International	1,413	0.34	1,042	0.27	1,653	0.46
Total	$ 417,254	100.00%	$ 390,933	100.00%	$ 354,384	100.00%

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

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

Branch	12/31/24	12/31/23	12/31/22
Marianna	26.82%	24.11%	26.40%
Milton	12.39	14.45	20.20
Tallahassee	9.12	11.18	16.06
Monticello	11.23	12.17	15.44
Special Assets	–	0.24	0.30
Home Loans	4.77	8.09	9.35
Capital Markets	17.33	15.84	11.46
Lifestyle Lending	18.34	13.92	0.79
Total	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association's loan portfolio are shown below. The predominant commodities are forestry, row crops, livestock, peanuts, hunting/trapping/game and rural homes which constitute 78 percent of the entire portfolio at December 31, 2024.

Commodity Group	December 31, 2024		2023		2022	
	(dollars in thousands)					
Forestry	$ 168,743	40%	$ 171,151	44%	$ 166,889	47%
Row Crops	49,813	12	43,031	11	42,744	12
Livestock	38,343	9	36,287	9	32,799	9
Peanuts	27,998	7	22,904	6	20,496	6
Rural Homes	17,266	4	15,504	4	16,691	5
Landlords	11,716	3	12,759	3	11,225	3
Horticulture	8,011	2	9,436	2	11,953	3
Dairy	10,663	3	10,896	3	8,271	2
Hunting/Trapping/Game	24,150	6	17,586	5	3,918	1
Other	60,551	14	51,379	13	39,398	12
Total	$ 417,254	100%	$ 390,933	100%	$ 354,384	100%

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. The Association's loan portfolio contains a large concentration in the forestry industry; however, due to the off-farm income of borrowers in this industry classification, sources of repayment are varied, reducing the overall risk exposure to this commodity.

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

Loan Participations	2024	2023	2022
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 72,528	$ 62,079	$ 40,684
Participations Purchased – Non-FCS Institutions	–	–	–
Participations Sold	(74,073)	(78,006)	(79,364)
Total	$ (1,545)	$ (15,927)	$ (38,680)

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

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2024, 2023, and 2022, the Association originated loans for resale totaling $12,485, $6,152, and $18,118, respectively, which were subsequently sold into the secondary market.

The Association also participates in the Farmer Mac Long Term Stand-By program. Farmer Mac was established by Congress to provide liquidity to agricultural lenders. At December 31, 2024, 2023, and 2022, the balance of these loans was $17,835, $11,799, and $0, respectively.

CREDIT RISK MANAGEMENT

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

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

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

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

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

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

Credit Quality	2024	2023	2022*
Acceptable & OAEM	99.00%	99.48%	98.06%
Substandard	1.00	0.52	1.94
Doubtful	–	–	–
Total	100.00%	100.00%	100.00%

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

Nonperforming Assets

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

	12/31/24	12/31/23	12/31/22
	(dollars in thousands)		
High-risk Assets			
Nonaccrual loans	$ 42	$ –	$ 203
Accruing loans 90 days past due	7	–	–
Total high-risk loans	49	–	203
Other property owned	–	–	14
Total high-risk assets	$ 49	$ –	$ 217
Ratios			
Nonaccrual loans to total loans	0.01%	0.00%	0.06%
High-risk assets to total assets	0.01%	0.00%	0.06%

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 at December 31, 2024 were $42 compared to $0 and $203 at December 31, 2023 and 2022, respectively. Nonaccrual loans increased $42 or 100.00 percent during 2024 primarily due to two loans transferring to nonaccrual and with one of the transferred loans being liquidated prior to year end. Of the $42 in nonaccrual volume at December 31, 2024, $42 or 100.00 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to $182 or 89.66 percent at December 31, 2022. The Association had no nonaccrual loans as of December 31, 2023.

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

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was $1,623, $1,272, and $5,015 at December 31, 2024, 2023, and 2022, respectively.

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

Allowance for Credit Losses Activity	December 31, 2024	2023	2022
Allowance for credit losses on loans – beginning balance	$ 1,174	$ 4,980	$ 4,968
Cumulative effect of a change in accounting principle	–	(3,463)	–
Charge-offs:			
Real estate mortgage	(1)	–	(143)
Production and Intermediate Term	(18)	(6)	(7)
Total charge-offs	(19)	(6)	(150)
Recoveries:			
Real estate mortgage	59	58	250
Production and intermediate term	6	193	103
Agribusiness	2	1	1
Total recoveries	67	252	354
Net (charge-offs) recoveries	48	246	204
Provision for (reversal of) credit losses on loans	253	(589)	(192)
Allowance for credit losses on loans – ending balance	$ 1,475	$ 1,174	$ 4,980
Allowance for unfunded commitments – beginning balance	$ 98	$ 35	$ 29
Cumulative effect of a change in accounting principle	–	26	–
Provision for (reversal of) unfunded commitments*	50	37	6
Allowance for unfunded commitments – ending balance	$ 148	$ 98	$ 35
Total allowance for credit losses	$ 1,623	$ 1,272	$ 5,015

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

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

	December 31, 2024	2023	2022
Allowance for credit losses on loans to loans	0.35%	0.30%	1.41%
Allowance for credit losses on loans to nonaccrual loans	3,511.90%	n/m	2,453.20%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.012%	0.066%	0.062%

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

RESULTS OF OPERATIONS

Net Income

Net income totaled $6,911 for the year ended December 31, 2024, a decrease of $163 from 2023. Net income of $7,074 for the year ended December 31, 2023 was an increase of $114 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:	2024-2023	2023-2022
	(dollars in thousands)	
Net income prior year	$ 7,074	$ 6,960
Increase (decrease) in net income due to:		
Interest income	3,431	5,888
Interest expense	(1,726)	(4,130)
Net interest income	1,705	1,758
Provision for credit losses	(855)	360
Noninterest income	225	(1,183)
Noninterest expense	(1,245)	(813)
Provision for income taxes	7	(8)
Total changes in income	(163)	114
Net income	$ 6,911	$ 7,074

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal

effect on the Association's net income but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of $950 for the year ended December 31, 2023.

Net Interest Income

Net interest income (before provision for or reversal of allowance for credit losses) for the year ended December 31, 2024 totaled $13,157, an increase of $1,705 or 14.89 percent compared to net interest income of $11,452 for 2023, which represented an increase of $1,758 or 18.13 percent compared to net interest income of $9,694 for 2022. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt.

The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:	**Volume***	**Rate**	**Total**
	(dollars in thousands)		
12/31/24 – 12/31/23			
Interest income	$ 1,703	$ 1,728	$ 3,431
Interest expense	1,094	632	1,726
Change in net interest income	$ 609	$ 1,096	$ 1,705
12/31/23 – 12/31/22			
Interest income	$ 1,942	$ 3,946	$ 5,888
Interest expense	1,078	3,052	4,130
Change in net interest income	$ 864	$ 894	$ 1,758

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

The decrease in interest expense is caused by a decline in rates which is primarily due to the change in Direct Note rate discussed above. Interest income for the year ended December 31, 2024 increased due to higher average loans outstanding and higher average interest rates on loans, partially offset by decreased interest income recognized on nonaccrual loans. Interest expense increased for 2024 due to higher average interest rates and higher average notes payable to AgFirst. Interest income for the year ended December 31, 2023 increased due to higher average loans outstanding and higher average interest rates on loans and increased interest income recognized on nonaccrual loans. Interest expense increased for 2023 due to higher interest rates and higher average notes payable to AgFirst.

Noninterest Income

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

	For the Year Ended December 31,			**Percentage Increase/(Decrease)**	
Noninterest Income	**2024**	**2023**	**2022**	**2024/ 2023**	**2023/ 2022**
	(dollars in thousands)				
Loan fees	$ 148	$ 111	$ 79	33.33 %	40.51 %
Patronage refunds from other Farm Credit Institutions	3,069	3,108	3,983	(1.25)	(21.97)
Other noninterest income	412	185	525	122.70	(64.76)
Total noninterest income	$ 3,629	$ 3,404	$ 4,587	6.61 %	(25.79)%

Noninterest income for the year ended December 31, 2024 totaled $3,629, an increase of $225 or 6.61 percent compared to $3,404 in 2023, which represented a decrease of $1,183 or 25.79 percent compared to noninterest income of $4,587 in 2022. The increase in noninterest income for 2024 was due to increases in loan fees, gains on sales of rural home loans, and Insurance Fund refunds, partially offset by lower fees for financially related services, patronage refunds, other noninterest income, and losses on other transactions. The decrease in noninterest income for 2023 was due to decreases in fees for financially related services, patronage refunds, gains on sales of rural home loans, and gains on sales of premises and equipment, partially offset by increases in fees for loan fees, other noninterest income and gains on other transactions. Special patronage refunds from AgFirst totaled $0 in 2024, $170 in 2023, and $1,362 in 2022. These special patronage distributions are not expected in future years.

Noninterest Expense

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

Noninterest Expense	For the Year Ended December 31, 2024	2023	2022	Percentage Increase/(Decrease) 2024/2023	2023/2022
	(dollars in thousands)				
Salaries and employee benefits	$ 5,701	$ 5,572	$ 5,114	2.32 %	8.96%
Occupancy and equipment	246	243	231	1.23	5.19
Insurance Fund premiums	298	487	467	(38.81)	4.28
(Gains) losses on OPO	(2)	2	(41)	(200.00)	(104.88)
Other operating expenses	3,324	2,018	1,738	64.72	16.11
Total noninterest expense	$ 9,567	$ 8,322	$ 7,509	14.96 %	10.83 %

Salaries and employee benefits increased by $129 or 2.32 percent in 2024, reflecting an increase in salaries, and employee benefits and partially offset by an increase in deferred personnel costs and a decrease in incentives. Occupancy and equipment expense increased by $3 or 1.23 percent, primarily reflecting increases in furniture and equipment expenses, partially offset by decreases in cost of space expense. Insurance fund premiums decreased by $189 or 38.81 percent due to decreased premium assessment rates, partially offset by higher average notes payable balances. Gains on OPO increased by $4 or 200.00 percent. Other operating expenses increased by $1,306 or 64.72 percent. Specifically, purchased services (which is included in other operating expenses) increased by $1,211 of which $1,206 is directly attributed to the reallocation of AgFirst technology and software services from interest expense to noninterest expense discussed above. If the change to the Direct Note rate had occurred on January 1, 2023, the increase in purchased services would have been $261.

Income Taxes

The Association recorded a provision for income taxes of $5 for the year ended December 31, 2024, as compared to a provision of $12 for 2023 and a provision of $4 for 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

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

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/24	For the 12 Months Ended 12/31/23	For the 12 Months Ended 12/31/22
Return on Average Assets	1.68%	1.86%	2.08%
Return on Average Members' Equity	6.99%	7.37%	7.82%
Net Interest Income as a Percentage of Average Earning Assets	3.30%	3.09%	2.92%
Net (Charge-offs) Recoveries to Average Loans	0.012%	0.066%	0.062%

The return on average assets and return on average members' equity decreased for the year ended December 31, 2024 due primarily to the changes in net income described above. Net interest income as a percentage of average earning assets increased in 2024 due to an increase in earnings provided by the loanable funds credit and an increase in net average interest spread on loans (which was increased by the change in the Direct Note rate discussed above). Net recoveries to average loans decreased in 2024 due primarily to net recoveries of $48 in 2024 compared to net recoveries of $246 in 2023.

The return on average assets and return on average members' equity decreased for the year ended December 31, 2023 due primarily to the changes in net income described above. Net interest income as a percentage of average earning assets increased in 2023 due to an increase in earnings provided by the loanable funds credit, partially offset by a decrease in net average interest spread on loans. Net recoveries to average loans increased in 2023 due primarily to net recoveries of $246 in 2023 compared to net recoveries of $204 in 2022.

Key factors in the growth of net income for future years will be quality loan growth, adequate net interest margins, operating expense control, and stabilized noninterest income. The Association's goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve a desirable rate of return for members. To meet this goal, the Association must attract and maintain high quality loan volume priced at competitive rates and manage credit risk across the entire portfolio, while efficiently meeting the credit needs of members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

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

Total notes payable to the Bank at December 31, 2024, was $325,304 as compared to $300,170 at December 31, 2023 and $264,071 at December 31, 2022. The increase of $25,134 or 8.37 percent compared to December 31, 2023 was primarily attributable to an increase in net loans. The increase of $36,099 or 13.67 percent compared to December 31, 2022 was primarily attributable to an increase in net loans. The average volume of outstanding notes payable to the Bank was $307,030, $279,281, and $241,467 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

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

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

Funds Management

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

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

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

Relationship with the Bank

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

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

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

CAPITAL RESOURCES

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

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

Total members' equity at December 31, 2024, was $97,804, an increase of $2,513 or 2.64 percent from a total of $95,291 at December 31, 2023. The increase in members' equity for 2024 was due to net income retained in excess of distribution to members. At December 31, 2023, total members' equity increased $6,162 or 6.91 percent from $89,129 at December 31, 2022. The increase in member's equity for 2023 was due to net income retained in excess of distribution to members and the day 1 CECL equity adjustment on January 1, 2023 due to the cumulative effect of change in accounting principle for the allowance for credit losses.

Total capital stock and participation certificates were $1,547 on December 31, 2024, compared to $1,495 on December 31, 2023 and $1,444 on December 31, 2022. The changes are reflective of the stock and participation certificate requirements as existing loans are repaid and new loans are made.

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

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.5%	7.0%	22.10%	23.00%	23.72%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	22.10%	23.00%	23.72%
Total Capital Ratio	8.0%	2.5%	10.5%	22.48%	23.31%	24.97%
Permanent Capital Ratio	7.0%	0.0%	7.0%	22.18%	23.06%	24.02%
Non-risk-adjusted:						
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	22.40%	23.27%	24.49%
UREE Leverage Ratio	1.5%	0.0%	1.5%	22.04%	22.89%	24.08%

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

See Note 7, *Members' Equity*, Notes to the Consolidated Financial Statements, for further information concerning capital resources.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of $4.45 million in 2024, $4.40 million in 2023, and $4.00 million in 2022.

YOUNG, BEGINNING AND SMALL FARMER AND RANCHER PROGRAM

The Association's mission includes providing sound and constructive credit to Young, Beginning and Small (YBS) farmers and ranchers. The Board of Directors and management are responsible for ensuring the Association is making appropriate efforts to implement an effective YBS program. The Board of Directors approves YBS policies, as well as the Marketing plan, which outline strategies to accomplish the YBS mission and goals and measure the program's performance. As part of its YBS program, the Association also seeks to provide financing to underserved commodities and local food hubs within its territory, many of which are operated by YBS farmers and ranchers.

Definitions

Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who is 35 years of age or less as of the date the loan is originally made.
Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products whose experience in farming or ranching as of the date the loan is originally made is 10 years or less.

<u>Small Farmer</u>*:* A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $350,000 in annual cash farm income of agricultural or aquatic products as of the date the loan is originally made.

YBS Program Strategies

The Association's YBS Farmer and Rancher Program complies with statutory and regulatory requirements which include program goals for quantitative measurements of the number and volume of YBS loans and strategies the Association will employ to meet program objectives.

The Association's YBS Farmer and Rancher Policy provides for loans in this segment to be underwritten according to normal commodity-based standards. Since these groups may have weaker credit factors, consideration has been given in regard to certain financial benchmarks that are traditionally weaker for the YBS segment. The Association's policy provides pricing and fee concessions for production oriented YBS borrowers. Association staff works with otherwise qualified YBS applicants to offset weaknesses through additional obligors, additional pledges of collateral, or through obtaining Farm Service Agency (FSA) loan guarantees. The Association is an approved FSA lender. The Association's Board of Directors and management continue to evaluate the YBS Farmer and Rancher Policy to determine if additional lending inducements can be added in a manner that still provides for safe and constructive financing.

In 2024, the Association continued to place emphasis on involvement in agricultural events and affiliations in our chartered territory with a tie to Young, Beginning and Small farmers and ranchers. The Association actively participated in agricultural events through sponsorships and virtual speaking engagements. The Association worked both independently and in cooperation with agriculturally focused affiliates and educational systems in the territory. Association members can expect this level of participation to continue throughout 2025.

In complementary initiatives, the YBS Advisory Committee continued to provide input to the Association's Board of Directors regarding future YBS policy development and program planning. The YBS Advisory Committee will continue meeting in 2025.

2025 strategies for meeting program objectives include:

- YBS Education and Outreach –
  - Create targeted campaigns (including digital advertising) and educational credit programs useful for YBS farmers and ranchers in the Association's territory.
  - Create a marketing campaign around sharing AgFirst's AgBizInfo resources and information to reach and educate YBS-eligible farmers and ranchers in the Association's territory.
  - Host succession planning workshops and financial education workshops.
- YBS Goals:
  - Develop the YBS brand and a supporting webpage with resources to educate and support young, beginning, and small farmers.
  - Initiate and build a relationship with the Panhandle Warrior Group. Working together, build resources to educate new veterans on agriculture as a career. According to the Panhandle Warrior Group, over 100,000 veterans live in the Panhandle (Association's territory).
  - Pilot paid digital (geotargeting) campaigns for Santa Rosa County to increase brand and YBS program awareness. According to the 2022 AgCensus, Santa Rosa County has the greatest number of farmers under the age of 35, the greatest number of American Indian/Alaska Native producers, and the greatest number of producers with Hispanic ethnicity and military service in the Association's territory.
  - Market succession planning resources to all current members through communication channels. Run targeted campaigns for Succession Planning education workshops in Jackson, Walton, Santa Rosa and Washington Counties (counties in the Association's territory with the largest number of farmers over the age of 65, according to the 2022 AgCensus data).

YBS Program Quantitative Goals

In 2024, the Association continued to market and originate loans to YBS farmers and ranchers. The Association increased the overall number of YBS loans by 33 or 2.41 percent. The overall YBS originated loan volume, which includes unfunded commitments, increased by $8,508,483 or 4.27 percent. For 2025, the Association projects an increase in overall loan number and loan volume for Young, Beginning and Small farmers.

The following charts show by YBS category:

- Changes in number and volume of YBS loans during 2024
- Number and volume of YBS loans as of December 31, 2024
- 2025 quantitative YBS goals

IMPORTANT NOTE: In 2024, there were changes in YBS categories. Effective April 1, 2024, the AgFirst District began calculating YBS numbers differently. The change has resulted in the elimination of the previous approach where loans were counted more than once if the loan fell in multiple categories. The new reporting only counts a loan under one category. Therefore, this new method could result in what appears to be a reduction in the number and volume of loans. Going forward, volume and loan count will be collected for eight

mutually exclusive YBS and non-YBS groups, as shown in the table below. This will ensure additivity across YBS categories. The Association will report each YBS loan in the category for which it meets the criteria.

YBS Categories as of 4/1/2024
Young Only– Y
Beginning Only – B
Small Only – S
Young and Beginning – YB
Young and Small – YS
Beginning and Small – BS
Young, Beginning, and Small – YBS
Non-Young, Beginning, or Small – Non-YBS

Changes in YBS Categories during 2024:

	Increase/(Decrease) # Loans	**Percent of Total**	**Increase/(Decrease) Loan Volume***	**Percent of Total**
	(dollars in thousands)			
Young Only	4	12.12%	$409	4.80%
Beginning Only	3	9.09	($995)	(11.69)
Small Only	(24)	(72.73)	($7,726)	(90.80)
Young and Beginning	(1)	(3.03)	$3,054	35.90
Young and Small	(5)	(15.15)	($353)	(4.15)
Beginning and Small	47	142.43	$4,226	49.67
Young, Beginning and Small	9	27.27	$9,893	116.27
Association YBS Totals	33	2.41%	$8,508	4.27%

**Loan volume for YBS loans is specific to Association originated loans and includes unfunded commitments.*

Going forward, these new categories will serve as the basis for quantitative goals for the YBS Program. While it is essentially impossible to quantify the achievement of 2024 YBS growth goals due to the reporting differences, based on the information available, the overall general growth in the loan portfolio, and the Association's consistent investment of time and resources in YBS sectors, it is very likely that 2024 goals were at a minimum met, if not exceeded.

Association Number and Volume of YBS Loans as of December 31, 2024:

	# of YBS Loans	**Percent of Total**	**Volume YBS Loans***	**Percent of Total**
	(dollars in thousands)			
Young Only	20	1.42%	$6,503	3.13%
Beginning Only	50	3.56	$7,353	3.54
Small Only	352	25.05	$37,888	18.23
Young and Beginning	38	2.71	$8,434	4.06
Young and Small	21	1.50	$645	0.31
Beginning and Small	716	50.96	$106,313	51.17
Young, Beginning, and Small	208	14.80	$40,646	19.56
Association YBS Totals	1,405	100.00%	$207,782	100.00%

**Loan volume for YBS loans is specific to Association originated loans and includes unfunded commitments.*

2025 Quantitative Goals for YBS:

For 2025, the Association's loan volume growth goal projected in the most likely scenario budget scenario is 6 percent. Because a meaningful percentage of this growth will be fueled by Capital Markets and Home Lending it is not reasonable to believe that the YBS segment will grow at the same rate. The Association's YBS goal for 2025 in loan volume growth will be 3 percent. It appears reasonable the Association can grow the number of YBS borrowers at a slightly faster pace than loan volume, and the YBS goal for growth in number of borrowers will be 4 percent. Achievement of these goals would reflect meaningful growth in the YBS sector.

Category	**September 2024**	**Percent of Projection Goal September 2025**	**Projection Goal September 2025**
		(dollars in thousands)	
Number of YBS Borrowers	1,391	4%	1,447
Loan Volume of YBS Borrowers	$201,615	3%	$207,663

Association Comparison to YBS Territorial Demographics

Historically, the USDA Ag Census data has been used as a benchmark to measure the penetration of the Association's YBS Program efforts. The previous penetration reports were calculated based on the number of loans within the Association's 18-county territory compared to the county data provided in the Ag Census. The Ag Census data for 2017 is based off the following 3 categories: Y, B & S. Due to new regulatory reporting changes, the Association is now using the following 7 categories (Y, B, S, YB, YS, BS and YBS). Therefore, the Association is unable to generate a market share penetration based off the USDA Ag Census data.

YBS Program Summary

In summary, the Association is committed to implementing an effective program, helping YBS farmers and ranchers receive sound and constructive credit, and working diligently to achieve our YBS mission of "*Helping Rural America Grow by supporting diversity and inclusion in agriculture.*"

REGULATORY MATTERS

On November 29, 2024, the FCA published a proposed rule on internal control over financial reporting (ICFR) 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 (also known as integrated audit). Associations would meet the requirement for an integrated audit if it represents 1 percent or more of total System assets; 15 percent 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 FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the 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.

Changes in Senior Management

John Gregory resigned as President and Chief Executive Officer effective January 31, 2025, to accept a new role as the President and Chief Executive Officer of Farm Credit of Florida. On January 22, 2025, the Board of Directors appointed Michael Digmon to serve as the Association's interim President and Chief Executive Officer beginning February 3, 2025. A new President and Chief Executive Officer, W. Stacy Sikes, has been hired effective April 1, 2025.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

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

The Association wholly owns one unincorporated business entity (UBE). East Wing Ranch, LLC is a Florida limited liability company, which was organized for the purpose of holding acquired property owned by the Association.

Description of Property

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

Location	Description	Form of Ownership
5052 Highway 90 East Marianna	Administrative/ Branch	Owned
5336 Stewart Street, SE Milton	Branch	Owned
925 W. Washington Street Monticello	Branch	Owned
3323 Thomasville Road Tallahassee	Branch	Owned
3927 Highway 4, Suite 103 Jay	Branch	Leased

Legal Proceedings

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

Description of Capital Structure

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

Description of Liabilities

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

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

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

Senior Officers

The following represents certain information regarding the executive officers of the Association as of December 31, 2024:

Senior Officers	Position & Other Business Interests
John R. Gregory*	*President & Chief Executive Officer* since January 1, 2022. *Head of Financial Restructuring Rural North America* with Rabo AgriFinance from June 2018 thru October 2021. *Senior Financial Restructuring Manager* with Rabo AgriFinance from May 2017 thru May 2018. *Special Assets Manager and Capital Markets Officer* with the Association from April 2008 thru April 2017. Mr. Gregory is a licensed attorney in the State of Florida.
Abby Todd	*Chief Financial Officer* since April 2023. *Controller* from January 2022 thru March 2023. *Assistant Controller* from March 2017 thru December 2021.
Chuck Thiele	*Chief Credit Officer* since March 2013.
DeAndrea Barber	*Chief Operations Officer* since March 2013.
Dorislynn White-Padgett	*Director of Human Resources* since March 2022. *Manager of Human Capital* from March 2014 thru February 2022.
Michael Digmon	*Chief Lending Officer* since March 2022. *Regional Lending Manager (Western Region)* from August 2017 thru February 2022.

**On February 3, 2025, Michael Digmon was appointed as the interim President & Chief Executive Officer following the resignation of John Gregory on January 31, 2025.*

The business experience for the past five years for executive officers is with the Farm Credit System, with the exception of John Gregory which is described above.

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

Name Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value*	Perquisites/ Other**	Total
John Gregory	2024	$ 271,667	$ 50,750	$ –	$ –	$ 6,387	$ 328,804
John Gregory	2023	$ 251,668	$ 37,750	$ –	$ –	$ 4,450	$ 293,868
John Gregory	2022	$ 235,008	$ 35,251	$ –	$ –	$ 5,740	$ 275,999
8***	2024	$ 905,451	$ 455,609	$ –	$ (17,986)	$ 34,353	$ 1,377,427
9***	2023	$ 875,721	$ 525,687	$ –	$ 87,477	$ 24,030	$ 1,512,915
8***	2022	$ 761,161	$ 378,036	$ –	$ (161,506)	$ 25,941	$ 1,003,632

** Change in Pension Value as reflected in the table above resulted primarily from changes in the actuarial assumptions for mortality and discount rate. The discount rate increased in 2022 and 2024 , leading to a decrease in pension values. See further discussion under Retirement and Deferred Compensation Plans below and in Note 9, Employee Benefit Plans, of the Consolidated Financial Statements included in this Annual Report.*

*** Perquisites/Other amounts disclosed in the above table include group life insurance premiums, automobile compensation and spousal travel.*

**** 2024 includes five senior officers, 2023 includes six senior officers and 2022 include six senior officers. Highly compensated individuals included in the table above are compensated via salary, commissions, and production incentives. Commissions and production incentives are included in the Bonus column above.*

The disclosure of information on the total compensation paid during 2024 to any senior officer or to any other employee included in the aggregate group total as reported in the table above is available and will be disclosed to the shareholders of the institution upon request.

On February 4, 2015, the FCA Board approved the final rule, "Disclosure to Shareholders; Pension Benefit Disclosures." The rule amends FCA regulations to exclude employee compensation from being reported in the Summary Compensation Table if the employee would be considered a "highly compensated employee" solely because of payments related to or change(s) in value of the employee's qualified pension plan provided that the plan was available to all similarly situated employees on the same basis at the time the employee joined the plan. System banks and associations were required to comply with the rule for compensation reported in the table for the fiscal year ending 2015 and subsequent years.

In addition to base salary, all employees (with the exception of mortgage loan officers) have the ability to earn additional compensation under an incentive plan. The Association incentive plan is designed to motivate employees to complete actions needed to achieve business plan goals during the fiscal year.

The incentive plan includes two components – the primary incentive plan (referred to hereafter as the "General Incentive Plan") that is available to all qualifying staff members and the business development plan (referred to hereafter as the "Agribusiness/Capital Markets Plan") that is available to agribusiness and capital markets loan officers to incent business development activity.

Mortgage loan officers are eligible for compensation under a commission plan based on loan volume production (referred to hereafter as the "MLO Compensation Plan").

The General Incentive Plan is measured annually and is based on one performance cycle from January through December. To participate in the General Incentive Plan, an employee must not have terminated employment prior to, nor be on probation at, the end of the performance cycle, and the employee must have satisfactory performance as measured by their most recent performance evaluation.

The General Incentive Plan is measured utilizing credit quality, delinquency rate, loan volume and return on assets. Under the plan, points are awarded for meeting various benchmarks such as the percentage of loans that carry a credit quality grade of "Acceptable", the percentage of past due loans to accruing loan volume, the amount of loan volume, and the return on assets ratio. The performance against the established benchmarks translates to a certain number of awarded points. Based upon points achieved for the performance cycle, qualifying staff members are awarded a percentage of their total compensation. The percentage awarded is based upon the total points earned during the performance cycle as well as the employee's salary grade.

Under the General Incentive Plan, the percentage of compensation that could be awarded ranges from 3 percent to 15 percent of the employee's total compensation during the performance cycle. Senior officers do not specifically earn higher awards under the plan by virtue of their position; however, a senior officer would be expected to have a higher salary grade based upon their increased level of responsibility and accountability for Association performance. For 2024, awards under the General Incentive Plan ranged from 10 percent to 15 percent for the performance cycle (January through December). Payment to employees covered under this plan is made as soon as practicable following the performance cycle.

Under the Agribusiness/Capital Markets Plan, loan officers earn points for developing new business by originating loans to new and existing borrowers, as well as by increasing portfolio growth. There are two performance cycles, January through June and July through December, for measuring new business development. Eligible new loans must satisfy established standards, including meeting regulatory requirements for borrower eligibility, receiving a satisfactory loan review grade to show acceptable credit administration standards, and maintaining an "Acceptable" credit classification during the plan year. Loan officers are awarded points based on their performance against a pre-determined business development quota. Loan officers are eligible to earn incentive awards calculated as a percentage of their salary. There is no cap on the incentive award for developing new business. For 2024, incentive awards for developing new business development ranged from 0 percent to 46 percent for the first performance cycle and 0 percent to 130 percent for the second performance cycle. If a loan officer failed to achieve a certain percentage of their predetermined quota, no points were awarded and that loan officer received no incentive under the plan. The Association's Chief Lending Officer, who is a senior officer, is eligible to participate in the Agribusiness/Capital Markets Plan based upon actual 2024 net accruing loan volume compared to the 2024 most likely scenario net accruing loan volume. Payment to employees covered under this plan is made as soon as practicable following each performance cycle.

Under the MLO Compensation Plan, commissions are calculated at rates ranging from 0.25 percent to 1.00 percent of monthly loans closed. Payment to employees covered under this plan is made monthly. For 2024, commissions paid ranged from 0.25 percent to 1.00 percent. Mortgage loan officers are not eligible under the General Incentive Plan and related components as described above. The CEO and senior officers are not eligible for the MLO Compensation Plan.

During 2024, under the General Incentive Plan, Agribusiness/Capital Markets Plan, and MLO Compensation Plan as described above, the CEO earned $50,750 and senior officers and other highly compensated individuals earned $455,609. Those amounts are presented as a bonus in the table above. Bonuses are shown in the year earned, which may be different from the year of payment.

Senior officers and other Association employees 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, registration fees and other expenses associated with travel on official business. Some senior officers and other Association employees are assigned an automobile to be utilized in the performance of Association duties. Personal usage of the assigned automobile is allowed. Any personal usage is considered a benefit to the officer or employee and is included as income to the individual in accordance with IRS regulations. Total benefit to senior officers and other highly compensated individuals for the personal usage of Association automobiles during 2024 was $25,554.

A copy of the Association's expense and incentive plan policies is available to shareholders upon request. Disclosure of information on the total compensation earned in 2024 by any senior officer, or by any individual included in the total, is available to shareholders upon request.

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:					
John Gregory	2024	AgFirst Retirement Plan		$ –	$ –
John Gregory	2024	Supplemental Executive Retirement Plan		–	–
				$ –	$ –
Senior Officers and Highly Compensated Employees:					
8 employees, excluding CEO	2024	AgFirst Retirement Plan	29.83*	$ 900,811	$ –
				$ 900,811	$ –

**Represents the average years of credited service for the group. Only one employee in the group above participates in the AgFirst Retirement Plan.*

Retirement and Deferred Compensation Plans

The Association'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 Association is to offer benefit plans that are market competitive and aligned with the Association's strategic objectives. The plans are designed to enable the Association to proactively attract, retain, recognize, and reward a highly skilled, motivated and diverse staff that supports the Association's mission and that allows the Association to align the human capital needs with the Association'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." 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 or on a lump sum basis. Benefits under the plan are not subject to an offset for Social Security.

The present value of pension benefits is the value at a specific date of the expected future benefit payment stream based on actuarial assumptions, chiefly the discount rate. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values.

All 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. Employees hired prior to January 1, 2003, receive a maximum employer matching contribution equal to $0.50 for each $1.00 of employee compensation contributed up to 6 percent, subject to the Internal Revenue Code limitation on compensation. Employees hired on or after January 1, 2003, receive a maximum employer matching contribution equal to $1.00 for each $1.00 of employee compensation contributed up to 6 percent, subject to the Internal Revenue Code limitation on compensation. Beginning in 2015, employees hired on or after January 1, 2003, receive an additional employer contribution of 3 percent of eligible compensation.

Participation in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan, a nonqualified deferred compensation plan, is available to certain key employees to defer compensation and restore 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 Association. No employees participated in this plan during 2024.

Please see Note 9, *Employee Benefit Plans,* for further information on benefit plans.

Directors

The following chart details the directors serving in 2024, their current term of service and total cash compensation paid:

Name of Director	Current Term	Total Compensation
D. Mark Fletcher, *Chairman, Outside Director, Financial Expert*	2023-2026	$ 26,100
R. Douglas Walker, *Vice Chairman*	2024-2027	19,200
Damon Boutwell	2022-2025	22,750
Joshua Churchwell	2023-2026	19,900
Levi Findley	2024-2027	7,150
Ernest C. Fulford	2022-2025	18,050
Jacob Gilmore	2021-2024	14,350
Dana Powell, *Outside Director*	2022-2025	22,200
R. Allen Scheffer	2023-2026	21,250
Glen Strange	2023-2026	21,600
Michael Thompson	2022-2025	20,900
David Yoder	2024-2027	20,300
Total		$ 233,750

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years.

D. Mark Fletcher, CPA, Chairman, is an outside director. Mr. Fletcher has thirty-four years of experience in public accounting and is the senior partner in charge of the Tallahassee, Florida office of Lanigan and Associates, P.C. This has been his principal occupation for the past five years. Mr. Fletcher serves as Chairman of the Board of Farm Credit of Northwest Florida, Chairman of the Executive Committee, is designated as the Association's financial expert, and a member of the AgFirst District Advisory Committee.

R. Douglas Walker, Vice Chairman, has been a self-employed farmer and president of Walker and Sons Farms, Inc. for over thirty years. This has been his principal occupation for the past five years. His farm operation consists of two family-owned dairy farms. The operation also produces corn, oats, and rye grass for feed. He also has a pecan grove and a beef cattle cow/calf operation. Mr. Walker is also the manager for Walker and Sons Land Company and serves on the board of Southeast Milk, Inc. (dairy cooperative) and United

Dairy Farmers of Florida. Mr. Walker serves as Vice Chairman of the Board of Farm Credit of Northwest Florida and Chairman of the Director Loan Committee.

Damon Boutwell is the General Manager of the Pace Water System, Inc. This has been his principal occupation for the past five years. He also served as Assistant Manager and previously as Utility Engineer from 2002 until 2012. Mr. Boutwell owns and manages a 225-acre farm consisting of a 50-brood cow cattle operation on 95 acres of pastureland, 90 acres of timberland and wildlife habitat, and 40 acres of hay that is leased to a hay contractor/producer. He is also the Managing Partner for 600 acres of family trust lands. He is an alumnus of Leadership Santa Rosa and a past member of the Executive Board of Leadership Santa Rosa. Mr. Boutwell serves on the advisory board of Mueller Technologies. He is a past member of the advisory board of United Bank. Mr. Boutwell is Chairman of the Audit Committee.

Joshua Churchwell is a farmer from Madison, Florida. For the past 16 years, he has worked with Merck Animal Health, where he is the territory manager for animal health needs in Florida, Georgia, and Alabama. This has been his primary occupation for the past five years. Mr. Churchwell has been the owner/operator of Churchwell Farms for 15 years, where he has a 200-head cow-calf operation on 600 acres in Madison County, FL. He is a graduate of the University of Florida with a Bachelor's Degree in Animal Science and a graduate of the Cornell Dairy Executive Program. He serves as the Vice Chairman of the Madison County Cattlemen's Association, a State Director of the Florida Cattlemen's Association, the Beef Chairman of the North Florida Livestock Show, a member of the Dairy Field Advisory Board for Merck Animal Health, and prior to being elected as a Board member, he served as a member of the Association's Young, Beginning, and Small Farmer Advisory Committee.

Levi Findley is an owner-operator of a 550-acre row crop operation located in Santa Rosa County, FL. This has been his primary occupation for the past five years. In addition to his farming operation, Mr. Findley serves as the Assistant Chief of the Jay Volunteer Fire Department, and as a County Committee Member for the Farm Service Agency. Mr. Findley has lived in Santa Rosa County, FL his entire life, graduated from Jay High School, and attended Pensacola State College.

Ernest C. Fulford is the owner/operator of a row crop farming operation located near Monticello, Florida. He has farmed in the Monticello area for over thirty years, and farming has been his principal occupation for the past five years. His farming operation consists of 1,200 acres of cotton, peanuts, and green peanuts. He is a partner in Boston Peanut Company. Mr. Fulford is a member of the board of the Jefferson County Farm Bureau where he currently serves as president. Mr. Fulford is a director of the Florida Peanut Producers Association and Chairman of the Farm Service Agency County Committee for Jefferson County.

Jacob Gilmore is the Vice President of Finance and Purchasing for Gilmore, a family business that has operated for sixty-seven years. The business was founded as a moving and storage company and has expanded to include records storage, document shredding/destruction and imaging services. This has been his principal occupation for the past five years. He is part owner-operator of Gizmo Angus Farm, a 100-head cow/calf herd of registered Angus cattle kept on 450 acres of pasture. Mr. Gilmore previously served on the state leadership board of EscaRosa Young Farmers and Ranchers Committee and currently serves on the board of the Escambia County 4-H Foundation and is a member of the Escambia County Farm Bureau. Mr. Gilmore ended his term of service on the Farm Credit of Northwest Florida Board of Directors in 2024.

Dana Powell, CPA, is an outside director with over twenty years of experience in public accounting. She has practiced with Law, Redd, Crona & Munroe, P.A. in Tallahassee, Florida since 2003, providing auditing, consulting and tax services to government, non-profit organizations, and private sector industries. This has been her principal occupation for the past five years.

R. Allen Scheffer is a beekeeper from Graceville, Florida. From 2007 until 2022, Mr. Scheffer worked with the Florida Farm Bureau as a District Field Representative. In 2022, he left the Farm Bureau to pursue farming full time. Since 2022, agriculture has been his primary occupation, preceded by his employment with Florida Farm Bureau. Mr. Scheffer has owned and operated Smiley B. Farms, LLC, where he has 500 bee hives, a 50-head cattle operation, and 80 acres of perennial peanuts. Mr. Scheffer is a graduate of Troy University with a Bachelor's Degree in Business/Marketing. He serves as a Board Member for the Washington County Farm Bureau and is a past Board Member of the Jackson County Cattlemen's Association.

Glen Strange is the owner/operator of Panhandle Growers, Inc., a 300-acre nursery operation serving landscapers and developers in southeastern states. This has been his principal occupation for the past five years. He is also the owner of North Florida Palms, a 100-acre family-operated palm tree farm, and prior owner of Coldwater Transport, a trucking company that delivered landscaping materials for Panhandle Growers, Inc. Mr. Strange is a member of the Florida Nursery, Growers and Landscape Association and the Alabama Nursery and Landscape Association. Mr. Strange is Chairman of the Compensation Committee and a member of the AgFirst Legislative Advisory Committee.

Michael Thompson currently serves as President of Thompson Brothers Angus Farm, Inc. This has been his principal occupation for the past five years. His farm operation includes 2,000 acres where he produces registered Angus cattle breeding stock as well as 1,000 acres of hay and 900 acres of soybeans, peanuts, and oats. He also provides custom farm-made feed to the livestock industry. Mr. Thompson serves as a director on the board of the Jackson County Farm Bureau. Mr. Thompson is Farm Credit of Northwest Florida's appointed representative to the AgFirst District Nominating Committee.

David Yoder is the Territory Sales Manager for Valent, USA, a crop production firm. This has been his principal occupation for the past five years. His farm operation includes the ownership of Double Oaks Farm where he produces 400 acres of peanuts, corn, and small grains, and maintains a 100-cow beef cattle herd. He is also the past managing partner for Blue Bird Farms, a 1,600-acre family farm that

produces peanuts, Bahia grass, cattle and timber. He is a class II member of the Wedgworth Leadership Institute that focuses on developing leaders for Florida agriculture and natural resources. He is also a member of the Florida Farm Bureau and the Florida Cattlemen's Association.

Subject to approval by the Board, the Association currently may allow directors $1,250 monthly retainer honoraria, with the exception of the outside directors who are allowed $1,500 monthly retainer honoraria. Total compensation paid to directors as a group was $233,750 for 2024. Directors are paid $250 for Board of Directors Committee meetings and $100 for an Association related telephone conference. The Association's designated financial expert may be paid $750 for each board meeting attended. No director received more than $5,000 in non-cash compensation during the year.

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

	Regular Board Meeting	
DIRECTOR	**Days Served**	**Compensation**
D. Mark Fletcher, *Chairman, Outside Director, Financial Expert*	7	$ 18,000
R. Douglas Walker, *Vice Chairman*	8	15,000
Damon Boutwell	8	15,000
Joshua Churchwell	8	15,000
Levi Findley	3	6,250
Ernest C. Fulford	8	15,000
Jacob Gilmore	5	8,750
Dana Powell, *Outside Director*	7	18,000
R. Allen Scheffer	8	15,000
Glen Strange	8	15,000
Michael Thompson	8	15,000
David Yoder	8	15,000
Total		$ 171,000

	Other Official Activities	
DIRECTOR	**Days Served**	**Compensation**
D. Mark Fletcher, *Chairman, Outside Director, Financial Expert*	28	$ 8,100
R. Douglas Walker, *Vice Chairman*	18	4,200
Damon Boutwell	27	7,750
Joshua Churchwell	17	4,900
Levi Findley	6	900
Ernest C. Fulford	12	3,050
Jacob Gilmore	14	5,600
Dana Powell, *Outside Director*	18	4,200
R. Allen Scheffer	19	6,250
Glen Strange	21	6,600
Michael Thompson	19	5,900
David Yoder	22	5,300
Total		$ 62,750

The following tables report the compensation that directors received for serving on committees. These amounts are included in the table above reporting Other Official Activities.

	Loan Committee
DIRECTOR	**Compensation**
R. Douglas Walker, *Chairman*	$ 2,000
Joshua Churchwell	1,500
Levi Findley	500
Ernest C. Fulford	1,750
Jacob Gilmore	250
Michael Thompson	2,000
Total	$ 8,000

	Compensation Committee
DIRECTOR	**Compensation**
Glen Strange, *Chairman*	$ 1,350
Joshua Churchwell	500
Jacob Gilmore	850
R. Allen Scheffer	1,350
Total	$ 4,050

DIRECTOR		Audit Committee Compensation
Damon Boutwell, *Chairman*	$	2,150
D. Mark Fletcher, *Financial Expert*		2,150
Dana Powell		2,050
David Yoder		2,150
Total	$	8,500

Name of Director	Committee Assignments
D. Mark Fletcher, *Chairman, Outside Director, Financial Expert*	Audit, Executive
R. Douglas Walker, *Vice Chairman*	Loan, Executive
Damon Boutwell	Audit, Executive
Joshua Churchwell	Compensation
Levi Findley	Loan
Ernest Fulford	Loan
Jacob Gilmore	Compensation
Dana Powell, *Outside Director*	Audit
R. Allen Scheffer	Compensation
Glen Strange	Compensation, Executive
Michael Thompson	Loan
David Yoder	Audit

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 expense policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence, and other related expenses for all directors as a group was $62,554 for 2024, $97,428 for 2023, and $59,954 for 2022.

Transactions with Senior Officers and Directors

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

Involvement in Certain Legal Proceedings

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

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors, Elliott Davis, LLC, on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees incurred by the Association for services rendered by its independent auditors for the year ended December 31, 2024, were as follows:

		2024
Independent Auditors		
Elliott Davis, LLC		
Audit services	$	57,250
Total	$	57,250

Audit fees were for the annual audit of the consolidated financial statements.

Consolidated Financial Statements

The consolidated financial statements, together with the report thereon of Elliott Davis, LLC dated March 11, 2025, and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-850-526-4910 or writing Abby Todd, Chief Financial Officer, Farm Credit of Northwest Florida, P.O. Box 7000, Marianna, Florida 32447, or accessing the website, ***www.farmcredit-fl.com***.

The Association prepares an electronic version of the Annual Report that is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Report to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

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

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

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

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

Shareholder Investment

Shareholder investment in the Association may be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or the Bank). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by accessing the AgFirst's website at ***www.agfirst.com***. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Report to shareholders within 90 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

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

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

Elliott Davis, LLC (Elliott Davis), the Association's independent auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with Elliott Davis the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*.

The Committee discussed with Elliott Davis its independence from the Association. The Committee determined there were no non-audit services provided by Elliott Davis.

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

/s/ Damon A. Boutwell
Chairman of the Audit Committee

Members of Audit Committee

Damon Boutwell
D. Mark Fletcher
Dana Powell
David Yoder

March 11, 2025

elliott davis

Independent Auditor's Report

Audit Committee of the Board of Directors
Farm Credit of Northwest Florida, ACA

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements, Continued

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

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

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

Greenville, South Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Loans	**$ 417,254**	$ 390,933	$ 354,384
Allowance for credit losses on loans	**(1,475)**	(1,174)	(4,980)
Net loans	**415,779**	389,759	349,404
Loans held for sale	**—**	131	—
Accrued interest receivable	**4,401**	4,065	2,846
Equity investments in other Farm Credit institutions	**6,541**	5,974	4,268
Premises and equipment, net	**1,769**	1,882	1,733
Other property owned	**—**	—	14
Accounts receivable	**3,181**	3,266	2,720
Other assets	**76**	131	114
Total assets	**$ 431,747**	$ 405,208	$ 361,099
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 325,304**	$ 300,170	$ 264,071
Accrued interest payable	**1,168**	1,161	831
Patronage refunds payable	**4,491**	4,443	4,039
Accounts payable	**752**	785	705
Advanced conditional payments	**287**	1,327	15
Other liabilities	**1,941**	2,031	2,309
Total liabilities	**333,943**	309,917	271,970
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**1,547**	1,495	1,444
Retained earnings			
Allocated	**36,420**	36,420	36,420
Unallocated	**59,837**	57,376	51,265
Total members' equity	**97,804**	95,291	89,129
Total liabilities and members' equity	**$ 431,747**	$ 405,208	$ 361,099

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Interest Income			
Loans	**$ 25,885**	$ 22,460	$ 16,570
Other	**9**	3	5
Total interest income	**25,894**	22,463	16,575
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	**12,706**	10,929	6,858
Other	**31**	82	23
Total interest expense	**12,737**	11,011	6,881
Net interest income	**13,157**	11,452	9,694
Provision for (reversal of) allowance for credit losses	**303**	(552)	(192)
Net interest income after provision for (reversal of) allowance for credit losses	**12,854**	12,004	9,886
Noninterest Income			
Loan fees	**148**	111	79
Fees for financially related services	**1**	9	26
Patronage refunds from other Farm Credit institutions	**3,069**	3,108	3,983
Gains (losses) on sales of rural home loans, net	**275**	127	434
Gains (losses) on sales of premises and equipment, net	**(1)**	(1)	24
Gains (losses) on other transactions	**(1)**	1	(6)
Insurance Fund refunds	**96**	—	—
Other noninterest income	**42**	49	47
Total noninterest income	**3,629**	3,404	4,587
Noninterest Expense			
Salaries and employee benefits	**5,701**	5,572	5,114
Occupancy and equipment	**246**	243	231
Insurance Fund premiums	**298**	487	467
Purchased services	**1,698**	487	487
Data processing	**182**	173	152
Other operating expenses	**1,444**	1,358	1,099
(Gains) losses on other property owned, net	**(2)**	2	(41)
Total noninterest expense	**9,567**	8,322	7,509
Income before income taxes	**6,916**	7,086	6,964
Provision for income taxes	**5**	12	4
Net income	**$ 6,911**	$ 7,074	$ 6,960
Other comprehensive income	**—**	—	—
Comprehensive income	**$ 6,911**	$ 7,074	$ 6,960

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2021	$ 1,393	$ 36,420	$ 48,654	$ 86,467
Comprehensive income			6,960	6,960
Capital stock/participation certificates issued/(retired), net	51			51
Patronage distribution				
Cash			(4,000)	(4,000)
Patronage distribution adjustment			(349)	(349)
Balance at December 31, 2022	$ 1,444	$ 36,420	$ 51,265	$ 89,129
Cumulative effect of change in accounting principle			3,437	3,437
Comprehensive income			7,074	7,074
Capital stock/participation certificates issued/(retired), net	51			51
Patronage distribution				
Cash			(4,400)	(4,400)
Balance at December 31, 2023	$ 1,495	$ 36,420	$ 57,376	$ 95,291
Comprehensive income			**6,911**	**6,911**
Capital stock/participation certificates issued/(retired), net	**52**			**52**
Patronage distribution				
Cash			**(4,450)**	**(4,450)**
Balance at December 31, 2024	**$ 1,547**	**$ 36,420**	**$ 59,837**	**$ 97,804**

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 6,911**	$ 7,074	$ 6,960
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**142**	167	166
Amortization (accretion) of net deferred loan costs (fees)	**(125)**	(17)	(32)
Provision for (reversal of) allowance for credit losses	**303**	(552)	(192)
(Gains) losses on other property owned	**(2)**	2	(44)
(Gains) losses on sales of premises and equipment, net	**1**	1	(24)
(Gains) losses on sales of rural home loans, net	**(275)**	(127)	(434)
(Gains) losses on other transactions	**1**	(1)	6
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(12,079)**	(6,156)	(17,181)
Proceeds from sales of loans held for sale, net	**12,485**	6,152	18,118
(Increase) decrease in accrued interest receivable	**(336)**	(1,219)	(460)
(Increase) decrease in accounts receivable	**85**	(546)	2,847
(Increase) decrease in other assets	**55**	(17)	(12)
Increase (decrease) in accrued interest payable	**7**	330	337
Increase (decrease) in accounts payable	**(33)**	80	195
Increase (decrease) in other liabilities	**(139)**	(338)	314
Total adjustments	**90**	(2,241)	3,604
Net cash provided by (used in) operating activities	**7,001**	4,833	10,564
Cash flows from investing activities:			
Net (increase) decrease in loans	**(26,149)**	(36,287)	(35,549)
(Increase) decrease in equity investments in other Farm Credit institutions	**(567)**	(1,706)	(1,336)
Purchases of premises and equipment	**(29)**	(317)	(65)
Proceeds from sales of premises and equipment	**—**	—	24
Proceeds from sales of other property owned	**—**	11	65
Net cash provided by (used in) investing activities	**(26,745)**	(38,299)	(36,861)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**25,134**	36,099	33,095
Net increase (decrease) in advanced conditional payments	**(1,040)**	1,312	(129)
Capital stock and participation certificates issued/(retired), net	**52**	51	51
Patronage refunds and dividends paid	**(4,402)**	(3,996)	(6,720)
Net cash provided by (used in) financing activities	**19,744**	33,466	26,297
Net increase (decrease) in cash	**—**	—	—
Cash, beginning of period	**—**	—	—
Cash, end of period	**$ —**	$ —	$ —
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ —**	$ —	$ 14
Estimated cash dividends or patronage distributions declared or payable	**4,450**	4,400	4,000
Cumulative effect of change in accounting principle	**—**	3,437	—
Supplemental information:			
Interest paid	**$ 12,730**	$ 10,681	$ 6,544

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** Farm Credit of Northwest Florida, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Jefferson, Leon, Liberty, Madison, Okaloosa, Santa Rosa, Taylor, Wakulla, Walton, and Washington in the state of Florida.

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

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

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

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

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

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

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

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

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. Prior to January 1, 2024, the costs of these support services were primarily included in the interest expense of the Direct Note. After January 1, 2024, the fees charged by the Bank for these support

services are included in the Association's noninterest expense or in some cases billed directly to certain Associations that use a specific service.

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

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

Note 2 — Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Nonaccrual Loans

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

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current

as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

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

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

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

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

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

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

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

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

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

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

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

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

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

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

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

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

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

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

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

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

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

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

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

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 Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

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

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

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

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

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

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

Multiemployer Defined Benefit Plans
Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 — Loans and Allowance for Credit Losses

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

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

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

A summary of loans outstanding at period end follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Real estate mortgage	$ 282,268	$ 273,532	$ 251,739
Production and intermediate-term	73,368	64,553	59,557
Agribusiness:			
Loans to cooperatives	2,111	2,110	1,693
Processing and marketing	24,935	15,492	13,539
Farm-related business	5,349	5,565	5,101
Rural infrastructure:			
Communication	6,437	6,747	4,411
Power and water/waste disposal	4,107	6,388	–
Rural residential real estate	17,266	15,504	16,691
Other:			
International	1,413	1,042	1,653
Total loans	$ 417,254	$ 390,933	$ 354,384

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

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised

value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

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

	December 31, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 20,935	$ 64,974	$ –	$	$ 20,935	$ 64,974
Production and intermediate-term	10,130	9,099			10,130	9,099
Agribusiness	29,482	–	–	–	29,482	–
Rural infrastructure	10,566	–	–	–	10,566	–
Other	1,415	–	–	–	1,415	–
Total	$ 72,528	$ 74,073	$	$	$ 72,528	$ 74,073

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 19,257	$ 72,562	$ –	$	$ 19,257	$ 72,562
Production and intermediate-term	8,627	5,444			8,627	5,444
Agribusiness	19,993	–	–	–	19,993	–
Rural infrastructure	13,157	–	–	–	13,157	–
Other	1,045	–	–	–	1,045	–
Total	$ 62,079	$ 78,006	$	$	$ 62,079	$ 78,006

	December 31, 2022					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 13,229	$ 64,028	$ –	$	$ 13,229	$ 64,028
Production and intermediate-term	6,016	15,336			6,016	15,336
Agribusiness	15,358	–	–	–	15,358	–
Rural infrastructure	4,425	–	–	–	4,425	–
Other	1,656	–	–	–	1,656	–
Total	$ 40,684	$ 79,364	$	$	$ 40,684	$ 79,364

Loan Quality

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

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

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

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

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

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

	December 31,		
	2024	**2023**	**2022***
Real estate mortgage:			
Acceptable	98.82%	99.01%	97.50%
OAEM	0.59	0.46	0.12
Substandard/doubtful/loss	0.59	0.53	2.38
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	95.04%	96.69%	98.22%
OAEM	1.84	2.52	0.47
Substandard/doubtful/loss	3.12	0.79	1.31
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	93.77%	100.00%	100.00%
OAEM	5.76	–	–
Substandard/doubtful/loss	0.47	–	–
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	99.71%	99.59%	99.41%
OAEM	–	–	–
Substandard/doubtful/loss	0.29	0.41	0.59
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	97.83%	98.74%	97.89%
OAEM	1.17	0.74	0.17
Substandard/doubtful/loss	1.00	0.52	1.94
	100.00%	100.00%	100.00%

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

Accrued interest receivable on loans of $4,401, $4,065, and $2,846 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	December 31, 2024				
	30 Through 89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	$ 545	$ 7	$ 552	$ 281,716	$ 282,268
Production and intermediate-term	82	–	82	73,286	73,368
Agribusiness	–	–	–	32,395	32,395
Rural infrastructure	–	–	–	10,544	10,544
Rural residential real estate	142	–	142	17,124	17,266
Other	–	–	–	1,413	1,413
Total	$ 769	$ 7	$ 776	$ 416,478	$ 417,254

	December 31, 2023				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 1,860	$ –	$ 1,860	$ 271,672	$ 273,532
Production and intermediate-term	4	–	4	64,549	64,553
Agribusiness	–	–	–	23,167	23,167
Rural infrastructure	–	–	–	13,135	13,135
Rural residential real estate	–	–	–	15,504	15,504
Other	–	–	–	1,042	1,042
Total	$ 1,864	$ –	$ 1,864	$ 389,069	$ 390,933

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

	December 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 875	$ –	$ 875	$ 252,843	$ 253,718
Production and intermediate-term	78	1	79	60,205	60,284
Agribusiness	–	–	–	20,407	20,407
Rural infrastructure	–	–	–	4,417	4,417
Rural residential real estate	102	20	122	16,613	16,735
Other	–	–	–	1,669	1,669
Total	$ 1,055	$ 21	$ 1,076	$ 356,154	$ 357,230

Accruing loans greater than 90 days past due as of December 31, 2024 and 2022 were $7 and $21, respectively, and there were none for December 31, 2023.

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 ended December 31, 2024. There were no nonaccrual loans as of December 31, 2023. Interest income recognized on nonaccrual loans during the year ended December 31, 2023 was $211.

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Production and intermediate-term	$ –	$ 42	$ 42	$ 29
Total	$ –	$ 42	$ 42	$ 29

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

	December 31, 2022			Year Ended December 31, 2022	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Production and intermediate-term	$ 25	$ 25	$ 5	$ 34	$ 4
Total	$ 25	$ 25	$ 5	$ 34	$ 4
With no related allowance for credit losses:					
Real estate mortgage	$ 990	$ 1,007	$ –	$ 1,344	$ 154
Production and intermediate-term	246	283	–	334	38
Rural residential real estate	20	68	–	27	3
Total	$ 1,256	$ 1,358	$ –	$ 1,705	$ 195
Total impaired loans:					
Real estate mortgage	$ 990	$ 1,007	$ –	$ 1,344	$ 154
Production and intermediate-term	271	308	5	368	42
Rural residential real estate	20	68	–	27	3
Total	$ 1,281	$ 1,383	$ 5	$ 1,739	$ 199

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

	Total Nonaccrual
Real estate mortgage	$ 53
Production and intermediate-term	130
Rural residential real estate	20
Total	$ 203

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	$ 680	$ 357	$ 67	$ 14	$ 55	$ 1	$ 1,174
Charge-offs	(1)	(18)	–	–	–	–	(19)
Recoveries	59	6	2	–	–	–	67
Provision for credit losses on loans	64	164	20	1	4	–	253
Balance at December 31, 2024	$ 802	$ 509	$ 89	$ 15	$ 59	$ 1	$ 1,475
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	$ 5	$ 65	$ 24	$ 1	$ 1	$ 2	$ 98
Provision for unfunded commitments	3	38	(4)	3	11	(1)	50
Balance at December 31, 2024	$ 8	$ 103	$ 20	$ 4	$ 12	$ 1	$ 148
Total allowance for credit losses	$ 810	$ 612	$ 109	$ 19	$ 71	$ 2	$ 1,623
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	$ 3,536	$ 840	$ 285	$ 62	$ 234	$ 23	$ 4,980
Cumulative effect of a change in accounting principle	(2,538)	(467)	(232)	(58)	(147)	(21)	(3,463)
Balance at January 1, 2023	$ 998	$ 373	$ 53	$ 4	$ 87	$ 2	$ 1,517
Charge-offs	–	(6)	–	–	–	–	(6)
Recoveries	58	193	1	–	–	–	252
Provision for credit losses on loans	(376)	(203)	13	10	(32)	(1)	(589)
Balance at December 31, 2023	$ 680	$ 357	$ 67	$ 14	$ 55	$ 1	$ 1,174
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ 4	$ 18	$ 13	$ –	$ –	$ –	$ 35
Cumulative effect of a change in accounting principle	3	13	9	–	–	1	26
Balance at January 1, 2023	$ 7	$ 31	$ 22	$ –	$ –	$ 1	$ 61
Provision for unfunded commitments	(2)	34	2	1	1	1	37
Balance at December 31, 2023	$ 5	$ 65	$ 24	$ 1	$ 1	$ 2	$ 98
Total allowance for credit losses	$ 685	$ 422	$ 91	$ 15	$ 56	$ 3	$ 1,272

The ACL increased $351 or 27.59 percent due to loan growth, downgrades on probabilities of default for some borrowers, and an increase in unfunded commitments due to an increase of lines of credit to borrowers.

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Activity related to the allowance for loan losses:							
Balance at December 31, 2021	$ 3,504	$ 971	$ 239	$ –	$ 238	$ 16	$ 4,968
Charge-offs	(143)	(7)	–	–	–	–	(150)
Recoveries	250	103	1	–	–	–	354
Provision for loan losses	(75)	(227)	45	62	(4)	7	(192)
Balance at December 31, 2022	$ 3,536	$ 840	$ 285	$ 62	$ 234	$ 23	$ 4,980
Allowance on loans evaluated for impairment:							
Individually	$ –	$ 5	$ –	$ –	$ –	$ –	$ 5
Collectively	3,536	835	285	62	234	23	4,975
Balance at December 31, 2022	$ 3,536	$ 840	$ 285	$ 62	$ 234	$ 23	$ 4,980
Recorded investment in loans evaluated for impairment:							
Individually	$ 990	$ 271	$ –	$ –	$ 20	$ –	$ 1,281
Collectively	252,728	60,013	20,407	4,417	16,715	1,669	355,949
Balance at December 31, 2022	$ 253,718	$ 60,284	$ 20,407	$ 4,417	$ 16,735	$ 1,669	$ 357,230

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain government sponsored enterprises, 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 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 $28,017, $21,219, and $9,985 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled $40 for 2024 and $13 for 2023. For 2022, these fees totaled less than $1. These amounts are classified as noninterest expense.

Loans held for sale were $0, $131, and $0 at December 31, 2024, 2023, and 2022, respectively. Such loans are carried at the lower of cost or fair value.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Troubled Debt Restructurings

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

There were no new TDRs that occurred during the year ended December 31, 2022. There were no TDRs that occurred during the previous twelve months 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.

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

	December 31, 2022*	
	Total TDRs	Nonaccrual TDRs
Real estate mortgage	$ 990	$ 53
Production and intermediate-term	153	12
Total loans	$ 1,143	$ 65
Additional commitments to lend	$ –	

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

Note 4 — Investments

Equity Investments in Other Farm Credit Institutions

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as required by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled $5,973 for 2024, $5,421 for 2023 and $3,707 for 2022. The Association owned 1.06 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024, net of any reciprocal investment. As of that date, the Bank's assets totaled $47.0 billion and shareholders' equity totaled $1.7 billion. The Bank's earnings were $283 million for 2024. In addition, the Association had investments related to other Farm Credit Institutions of $568 for 2024, $553 for 2023 and $561 for 2022.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2024	2023	2022
Land	$ 811	$ 811	$ 559
Buildings and improvements	2,840	2,837	2,820
Furniture and equipment	1,583	1,554	1,501
	5,234	5,202	4,880
Less: accumulated depreciation	3,465	3,320	3,147
Total	$ 1,769	$ 1,882	$ 1,733

Note 6 — Debt

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

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

	December 31,		
	2024	2023	2022
Line of credit	$ 347,000	$ 327,000	$ 303,000
Outstanding principal under the line of credit	325,304	300,170	264,071
Interest rate	4.14%	3.91%	2.84%

Note 7 — Members' Equity

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

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

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

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

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

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

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

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

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio (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 and the Association's capital ratios as of December 31, 2024, 2023, and 2022:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	22.10%	23.00%	23.72%
Tier 1 Capital	6.0%	2.5%	8.5%	22.10%	23.00%	23.72%
Total Capital	8.0%	2.5%	10.5%	22.48%	23.31%	24.97%
Permanent Capital	7.0%	0.0%	7.0%	22.18%	23.06%	24.02%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	22.40%	23.27%	24.49%
URE and UREE Leverage	1.5%	0.0%	1.5%	22.04%	22.89%	24.08%

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

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

D. **Description of Equities:** The Association is authorized to issue or have outstanding Classes A and D Preferred Stock, Classes A, B, and C Common Stock, Classes B and C Participation Certificates, and such other classes of equity as may be provided for in amendments to the Bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

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

Class	Protected	Shares Outstanding: Number	Aggregate Par Value
C Common/Voting	No	261,915	$ 1,309
C Participation Certificates/Nonvoting	No	47,549	238
Total Capital Stock and Participation Certificates		309,464	$ 1,547

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

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the Bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

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

At December 31, 2024, allocated members' equity consisted of $36,420 of nonqualified retained surplus.

Dividends

The Association may declare noncumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 20 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Classes A or D Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividend paid on Classes A, B, or C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B, or C Common Stock and participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Patronage Distributions

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

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

Transfer

Classes A and D Preferred Stocks, Classes A, B, and C Common Stocks, and Classes B and C Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

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

1. Class C Common Stock and Class C Participation Certificates
2. Classes A and B Common Stock and Class B Participation Certificates

3. Classes A and D Preferred Stock

Liquidation

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

1. Classes A and D Preferred Stock
2. Classes A, B and C Common Stock, and Classes B and C Participation Certificates
3. Holders of allocated surplus evidenced by qualified written notices of allocation
4. Holders of allocated surplus evidenced by nonqualified written notices of allocation
5. All unallocated surplus issued after January 1, 1995, shall be distributed to past and present Patrons on a patronage basis
6. Any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates

Note 8 — Fair Value Measurement

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

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

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 8	$ –	$ –	$ 8
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ –	$ –
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 11	$ –	$ –	$ 11
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ –	$ –
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 10	$ –	$ –	$ 10
Nonrecurring assets				
Impaired loans*	$ –	$ –	$ 20	$ 20
Other property owned	$ –	$ –	$ 16	$ 16

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

Valuation Techniques

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

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

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

Note 9 — Employee Benefit Plans

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

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

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

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

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $154 for 2024, $159 for 2023, and $158 for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP Plan was $9,765, $33,660, and $32,568, 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 Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were $103 for 2024, $104 for 2023, and $103 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,643, $160,980, and $167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to

the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $331, $320, and $301 for the years ended December 31, 2024, 2023, and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

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

Note 10 — Related Party Transactions

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

Total loans to such persons at December 31, 2024 amounted to $7,760. During 2024, $1,536 of new loans were made and repayments totaled $2,415. In addition, net loans of $565 were no longer classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

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

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

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

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, $57,072 of commitments to extend credit and $100 of commercial letters of credit were outstanding. A reserve for unfunded commitments of $148 was included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2024.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled $124 with expiration dates ranging from January 1, 2025 to January 1, 2027. The maximum potential amount of future payments that may be required under these guarantees was $124.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ 7	$ 10	$ 3
State	(2)	2	1
	5	12	4
Deferred:			
Federal	–	–	–
State	–	–	–
	–	–	–
Total provision (benefit) for income taxes	$ 5	$ 12	$ 4

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

	December 31,		
	2024	2023	2022
Federal tax at statutory rate	$ 1,452	$ 1,488	$ 1,462
State tax, net	1	2	–
Patronage distributions	(560)	(545)	(840)
Tax-exempt FLCA earnings	(935)	(924)	(531)
Change in valuation allowance	57	(49)	(110)
Deferred tax rate change	–	–	–
Other	(10)	40	23
Provision (benefit) for income taxes	$ 5	$ 12	$ 4

Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for credit losses on loans	$ 151	$ 104	$ 209
Net operating loss – carryforward	545	545	584
Loan origination fees	–	–	–
Nonaccrual loan interest	–	1	19
Valuation allowance on other property owned	–	–	–
Gross deferred tax assets	696	650	812
Less: valuation allowance	(601)	(544)	(703)
Gross deferred tax assets, net of valuation allowance	95	106	109
Deferred income tax liabilities:	(95)	(106)	(109)
Gross deferred tax liability	–	–	–
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately $56 of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of $601, $544 and $703 as of December 31, 2024, 2023 and 2022, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

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

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

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2024				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,227	$ 3,183	$ 3,336	$ 3,411	$ 13,157
Provision for (reversal of) allowance for credit losses	187	193	(61)	(16)	303
Noninterest income (expense), net	(1,450)	(1,340)	(1,622)	(1,531)	(5,943)
Net income	$ 1,590	$ 1,650	$ 1,775	$ 1,896	$ 6,911

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,702	$ 2,928	$ 2,902	$ 2,920	$ 11,452
Provision for (reversal of) allowance for credit losses	64	(103)	(524)	11	(552)
Noninterest income (expense), net	(1,275)	(1,131)	(1,247)	(1,277)	(4,930)
Net income	$ 1,363	$ 1,900	$ 2,179	$ 1,632	$ 7,074

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 2,245	$ 2,348	$ 2,483	$ 2,618	$ 9,694
Provision for (reversal of) allowance for loan losses	–	–	(192)	–	(192)
Noninterest income (expense), net	(988)	(1,050)	(1,105)	217	(2,926)
Net income	$ 1,257	$ 1,298	$ 1,570	$ 2,835	$ 6,960

Note 14 — Subsequent Events

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

---

[i] Forecast - UCF College of Business, business.ucf.edu/wp-content/uploads/sites/4/2024/12/FALL-2024-UCF_FLMetro_Forecast-WEBV2.pdf. Accessed 21 Feb. 2025.

Farm Credit
OF NORTHWEST FLORIDA

P.O. Box 7000 | Marianna, FL 32447-7000

Prsrt Std
U.S. Postage
PAID
Columbia, SC
Permit 1160

16003

2024 FARM CREDIT OF NORTHWEST FLORIDA ANNUAL REPORT