



Southwest Georgia Farm Credit, ACA

2024 ANNUAL REPORT

President’s Message.....	2
Report of Management	3
Consolidated Five-Year Summary of Selected Financial Data.....	4
Management’s Discussion & Analysis of Financial Condition & Results of Operations	5-19
Disclosure Required by Farm Credit Administration Regulations	20-26
Report of the Audit Committee	27
Report of Independent Auditors	28-29
Consolidated Financial Statements	30-33
Notes to the Consolidated Financial Statements.....	34-58

Management

Paxton W. Poitevint.....	Chief Executive Officer
Patrick N. Deen.....	Chief Credit Officer
Ryan G. Burt.....	Chief Financial Officer
Liz M. Nogowski.....	Chief Marketing Officer
Allison H. Godwin.....	Director of Human Resources-Corporate Secretary

Board of Directors

James H. Dixon, Jr.....	Chairman
Rex LaDon Durham.....	Vice Chairman
William A. Bell, III.....	Director
John M. Bridges, Jr.	Director
Lee N. Bush.	Director
Roland E. Cohen.....	Director
George T. Harrison, Jr.	Director
Edward D. Milliron.....	Director

President's Message

From Paxton W. Poitevint

As we reflect on the past year, it is clear our agricultural community has faced significant challenges. The continued rise of input costs, lower commodity prices, the absence of a new Farm Bill, and limited USDA farm safety net payments have tested our resilience and adaptability. Despite these hurdles, Southwest Georgia Farm Credit has remained steadfast in our commitment to support our farmers and landowners, and to ensure the sustainability of our agricultural economy in southwest Georgia.

Turbulent times require strategic financial management, a strong desire to compete in the marketplace, and a willingness to go the extra mile to help our members survive and thrive. Like our customers, Southwest Georgia Farm Credit has been tested with rising costs, especially those associated with technology, and limited growth opportunities due to slowing loan demand within the production sector. Therefore, we recognized the need to create efficiency through effective expense management to enhance profitability and once again deliver value to our member owners. We also successfully increased the Association's capital position, further strengthening our balance sheet and affording us the ability to navigate such times of uncertainty.

We recognize the cyclical complexities of agriculture need not translate to a complex lending environment. Our goal each day has been to create a streamlined approach to lending, one that focuses on excellent communication and the kind of expertise you have come to expect from this Association. With that, Southwest Georgia Farm Credit is deeply committed to serving young, beginning, and small (YBS) farmers in our territory. The Association works diligently to address their unique needs and challenges, providing the resources they need to establish and grow their agricultural operations. The Association's unwavering dedication to fostering the next generation of farmers and supporting agricultural enterprises underscores Southwest Georgia Farm Credit's mission to strengthen and sustain the rural communities we serve.

We remain confident in our ability to meet the credit needs of farmers, landowners, and homeowners in our territory. On behalf of our Board of Directors and our Southwest Georgia Farm Credit team, thank you for putting your trust in us.

Paxton W. Poitevint
President and Chief Executive Officer

March 11, 2025

Report of Management

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

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, the financial records are reliable as the basis for the preparation of all financial statements, and 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 Southwest Georgia Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ James H. Dixon, Jr.
Chairman of the Board

/s/ Paxton W. Poitevint
President and Chief Executive Officer

/s/ Ryan G. Burt
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	December 31,				
	2024	2023	2022	2021	2020
Balance Sheet Data					
Cash	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Investments in debt securities	3,852	3,990	4,231	4,354	4,470
Loans	654,917	684,781	686,295	609,993	540,105
Allowance for credit losses on loans	(3,519)	(3,922)	(4,294)	(4,622)	(4,959)
Net loans	651,398	680,859	682,001	605,371	535,146
Equity investments in other Farm Credit institutions	20,681	18,862	15,432	11,972	13,529
Other property owned	1,535	31	77	78	694
Other assets	23,440	26,074	21,051	26,206	24,358
Total assets	\$ 700,908	\$ 729,818	\$ 722,794	\$ 647,983	\$ 578,199
Notes payable to AgFirst Farm Credit Bank*	\$ 551,551	\$ 585,237	\$ 585,138	\$ 522,972	\$ 463,934
Accrued interest payable and other liabilities with maturities of less than one year	14,096	16,319	17,078	13,929	16,068
Total liabilities	565,647	601,556	602,216	536,901	480,002
Capital stock and participation certificates	1,624	1,605	1,605	1,616	1,567
Retained earnings					
Allocated	9,707	9,707	9,707	9,707	9,707
Unallocated	123,930	116,950	109,266	99,759	86,923
Total members' equity	135,261	128,262	120,578	111,082	98,197
Total liabilities and members' equity	\$ 700,908	\$ 729,818	\$ 722,794	\$ 647,983	\$ 578,199
Statement of Income Data					
Net interest income	\$ 18,424	\$ 17,883	\$ 16,147	\$ 14,807	\$ 13,074
Provision for (reversal of) allowance for credit losses	1,183	(11)	(339)	(323)	947
Noninterest income (expense), net	(4,038)	(4,030)	929	4,740	3,618
Net income	\$ 13,203	\$ 13,864	\$ 17,415	\$ 19,870	\$ 15,745
Key Financial Ratios					
Rate of return on average:					
Total assets	1.95%	1.93%	2.60%	3.28%	2.80%
Total members' equity	9.83%	10.82%	14.88%	19.04%	16.52%
Net interest income as a percentage of					
average earning assets	2.87%	2.60%	2.49%	2.54%	2.44%
Net (chargeoffs) recoveries to average loans	(0.236)%	(0.028)%	0.002%	(0.002)%	(0.075)%
Total members' equity to total assets	19.30%	17.57%	16.68%	17.14%	16.98%
Debt to members' equity (:1)	4.18	4.69	4.99	4.83	4.89
Allowance for credit losses to loans	0.54%	0.57%	0.63%	0.76%	0.92%
Permanent capital ratio	17.95%	16.84%	15.68%	15.60%	15.47%
Common equity tier 1 capital ratio	17.79%	16.73%	15.57%	15.47%	15.34%
Tier 1 capital ratio	17.79%	16.73%	15.57%	15.47%	15.34%
Total regulatory capital ratio	18.75%	17.49%	16.36%	16.40%	16.16%
Tier 1 leverage ratio**	16.33%	15.39%	14.78%	14.49%	14.21%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	16.09%	15.16%	14.55%	15.88%	15.84%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 6,115	\$ 6,692	\$ 6,836	\$ 7,017	\$ 7,654

* 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 Southwest Georgia Farm Credit, (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 Southwest Georgia. 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, swgafarmcredit.com, or by calling 229-246-0384, or writing Keri Reynolds 305 Colquitt Hwy Bainbridge GA 39817. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

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

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

AGRICULTURAL OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

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

The ACL comprises:

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

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

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

ECONOMIC CONDITIONS

The economy in Southwest Georgia is made up of a multitude of varying industries – ranging from large industrial companies to farms and farm businesses, to small, family-owned operations. The Association's portfolio is impacted by two key economic factors: the local unemployment rate and the strength of the agricultural industry.

Unemployment rates have the greatest impact on the small and part-time farming sectors of the Association's portfolio. Essentially, these sectors of the portfolio have a larger dependence on non-farm income and are influenced to a greater extent by the general economy. The unemployment rate for 2024 yearend in Georgia is estimated to be 3.7%, while the U.S. unemployment rate is estimated at 4.1%. Unemployment rates for both Georgia and the U.S. are projected to increase slightly.

Agriculture and Agri-business are the single largest industries in Georgia, which is indicative to our LSA. According to the 2024 farm income and expense, estimates released by the USDA's Economic Research Service, the U.S. and Georgia farm sectors have had a decrease of 4.1% in net farm income from 2023. The decrease in net farm income is due to increases in expenses, decreases in government program support, and lower commodity prices. The forecast for farm income in 2025 is uncertain and will depend greatly on several geopolitical factors such as a new farm build, tariffs, and monetary policy. Farm asset values continue to show little to no change. A significant amount of the loan demand in agriculture will come from the utilization of existing operating lines of credit and increases in operating needs.

Planted acreage for Georgia will remain primarily in peanuts, corn, and cotton. The overall strength of the 2025 agricultural industry will depend greatly on production yield and production cost management as market prices are only expected to remain relatively consistent with prices at yearend.

The forecast below is provided by the UGA College of Agricultural and Environmental Sciences as part of the 2025 Georgia Ag Forecast.

Inputs and Production Expenditures

- U.S. farm production expenditures declined by a moderate 4.1% in 2024 compared to 2023, but remained elevated relative to recent decades, totaling \$453.9 billion.
- Forecasted U.S. farm production expenses for 2024 show increases in labor, livestock/poultry purchases, and property taxes/fees, along with reductions in feed purchases, fertilizer, pesticides, and fuel/oil.

Poultry (Broilers)

- The outlook in 2025 for the Georgia broiler industry is one of cautious optimism.
- The significant risk is whether production growth will overshoot demand and cause prices to fall.

Beef Cattle

- The 2025 outlook for the beef cattle sector is positive with low supplies meeting high demand to create elevated prices.
- In the near term, the higher risk appears to be beef demand—because of likely high beef prices and ample animal protein competition in the year ahead.
- Herd rebuilding indicators should be watched carefully as the cattle cycle may be approaching its next low in 2025.

Dairy

- The Georgia dairy forecast for 2025 is steady to positive.
- Key uncertainties come from the balance of supply and demand and potential federal order reform.
- Highly pathogenic avian influenza (HPAI) and export risks may also play a role in the year ahead.

Cotton

- Cotton prices are anticipated to stay low in 2025, driven by sluggish global economic growth, declining consumer demand, and rising trade uncertainty.
- U.S. cotton acreage and production are likely to remain at current low levels in 2025 because of relatively weaker price expectations compared to competing crops.
- Cotton production in 2025 is expected to face limited opportunities for profitability recovery, constrained by high input costs and low prices.

Peanuts

- Peanut-planted acres in the United States and Georgia are expected to remain steady at current levels in 2025.
- Forward contract prices in Georgia are projected to decline, with an estimated seasonal price range of \$475–\$525 per ton.
- Peanut profitability is anticipated to remain a significant challenge for producers in 2025.

Corn, Soybeans, and Wheat

- Tight margins are expected to continue in 2025 for corn, soybeans, and wheat with commodity prices likely near or below the breakeven cost of production.
- Bountiful grain and oilseed production, combined with a strong U.S. dollar and uncertain trade policy, leads to expectations for lower prices in 2025.
- Expect more acres planted to corn, fewer acres planted to soybeans, and wheat plantings comparable to last year.

Fruits and Tree Nuts

- Blueberries will continue to lead the Georgia fruits and tree nuts industry in 2025 and subsequent years despite the damage from Hurricane Helene, which is expected to reduce production and yields.
- The Georgia pecan industry will take several years to recover from the effects of Hurricane Helene, and this natural shortage will keep prices strong.
- Overall, consumer and grower price indexes will remain strong in 2025.

Timber

- Demand for softwood lumber and structural panels is expected to remain under pressure as single-family housing starts face challenges, including elevated mortgage rates, high house prices, and rising construction costs.
- In southern Georgia counties impacted by Hurricane Helene, pulpwood prices are expected to stay low through most of 2025 as mills continue to process salvaged timber.
- Affected areas may experience rising pine sawtimber prices in 2025 because of an inventory shortage.

LOAN PORTFOLIO

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

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

Loan Type	December 31,					
	2024		2023		2022	
	<i>(dollars in thousands)</i>					
Real estate mortgage	\$ 350,720	53.55 %	\$ 386,942	56.50 %	\$ 386,934	55.63 %
Production and intermediate-term	170,411	26.02	164,037	23.95	176,837	25.42
Loans to cooperatives	2,224	.34	2,247	.33	1,765	.25
Processing and marketing	76,837	11.73	77,976	11.39	82,003	11.79
Farm-related business	25,815	3.94	25,928	3.79	26,092	3.75
Communication	14,990	2.29	13,733	2.01	10,166	1.46
Power and water/waste disposal	7,188	1.10	7,327	1.07	4,282	.62
Rural residential real estate	2,410	.37	2,463	.36	2,574	.37
International	2,405	.37	1,930	.28	2,736	.39
Lease Receivables	1,917	.29	2,198	.32	2,150	.32
Total	\$ 654,917	100.00 %	\$ 684,781	100.00 %	\$ 695,539	100.00 %

While we make loans and provide financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, our loan portfolio is diversified.

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 timber, cotton, landlords, peanuts, fruits & nuts, row crops, farm supply and services, and livestock which constitute 82 percent of the entire portfolio at December 31, 2024.

Commodity Group	December 31,					
	2024		2023		2022	
	<i>(dollars in thousands)</i>					
Timber	\$ 150,379	23%	\$ 150,652	22%	\$ 155,830	22%
Cotton	86,144	13	95,869	14	99,555	14
Landlords	90,229	14	102,717	15	109,441	16
Peanuts	76,287	12	68,478	10	68,157	10
Fruit & Nut	47,249	7	47,935	7	50,700	7
Poultry	26,561	4	27,391	4	27,947	4
Farm Supply & Services	42,943	7	47,935	7	38,968	6
Livestock	28,946	4	34,239	5	31,538	5
Dairy	26,419	4	27,391	4	21,307	3
Vegetables	13,794	2	13,696	2	15,739	2
Row Crops	32,149	5	34,239	5	36,641	5
Rural Home	2,707	1	5,136	1	2,971	1
Horticulture	4,571	1	8,560	1	6,175	1
Other	26,539	3	20,543	3	30,570	4
Total	\$ 654,917	100%	\$ 684,781	100%	\$ 695,539	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 concentration of timber, cotton, landlords, poultry, peanut, and livestock producers. Although a large percentage of the loan portfolio is concentrated in these enterprises, many of these operations are diversified within their enterprise and/or with crop production that reduces overall risk exposure. Within the timber commodity group there are significant numbers of less than full time timber producers. As such, the risk in this group is more diversified than appears from the nominal percentage. Even though the concentration of large loans has increased over the past several years, the agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diversity of enterprises in the Association's territory.

In 2024 the Association continued to focus on leveraging capital and strengthening the earning position.

The long-term volume has been trending downward over the last several years while the short and intermediate-term loan volume is trending upward. The short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak balance in August and rapidly declines in the fall months as our primary agriculture commodities are converted to cash which is used to repay the debt.

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

Loan Participations:	December 31,		
	2024	2023	2022
	<i>(dollars in thousands)</i>		
Participations Purchased			
– FCS Institutions	\$ 193,932	\$ 175,550	\$ 159,601
Participations Purchased			
– Non-FCS Institutions	–	–	9,999
Participations Sold	(292,848)	(237,539)	(259,369)
Total	\$ (98,916)	\$ (61,989)	\$ (89,769)

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 \$2.8, \$4.6, and \$9.7, 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 \$85.1, \$85.7, and \$48.5, respectively.

MISSION RELATED INVESTMENTS

During 2005, the FCA initiated an investment program to stimulate economic growth and development in rural areas. The FCA outlined a program to allow System institutions to hold such investments, subject to approval by the FCA on a case-by-case basis. FCA approved the Rural America Bonds pilot program under the Mission Related Investments umbrella, as described below.

In October 2005, the FCA authorized AgFirst and the Association to make investments in Rural America Bonds. Rural America Bonds may include debt obligations issued by public and private enterprises, corporations, cooperatives, other financing institutions, or rural lenders where the proceeds would be used to support agriculture, agribusiness, rural housing, or economic development, infrastructure, or community development and revitalization projects in rural areas. Examples include investments that fund value-added food and fiber processors and marketers, agribusinesses, commercial enterprises that create and maintain employment opportunities in rural areas, community services, such as schools, hospitals, and government facilities, and other activities that sustain or revitalize rural communities and their economies. The objective of this pilot program is to help meet the growing and diverse financing needs of agricultural enterprises, agribusinesses, and rural communities by providing a flexible flow of money to rural areas through bond financing. These bonds are classified as Loans or Investment Securities on the Consolidated Balance Sheets depending on the nature of the investment. As of December 31, 2024, 2023, and 2022, the Association had \$7,998, \$8,371, and \$8,833, respectively, in Rural America Bonds.

Mission Related Investments	December 31,		
	2024	2023	2022
	<i>(dollars in thousands)</i>		
Loans	\$ 4,146	\$ 4,382	4,602
Investment Securities	3,852	3,989	4,231
Total	<u>\$ 7,998</u>	<u>\$ 8,371</u>	<u>\$ 8,833</u>

Effective December 31, 2022, the FCA concluded each pilot program approved as part of the Investment in Rural America program. Each institution participating in such programs may continue to hold its investment through the maturity dates for the investments, provided the institution continues to meet all approval conditions. Although the pilot programs are concluding, the FCA can consider future requests on a case-by-case basis.

INVESTMENT SECURITIES

As permitted under FCA regulations, the Association is authorized to hold eligible investments for the purposes of reducing interest rate risk and managing surplus short-term funds. The Bank is responsible for approving the investment policies and activities of the Association. The Bank annually reviews the investment portfolio of every Association that it funds. Currently the Association holds no asset backed securities on its balance sheet.

CREDIT RISK MANAGEMENT

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

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

The credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower’s ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loan originations of more than 250 thousand. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

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

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.

- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

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

Credit Quality	2024	2023	2022
Acceptable & OAEM	96.80%	98.75%	98.53%
Substandard	3.20%	1.25%	1.47%
Doubtful	–%	–%	–%
Loss	–%	–%	–%
Total	100%	100%	100%

Nonperforming Assets

The Association’s loan portfolio is divided into performing and high-risk categories. A Special Assets Management Department is responsible for servicing loans classified as high-risk. 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:

High-risk Assets	December 31,		
	2024	2023	2022
	<i>(dollars in thousands)</i>		
Nonaccrual loans	\$ 9,809	\$ 5,865	\$ 9,718
Restructured loans	–	–	1,223
Accruing loans 90 days past due	–	–	–
Total Non-Performing Loans	9,809	5,865	10,941
Total high-risk loans	9,809	5,865	10,941
Other property owned	1,535	31	77
Total high-risk assets	\$ 11,344	\$ 5,896	\$ 11,018
Ratios			
Nonaccrual loans to total loans	1.50%	.86%	1.42%
High-risk assets to total assets	1.62%	.81%	1.52%

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 \$9,809 compared to \$5,865 and \$9,718 at December 31, 2023 and 2022, respectively. Nonaccrual loans increased \$3,944 or 67 percent during 2024 primarily due to current economic conditions and commodity pricing as well as the transfer of one large loan relationship to nonaccrual status. Of the \$9,809 in nonaccrual volume at December 31, 2024, \$987 or 10.06 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 a \$3,853 decrease or 39.65 percent and a \$5,460 increase or 128 percent at December 31, 2023 and 2022, respectively.

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 \$3,519, \$3,922, and \$4,294 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	\$ 3,922	\$ 4,294	\$ 4,622
Cumulative effect of a change in accounting principle			
Charge-offs:			
Agribusiness	(1,308)	–	(9)
Production and Intermediate-term	(232)	(224)	(11)
Real Estate mortgage	(17)	–	(27)
Total charge-offs	(1,557)	(224)	(47)
Recoveries:			
Real Estate mortgage	27	7	13
Production and Intermediate-term	27	28	45
Total recoveries	54	35	58
Net (charge-offs) recoveries	(1,503)	(189)	11
Provision for (reversal of) credit losses on loans	1,100	(183)	(339)
Allowance for credit losses on loans – ending balance	\$ 3,519	\$ 3,922	\$ 4,294
Allowance for unfunded commitments – beginning balance	\$ 375	\$ 655	\$ 607
Cumulative effect of a change in accounting principle		(409)	
Provision for (reversal of) unfunded commitments*	83	129	48
Allowance for unfunded commitments – ending balance	\$ 458	\$ 375	\$ 655
Total allowance for credit losses	\$ 3,977	\$ 4,297	\$ 4,949

*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	.54%	.57%	.63%
Allowance for credit losses on loans to nonaccrual loans	35.88%	66.87%	44.19%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(.236)%	(.028)%	.002%

The net loan recoveries were primarily associated with several bankruptcy payments and settlements during the year.

Provisions to the allowance for loan losses were made to the general reserve after the allowance analysis and review of economic indicators.

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 \$13,203 for the year ended December 31, 2024, a decrease of \$661 from 2023. Net income of \$13,864 for the year ended December 31, 2023 was a decrease of \$(3,551) from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31,	
	2024	2023
Net income (for prior year)	\$ 13,864	\$ 17,415
Increase (decrease) due to:		
Total interest income	113	9,761
Total interest expense	(428)	8,025
Net interest income	541	1,736
Provision for credit losses	1,194	328
Noninterest income	1,748	(4,677)
Noninterest expense	1,741	312
[Provision for income taxes]	15	(30)
Total increase (decrease) in net income	(661)	(3,551)
Net income	\$ 13,203	\$ 13,864

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 \$1,977 for the year ended December 31, 2023.

Net Interest Income

Net interest income was \$18,424, \$17,883, and \$16,147 in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

	Change in Net Interest Income:			
	Volume*	Rate	Nonaccrual Income	Total
12/31/24 - 12/31/23				
Interest income	\$ (2,737)	\$ 2,850	\$ -	\$ 113
Interest expense	(1,811)	1,383	-	(428)
Change in net interest income	\$ (926)	\$ 1,467	\$ -	\$ 541
12/31/23 - 12/31/22				
Interest income	\$ 1,865	\$ 7,896	\$ -	\$ 9,761
Interest expense	947	7,078	-	8,025
Change in net interest income	\$ 918	\$ 818	\$ -	\$ 1,736

* 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 due to a decline in rates is primarily due to the change in Direct Note rate discussed above.

Noninterest Income

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

	For the Year Ended			Percentage Increase/(Decrease)	
	December 31,			2024/	2023/
	2024	2023	2022	2023	2022
	<i>(dollars in thousands)</i>				
Loan fees	\$ 831	\$ 735	\$ 1,050	13.06 %	(30.00)%
Fees for financially related services	13	8	75	62.50	(89.33)
Patronage refund from other Farm Credit Institutions	8,833	7,701	11,745	14.70	(34.43)
Gains (losses) on sales of rural home loans, net	-	-	-	-	-
Gains (losses) on sales of premises and equipment, net	9	(5)	47	(280.00)	(110.64)
Gains (losses) on sales of investment securities	42	(219)	(42)	(119.18)	421.43
Other than temporary impairment	-	-	-	-	-
Insurance Fund refund	200	-	-	-	-
Other noninterest income	52	12	34	333.33	(64.71)
Total noninterest income	\$ 9,980	\$ 8,232	\$ 12,909	21.23 %	(36.23)%

Patronage refund from other Farm Credit Institutions experienced steady decreases over the last several years due to a reduction in the AgFirst special Patronage. The Insurance refund was \$200 for 2024 and \$0 for 2023 and 2022.

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			Percentage Increase/(Decrease)	
	December 31,			2024/	2023/
	2024	2023	2022	2023	2022
	<i>(dollars in thousands)</i>				
Salaries and employee benefits	\$ 6,751	\$ 7,583	\$ 7,248	(10.97)%	4.62 %
Postretirement benefits (Note 2 and 9)		—	—		—
Occupancy and equipment	721	573	500	25.83	14.60
Insurance Fund premiums	518	1,020	1,059	(49.22)	(3.68)
(Gains) Losses on other property owned, net	69	6	33	1050.00	(81.82)
Other operating expenses	5,959	3,095	3,125	92.54	(.96)
Total noninterest expense	\$ 14,018	\$ 12,277	\$ 11,965	14.18 %	2.61%

Purchased services increased in 2024 when compared to the prior year primarily as the result of the Direct Note rate change discussed above. Additionally, beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of \$637 for the year ended December 31, 2024.

Insurance Fund premiums decreased significantly in 2024 to 10 basis points from the 18 basis point premium in 2023 and the 20 basis point premium in 2022. In addition there is a continued 10 basis point premium on the average principal outstanding of nonaccrual loans and any other-than-temporarily impaired investments.

Income Taxes

The Association recorded no provision for the year ended December 31, 2024, as compared to a benefit of \$(15) for 2023 and a provision of \$15 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	12/31/23	12/31/22
Return on average assets	1.95%	1.93%	2.60%
Return on average members’ equity	9.83%	10.82%	14.88%
Net interest income as a percentage of average earning assets	2.87%	2.60%	2.49%
Net (charge-offs) recoveries To average loans	(.236)%	(.028)%	.002%

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. To meet this goal the Association must attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our 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 \$551,551 as compared to \$585,237 at December 31, 2023 and \$585,138 at December 31, 2022. The decrease of \$33,686 or 5.76 percent compared to December 31, 2023 was primarily attributable to the decrease

in loan volume and rates. The increase of \$99 compared to December 31, 2022 was primarily attributable to the increase in loan volume. The average volume of outstanding notes payable to the Bank was \$535,461, \$581,596, and \$546,618 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, investments, and other secondary market programs 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, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

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

Relationship with the Bank

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

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

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

CAPITAL RESOURCES

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

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

Total members' equity at December 31, 2024, was \$135,261, an increase of \$6,999 or 5.46 percent from a total of \$128,262 at December 31, 2023. At December 31, 2023, total members' equity increased \$7,684 or 6.37 percent from \$120,578 at December 31, 2022. During 2024 the Association experienced a decrease in net income from the reduction in average loan volume and rising interest rates. Special Patronage Distributions in 2022 helped to increase member's equity. The Association did not benefit from a large special patronage distribution in 2024 or 2023.

Total capital stock and participation certificates were \$1,624 on December 31, 2024, compared to \$1,605 on December 31, 2023 and \$1,606 on December 31, 2022. The trend is attributed to the purchase of protected stock and participation certificates on new loans in the normal course of business.

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		
				2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.5%	7.0%	17.79%	16.73%	15.57%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	17.79%	16.73%	15.57%
Total Capital Ratio	8.0%	2.5%	10.5%	18.75%	17.49%	16.36%
Permanent Capital Ratio	7.0%	–%	7.0%	17.95%	16.84%	15.68%
Non-risk-adjusted:						
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	16.33%	15.39%	14.78%
UREE Leverage Ratio	1.5%	–%	1.5%	16.09%	15.16%	14.55%

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

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association’s Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association’s Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members’ Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of \$6,115 in 2024, \$6,992 in 2023, and \$6,836 in 2022.

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

Southwest Georgia Farm Credit focuses on offering education, training, mentoring and sponsorship of young, beginning and small-scale producers in order to serve their credit and related needs. The definitions of young, beginning and small farmers and ranchers follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher or producer or harvester of aquatic products who normally generates less than \$350,000 in annual gross sales of agricultural or aquatic products.

Mission Statement

To be the preeminent young, beginning and small farmer lender throughout Southwest Georgia by providing a competitive source of financing and offering programs designed to meet the needs of such applicants to the fullest extent of their credit worthiness.

Board Policy to Complete Mission Statement

The Southwest Georgia Farm Credit Board of Directors understands the importance of the development, education and financial success of young, beginning and small farmers, ranchers or harvesters of aquatic products is essential to the future of the Association, as well as the future of agriculture and the local economies in our territory. Therefore, in order to accomplish our YBS mission, it is imperative that we develop, execute, and evaluate a program that targets this specific group of borrowers.

There are several components to this plan, which include advertising, educational opportunities, scholarships and community events, as well as outreach via social media. We also value and leverage a strong relationship with FSA.

The following table outlines the Association’s 2024 results:

YBS Category	Number	Principal	Undisbursed Commitment	Current Commitment
Young Only	87	21,440,249.77	10,370,148.55	31,810,398.32
Beginning Only	77	32,102,342.28	4,650,961.93	36,753,304.21
Small only	416	44,436,364.00	3,592,719.72	48,029,083.72
Young and beginning	131	26,710,222.98	10,123,238.45	36,833,461.43
Young and Small	13	1,822,098.52	25,495.00	1,847,593.52
Beginning and Small	477	89,437,702.03	838,387.40	90,276,089.43
Young, Beginning, and small	194	28,201,513.00	95,303.76	28,296,816.76
NON YBS	1,311	410,779,391.76	116,757,443.62	527,536,835.38
Grand Total by YBS Category	2,706	654,929,884.34	146,453,698.43	801,383,582.77

The 2017 USDA Ag Census data has been used as a benchmark to measure penetration of the Association’s marketing efforts. The census data indicated that within the Association’s chartered territory (counties), there were 4,259 reported number of farms, with 1,456 having debt. Census data suggests that the total number of young and small farmers has seen modest gains since 2012, while the number of beginning farmers has risen as a percentage of the total Census. Since 2002, the percentage of small and young farmers has dropped significantly, perhaps signaling the increase in the number of larger farms.

In 2024, the Association planned, executed, and evaluated the following tactics put in place to accomplish YBS goals:

Marketing/Business Development

- Relationship Building and Networking – Through the Association’s territory, the organization focuses on developing personal relationships with producers, as well as with organizations that support opportunities for young, beginning, and small scale producers. The Association sponsors, and advocates for, agricultural education and training, through programs like FFA and 4-H and Young Farmers groups.
- The Association’s website serves as a source of information for YBS farmers to find resources for YBS farmers related to educational opportunities, programs and services.
- The Association’s magazines provides regular updates on training and education offered by the Association and other local resources. It also serves as a source of information for the Association, and the Farm Credit System, and its commitment to serve young, beginning, and small-scale farmers.
- The Association uses its social media platforms to promote young farmer activities throughout the territory, as well as to educate about programs and services, such as those offered through FSA.

Credit/Underwriting/Guarantees

- Southwest Georgia Farm Credit does have a Beginning Farmer Program in conjunction with USDA (Farm Service Agency, “FSA”). This program allows for as little as 5% down payment and financing from FSA and Farm Credit of 45% and 50% respectively. FSA financing is for 20 years with fixed interest rates as low as 1.5% and Farm Credit provides financing for 30 years (FSA requirement) with fixed rates at 1.50% over Cost of Funds supported by a 95% FSA Guarantee (FSA fees waived). The FSA FO loan is subordinate to the Farm Credit loan. While this program is available to all Beginning Farmers (less than 10 years’ experience), the majority of applicants will also meet the “Young” and “Small” definition. The Association understands and embraces the importance of these farmers to the longevity, and continued success, of the Association.
- Loan Guarantees – Risk within the Young, Beginning and Small Farms is mitigated through the use of FSA Guarantees. The Association encourages the use of FSA Guarantees in all categories of its portfolio but most particularly within its Young, Beginning and Small Farmer portfolio as evidenced by the level of guarantees overall and the new guarantees issued each year. In addition to the standard FSA guarantee and the Beginning Farmer guarantee (referenced above), the Association also promotes the 50/50 FSA Guarantee, a financing option in which FSA provides 50% of the financing through a Farm Ownership loan and Farm Credit provides the other 50% of financing, with an FSA 90% guarantee. The FSA FO loan is subordinate to the Farm Credit loan.

Education/Outreach

- Young Farmers Association Chapters – Within the Association’s territory and statewide, the Association supports young farmer education and events, as well as the statewide convention.
- Fresh from the Farm – The Association offers a mini-grant program for ag producers and farmers’ markets in the Association’s territory, providing funding for marketing and advertising of their operations.

- The Association, on an annual basis, sponsors a farm family to attend TEPAP, The Executive Program for Agricultural Producers. The focus of this education is on managing personnel, evaluating new market opportunities, negotiating mergers and acquisitions and adapting to regulatory and technology changes.
- Sponsorship of FFA and 4-H events throughout the Association's territory and statewide continues to be a priority.
- Scholarships to colleges and universities - The Association, in conjunction with the other Farm Credit associations in the state, are committed to supporting ag education at the college level. The Association also offered five scholarships to deserving high school seniors in the Association's territory, who are interested in pursuing a career in agriculture or who want to return to support the quality of life in our rural communities.
- Sunbelt Ag Expo – The Association works with other Farm Credit associations to sponsor a special dinner for young farmers and provide educational opportunities at this event, which is the premier farm show in the southeast.
- Through its podcast, Make It Yours, the Association focused on offering tips on how to work with a lender for young, beginning and small farmers.
- The Association participates in area career fairs, promoting the diversity of careers available in the agriculture industry.
- The Association sponsored and promoted a webinar with Dr. David Kohl specific to YBS producers.
- The Association promotes the AgBiz YBS site, part of the AgFirst Farm Credit Bank's district efforts to provide valuable resources to YBS borrowers.

REGULATORY MATTERS

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

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

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

Disclosure Required by Farm Credit Administration Regulations

(In whole dollars)

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 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 & Analysis of Financial Condition and Results of Operations” included in this Annual Report.

Unincorporated Business Entities

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

<u>Entity Name</u>	<u>Entity Type</u>	<u>Equity Purpose</u>
PW PropCo Holdings LLC	LLC	Manage Acquired Property

Description of Property

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

<u>Location</u>	<u>Description</u>	<u>Form of Ownership</u>
305 Colquitt Highway Bainbridge	Administrative Office	Owned
40 E. Broad Street Camilla	Office	Owned
1037 E. Forsyth Street Americus	Office	Owned
937 Forrester Drive, SE Dawson	Office	Owned
301 W. Jackson Street Thomasville	Land	Owned*
1215 E. Jackson Street Thomasville	Office	Owned**
14 Court Square Blakely	Office	Leased***

**The Thomasville Land at 301 W. Jackson Street was purchased in 2022 with the intention of building a future office building. However, the Association purchased the Thomasville Office located at 1215 E. Jackson Street in 2023 and put the Thomasville Land on the market to sell. On August 8, 2024, this land was sold and is no longer owned by the Association.*

***A law firm rents a portion of the building at our Thomasville Office location.*

****The Blakely facility is leased by the Association. Lease payments are \$400 per month.*

Legal Proceedings

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

Description of Liabilities

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

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

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

Senior Officers

The following represents certain information regarding the senior officers of the Association:

Senior Officer	Position
Paxton Poitevint	President/Chief Executive Officer
Patrick Deen	Chief Credit Officer
Ryan Burt	Chief Financial Officer
Liz Nogowski	Chief Marketing Officer
Allison Godwin	Director of Human Resources-Corporate Secretary

Paxton Poitevint, President/Chief Executive Officer:

Paxton Poitevint has served Southwest Georgia Farm Credit for 20 years. Prior to being appointed as the Association’s Chief Executive Officer, Mr. Poitevint served in several different capacities including Chief Operating Officer, Chief Relationship Manager, Director of Capital Markets, Director of Special Assets and Director of Marketing. Prior to joining Farm Credit, Mr. Poitevint worked as a Financial Analyst in the textile industry. Mr. Poitevint earned a bachelor’s degree in finance from the University of Georgia and a MBA from Georgia State University. He is also a graduate of the Graduate School of Banking at Louisiana State University.

Patrick Deen, Chief Credit Officer:

Patrick Deen is a 20-year veteran of the Farm Credit System. Prior to being appointed Chief Credit Officer of Southwest Georgia Farm Credit, Mr. Deen served as Director of Credit Administration & Capital Markets and was responsible for the day-to-day management of the Association’s Capital Markets portfolio, including both purchased and sold loan participations, as well as overall leadership, vision and direction for the Association’s enterprise-wide risk management framework. Mr. Deen began his career with Farm Credit in 2004 as a loan officer and has also served Southwest Georgia Farm Credit in various Analyst roles, including Special Assets Senior Analyst. Mr. Deen holds a bachelor’s degree with a major in accounting from Valdosta State University.

Ryan Burt, Chief Financial Officer:

Ryan Burt has served Southwest Georgia Farm Credit for 20 years. As CFO, he is responsible for financial accounting, reporting, technology infrastructures, internal controls, and operations for the organization. He also serves as the Association’s Standards of Conduct Officer. Previously, he served as the Association’s Director of Credit Administration. Mr. Burt received a Master of Business Administration from Troy University in 2008 and graduated from the ABA Stonier Graduate School of Banking in partnership with Wharton in 2015.

Liz Nogowski, Chief Marketing Officer:

Liz Nogowski has served Southwest Georgia Farm Credit for 18 years. She currently manages the Association’s Business Development and Marketing. Ms. Nogowski earned a bachelor’s degree in journalism, with a minor in political science, from Southern Connecticut State University, New Haven, CT. Prior to joining Southwest Georgia Farm Credit, Ms. Nogowski served as the Director of Marketing for the St. Joe Land Company, Florida’s largest private landowner at the time, and Director of Public Relations and hospital spokesperson for Tallahassee Memorial HealthCare.

Allison Godwin, Director of Human Resources-Corporate Secretary:

Allison Godwin has served Southwest Georgia Farm Credit for 26 years. She is responsible for day-to-day management of the Association’s human resources function and duties, including, but not limited to, departmental development, employee relations, payroll and benefits administration, compensation, training, diversity and inclusion, recruitment and on-boarding, performance management, annual staff meetings, and employee assistance programs. In addition, Ms. Godwin serves as the Corporate Secretary. Previously, she spent time as Assistant Controller in the Finance and Operations Department. Ms. Godwin holds a Bachelor of Business Administration in accounting from the University of Georgia.

Compensation Discussion and Analysis – Senior Officers

A critical factor to the Association’s success is its ability to attract, develop, and retain staff that are knowledgeable and efficient in their ability to support the Association in the execution of its strategic objectives and delivery of results that maximize value to the stockholders. This objective holds particularly true for the Association’s Chief Executive Officer (CEO) and senior officers. The Association employs a compensation program that focuses on the performance and contributions of its employees in achieving the Association’s financial and

operational objectives, all for the ultimate benefit of its stockholder/members. The Association’s Board of Directors, through its Compensation Committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the Association’s evaluation and establishment of salary and incentive plans used by the Association.

Chief Executive Officer (CEO) Compensation Policy

The CEO’s salary is set by the Board, through its Compensation Committee, using the compensation market data of independent third-party specialists, as well as peer comparisons for CEOs of similar sized Farm Credit associations, as a guideline to determine a fair and competitive salary. Factors considered by the Compensation Committee and Board in determining the final established compensation amounts for the CEO include personal performance evaluation, Association performance relative to goals established in the annual business plan, profitability, credit quality and administration, ability to pay patronage to members, and overall abilities exhibited by the CEO. The CEO’s incentive bonus is determined at the discretion of the Compensation Committee and the Board, and is currently included in the Employee Profit Sharing Plan which all employees, except Relationship Managers, participate in.

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

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value ^(a)	Per/Other ^(b)	Total ^(c)
Paxton W. Poitevint	2024	\$ 313,635	\$ –	\$ –	\$ –	\$ 11,648	\$ 325,283
Paxton W. Poitevint	2023	\$ 313,635	\$ 62,727	\$ 5,587	\$ –	\$ 11,074	\$ 393,023
Paxton W. Poitevint	2022	\$ 304,500	\$ 103,530	\$ 10,134	\$ –	\$ 10,056	\$ 428,220
6 ^(d)	2024	\$ 874,893	\$ 177,430	\$ 2,858	\$ –	\$ 32,489	\$ 1,087,670
6 ^(e)	2023	\$ 920,318	\$ 264,350	\$ –	\$ 955,096	\$ 86,338	\$ 2,226,102
6 ^(f)	2022	\$ 919,657	\$ 372,294	\$ 4,468	\$ (907,116)	\$ 26,576	\$ 415,879

(a) The changes in pension values as reflected in the table above resulted primarily from an additional year of benefit accrual, changes in the actuarial assumptions for mortality, discount rate, and the present value adjustment for any withdrawals from the plan.

(b) Amounts in the above table classified as Perquisites/Other include group life insurance premiums and automobile compensation. Perquisites/Other also includes the payment of accrued annual leave upon retirement to one senior officer.

(c) 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.

(d) The 2024 figures include 4 senior officers and 2 incentive-based employees meeting the definition of “highly compensated”.

(e) The 2023 figures include 5 senior officers and 1 incentive-based employee meeting the definition of “highly compensated”. The five senior officers include one senior officer who retired at the end of November 2023.

(f) The 2022 figures include 5 senior officers and 1 incentive-based employee meeting the definition of “highly compensated”.

See further discussion in Note 9, Employee Benefit Plans, of the Financial Statements.

The table below provides information on Pension Benefits provided to the CEO, senior officers, and other highly compensated employees as a group.

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
Senior Officers and Highly Compensated Employees:					
1 Officer, excluding the CEO, & 1 Highly Compensated Employee	2024	AgFirst Retirement Plan	27.54	\$ 1,606,055	\$ –
				\$ 1,606,055	\$ –

Current CEO, Paxton Poitevint, does not participate in the AgFirst Retirement Plan.

Additional information can be found in Note 9 of the Notes to the Combined Financial Statements of Southwest Georgia Farm Credit, ACA and District Associations’ Annual Reports.

Employees hired prior to January 1, 2003, participate in the AgFirst Farm Credit Retirement Plan. Employees are eligible to retire and begin drawing unreduced pension benefits at age 65 or when years of credited service plus age equal “85” once age 55 is reached. Upon retirement, annual payout is equal to 2 percent of the highest three years average compensation times years of credited service, subject

to the Internal Revenue Code limitations. For purposes of determining the payout, “average compensation” is defined as regular salary (i.e., does not include incentive awards compensation). At the election of the retiree, benefits are paid based upon various annuity terms or on a lump sum basis. Benefits under the plan are not subject to an offset for Social Security.

Employees hired on or after January 1, 2003, but prior to November 4, 2014, previously participated in the AgFirst Farm Credit Cash Balance Retirement Plan. Benefit accruals in the plan were frozen as of December 31, 2014, at which time active participants were fully vested regardless of years of credited service. The plan was terminated effective as of December 31, 2015, was submitted to the Internal Revenue Service for review and received a favorable determination letter from the Internal Revenue Service. Benefits in the plan were distributed to plan participants during March 2017.

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. As a result of the termination of the Credit Cash Balance Retirement Plan, beginning January 1, 2015, employees hired on or after January 1, 2003, also receive an employer nonelective contribution equal to 3 percent of employee compensation, subject to the Internal Revenue Code limitation on compensation.

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

In addition to a base salary, certain employees may earn additional compensation under employee performance and profit-sharing plans. Credit quality goals, the payment of dividend distributions to the Association’s membership, and Association profit goals established in the incentive plan must be met before any incentive is paid. Employee profit sharing and incentives are shown in the year earned, which may be different than the year paid. Profits distributed under the Employee Performance and the Employee Profit Sharing Plans are paid in the first quarter of the year following the fiscal year in which they are earned. The Association’s compensation plans are designed to motivate employees and to help the Association meet and exceed the organizational objectives and financial goals, without taking undue risk.

Distributions under the Employee Profit Sharing Plan are awarded when the profits generated meet or exceed the targets set by management and have been approved by the Board.

Incentives earned under the Discretionary Incentive Plan will be paid the first pay period following approval. Discretionary incentives may be recommended at any time by any member of the management team, including supervisors of one or more employees, on the behalf of any employee who has demonstrated meritorious performance.

The Association’s Relationship Manager Performance Plan is designed to focus on sales and marketing and recognizes each relationship manager on his or her individual sales goals as set by management. The goals set by management are designed to appropriately emphasize and recognize both quality and profitability of the business development effort. The primary goals include new customer volume, new volume and the quality and profitability of the transactions. The volume goals are set at the level necessary to meet projected financial performance. The two additional goals are: (1) Young, Beginning, and Small Farmer, (2) Sold Volume. Each goal is assigned a separate rate of compensation and is aggregated for a total payment. The Relationship Manager Performance Plan is paid quarterly following the quarter in which they are earned.

Annually, the Compensation Committee (board representation) reviews the compensation plans for approval and funding. All Board Compensation Committee minutes are reviewed by the Board of Directors.

The Board Compensation Committee approved the Employee Performance and Profit-Sharing Plans, Relationship Manager Performance Plan, and Discretionary Incentive Plan on December 15, 2023.

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

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

Directors

Directors and senior officers are reimbursed on an actual cost basis for all reasonable and necessary expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and

other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request. The aggregate amount of reimbursement for travel, subsistence, and other related expenses for all directors as a group was \$100,675 for 2024, \$107,479 for 2023 and \$107,538 for 2022.

Subject to approval by the board, directors are compensated for board meeting attendance and special assignments. Board Members are paid \$700 for attendance at board meetings. The Chairman of the Board receives an additional \$100 per board meeting. Stockholder-elected Directors are paid a retainer fee of \$2,337.50 per quarter. Outside Directors are paid a retainer fee of \$2,750 per quarter. Board Members are paid \$400 for attendance at committee meetings that occur on the same day as Board meetings and \$700 for attendance at committee meetings that occur on a day other than a Board meeting day, with the exception of Audit Committee. Board Members are paid \$800 for attendance at Audit Committee meetings. The Chairman of the Audit Committee receives an additional \$200 per Audit Committee meeting. In addition, directors on the Executive Committee (Chairman and Vice Chairman of the Board) receive a quarterly fee of \$150 for incidental services. Board Members are paid \$200 for officially called board and committee meeting telephone conferences, not requiring travel. Board Members are also paid \$400 per day for special assignments. Expenses incurred in connection with the attendance of the spouse of a director at a compensable function may be reimbursable upon a determination by the Board Chairman that the attendance of the spouse was or will be beneficial to the purpose of the meeting, and such reimbursement will not be reported as compensation. Total compensation paid to directors, as a group was \$241,300 in 2024. No director received any noncash compensation during 2024.

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

Name of Director	Days served		Committee Meetings Attended	Committee Assignments	Comp. Paid
	Regular Board Meetings	Other Official Activities ^(a)			
James H. Dixon, Jr., Chairman	15	22	12	Executive, Steering	\$31,750
Rex LaDon Durham, Vice-Chairman	17	14	20	Audit, Executive, Governance	34,450
William A. Bell, III.	17	13	8	Governance, RIMCO (Risk Management)	26,750
John M. Bridges, Jr.	17	8	18	Audit, Compensation, Governance, Steering	28,950
Lee N. Bush	16	12	16	Audit, Governance, RIMCO (Risk Management)	31,500
R. Eric Cohen	16	17	12	Compensation, Governance, RIMCO (Risk Management)	29,850
George T. Harrison, Jr.	16	12	19	Audit, Compensation, Steering	32,800
Edward D. Milliron	15	9	10	Compensation, Ethics, RIMCO (Risk Management)	25,250
			Total		\$241,300

(a) Other Official Activities include Miscellaneous Committee Meetings, Director Training, FCC Annual Meeting, ACA Annual Meeting.

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

James H. Dixon, Jr., Chairman, is a resident of Camilla in Mitchell County. He is a graduate of the University of Georgia with a bachelor's degree in agricultural economics. Mr. Dixon, who joined the Board in 2011, is a poultry and cattle producer and is presently serving a three-year term which will expire in 2026.

Rex LaDon Durham, Vice-Chairman, is a native of Blakely in Early County. He joined the Board in 2018 and is presently serving a three-year term which will expire in 2027. Mr. Durham is a graduate of Mercer University with a bachelor's degree in accounting. He owns and manages Bluffton Peanut, LLC, a peanut buying point. Mr. Durham also operates a trucking company, Bluffton Freight Company, which primarily provides trucking services to the peanut buying point. He is a licensed grain/seed dealer, and he maintains a beef cattle herd and rents his row crop land to his brother. Mr. Durham serves as a County Commissioner for Early County and serves as a board member and president of the Early County Farm Bureau, an insurance and farm-related services provider.

William A. Bell, III, is a resident of the Climax area in Decatur County. He is a graduate of the University of Georgia with a Bachelor of Science degree in agriculture. Mr. Bell farms in partnership with his brother. Their farm operation includes hay, peanuts, cotton, corn, timber, and cattle. Mr. Bell serves on the board of the Decatur County Farm Bureau and as Treasurer on the board of the American Peanut Grower Group, LLC. He also serves on the Peanut Committee of the Georgia Farm Bureau, as an Advisory Board Member of the Georgia Peanut Commission, and as Vice Chairman of the Decatur County Development Authority. Mr. Bell joined the Board in 2022 and is presently serving a three-year term which will expire in 2025.

John M. Bridges, Jr., is a resident of Brinson in Decatur County. He has farmed for more than 40 years and currently produces cotton, peanuts, sweet corn, and timber. Mr. Bridges is a graduate of the University of Georgia with a degree in animal science. He serves on the boards of the Decatur County Farm Bureau, an insurance and farm-related services provider; and AFG Feeds. Mr. Bridges joined the Board in 2015 and is presently serving a three-year term which will expire in 2026.

Lee N. Bush a resident of Bainbridge in Decatur County, graduated from the University of Alabama in Tuscaloosa with a bachelor’s degree in commerce and business administration. She is a Certified Public Accountant with Arline & Wiggins, CPAs in Brunswick, Georgia where she practices as a Tax Manager. She has extensive experience in annual income tax leveling of agricultural clients including family farming, large crop production, and agribusiness support. Ms. Bush’s 37-year career in public accounting includes tax preparation and audit experience in areas of business, governmental, community bank, and non-profit entities. Ms. Bush is a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Accountants. She serves on the Board of Trustees and as the Chair of the Audit Committee for Epworth by the Sea, and the Administrative Board as the Chair for the Finance Team for Bainbridge First Methodist Church in Bainbridge, Georgia. Ms. Bush joined the Board as an Outside Director in 2020 and is currently serving a three-year term which will expire in 2026.

R. Eric Cohen is a resident of Whigham in Grady County. He is a graduate of the University of Georgia with a Bachelor of Science degree in agricultural economics. Mr. Cohen is a self-employed row crop consultant and a licensed real estate agent with The Wright Group. He is also a pecan producer. Mr. Cohen serves as Chairman of the Board of Grady Electric Membership Corporation. He also serves on the Advisory Board of the University of Georgia’s Leaders in Agriculture and Forestry, and on the Georgia Farmland Conservation Advisory Council. Mr. Cohen joined the Board in 2022 and is presently serving a three-year term which will expire in 2025.

George Thomas Harrison, Jr., is a resident of Thomasville in Thomas County. He is a graduate of Florida State University, with degrees in accounting and finance. He is a Certified Public Accountant and Certified Financial Planner. Mr. Harrison is a partner in the CPA Firm, Lanigan & Associates P.C., where he practices as a tax partner specializing in taxation with special interest in timber, real estate investment and development, and pass through entities. Mr. Harrison’s experience includes working with the accounting and agricultural sectors, specifically pertaining to forest products, farm machinery dealerships, financial planning, and accounting for timber, row crops, peanut and vegetable operations. He also serves as a Past Chairman on the Board of Directors of the Georgia Society of CPAs. Mr. Harrison joined the Board as an Outside Director in 2017. He is presently serving a three-year term which will expire in 2025.

Ted Milliron is a resident of Randolph County and a fifth-generation crop and pecan farmer. He graduated from the University of Georgia with a degree in agricultural economics. Mr. Milliron works together with his wife and their son. Their farm operation includes cotton, peanuts, corn, seed oats, and pecans. Mr. Milliron currently serves on the boards of the Randolph County Board of Assessors and Milliron Farms. Mr. Milliron joined the Board in 2015 and is presently serving a three-year term which will expire in 2027.

Transactions with Senior Officers and Directors

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

Involvement in Certain Legal Proceedings

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

Relationship with Independent Auditors

There were no changes in or material disagreements with our Independent Auditors on any matter of accounting principles or financial statement disclosure during this period.

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

	2024
<i>Independent Auditors</i>	
PricewaterhouseCoopers LLP -	\$ 112,340.04
Audit services	\$ 112,340.04

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

Relationship with Third Party Service Provider

	2024
<i>3rd Party Service Provider</i>	
Harper, Rains, Knight & Company	
Nonaudit services	\$ 160,138.98
Tax services	23,435.00
Total	\$ 183,573.98

Nonaudit services included internal credit reviews, internal operation review, Sarbanes Oxley compliance review and other miscellaneous reviews as needed.

Consolidated Financial Statements

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

Copies of the Association's Annual and unaudited Quarterly Reports are available upon request free of charge by calling 1-229-246-0384 or toll free 1-866-304-3276, or writing Southwest Georgia Farm Credit, ACA, 305 Colquitt Highway, Bainbridge, Georgia 39817, Attention: Chief Financial Officer, or accessing the website, www.swgafarmcredit.com. Annually the Association publishes its annual report on its website when it sends the annual report electronically to the FCA. The Association prepares an electronic version of the Annual Report which is available on the Association's website within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution. Should you have questions concerning the financial reports or any other information contained within this Annual Report please contact the Stockholder Relations Department by calling 1-866-304-3276, extension 1142.

Borrower Information Regulations

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

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

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

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

Shareholder Investment

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

Report of the Audit Committee

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

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

PricewaterhouseCoopers LLP (PwC), the Association's Independent Auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards AU-C 260 and 265 (*The Auditor's Communication With Those Charged With Governance*). The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

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

/s/ G. Tom Harrison, Jr.
Chairman of the Audit Committee

Members of Audit Committee

Rex L. Durham
John M. Bridges
Lee N. Bush

March 11, 2025



Report of Independent Auditors

To the Management and Board of Directors of Southwest Georgia Farm Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes



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

In performing an audit in accordance with US GAAS, we:

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	December 31,		
	2024	2023	2022
Assets			
Cash	\$ 2	\$ 2	\$ 2
Investments in debt securities:			
Held to maturity	3,852	3,990	4,231
Loans	654,917	684,781	686,295
Allowance for credit losses on loans	(3,519)	(3,922)	(4,294)
Net loans	651,398	680,859	682,001
Loans held for sale	—	2,618	—
Accrued interest receivable	10,919	11,242	9,277
Equity investments in other Farm Credit institutions	20,681	18,862	15,432
Premises and equipment, net	3,638	4,075	3,217
Other property owned	1,535	31	77
Accounts receivable	8,561	7,830	8,304
Other assets	322	309	253
Total assets	\$ 700,908	\$ 729,818	\$ 722,794
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 551,551	\$ 585,237	\$ 585,138
Accrued interest payable	1,916	2,175	1,698
Patronage refunds payable	6,300	6,778	6,876
Accounts payable	675	1,234	1,233
Advanced conditional payments	12	—	—
Other liabilities	5,193	6,132	7,271
Total liabilities	565,647	601,556	602,216
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	1,624	1,605	1,605
Retained earnings			
Allocated	9,707	9,707	9,707
Unallocated	123,930	116,950	109,266
Total members' equity	135,261	128,262	120,578
Total liabilities and members' equity	\$ 700,908	\$ 729,818	\$ 722,794

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

Consolidated Statements of Comprehensive Income

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2024	2023	2022
Interest Income			
Loans	\$ 40,590	\$ 40,464	\$ 30,692
Investments	241	254	265
Total interest income	<u>40,831</u>	<u>40,718</u>	<u>30,957</u>
Interest Expense	<u>22,407</u>	<u>22,835</u>	<u>14,810</u>
Net interest income	18,424	17,883	16,147
Provision for (reversal of) allowance for credit losses	1,183	(11)	(339)
Net interest income after provision for (reversal of) allowance for credit losses	<u>17,241</u>	<u>17,894</u>	<u>16,486</u>
Noninterest Income			
Loan fees	831	735	1,050
Fees for financially related services	13	8	75
Patronage refunds from other Farm Credit institutions	8,833	7,701	11,745
Gains (losses) on sales of premises and equipment, net	9	(5)	47
Gains (losses) on other transactions	42	(219)	(42)
Insurance Fund refunds	200	—	—
Other noninterest income	52	12	34
Total noninterest income	<u>9,980</u>	<u>8,232</u>	<u>12,909</u>
Noninterest Expense			
Salaries and employee benefits	6,751	7,583	7,248
Occupancy and equipment	721	573	500
Insurance Fund premiums	518	1,020	1,059
Purchased services	3,398	761	803
Data processing	114	122	119
Other operating expenses	2,447	2,212	2,203
(Gains) losses on other property owned, net	69	6	33
Total noninterest expense	<u>14,018</u>	<u>12,277</u>	<u>11,965</u>
Income before income taxes	13,203	13,849	17,430
Provision (benefit) for income taxes	—	(15)	15
Net income	<u>\$ 13,203</u>	<u>\$ 13,864</u>	<u>\$ 17,415</u>
Other comprehensive income	—	—	—
Comprehensive income	<u>\$ 13,203</u>	<u>\$ 13,864</u>	<u>\$ 17,415</u>

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2021	\$ 1,616	\$ 9,707	\$ 99,759	\$ 111,082
Comprehensive income			17,415	17,415
Capital stock/participation certificates issued/(retired), net	(11)			(11)
Patronage distribution				
Cash			(6,836)	(6,836)
Patronage distribution adjustment			(1,072)	(1,072)
Balance at December 31, 2022	<u>\$ 1,605</u>	<u>\$ 9,707</u>	<u>\$ 109,266</u>	<u>\$ 120,578</u>
Cumulative effect of change in accounting principle			452	452
Comprehensive income			13,864	13,864
Patronage distribution				
Cash			(6,692)	(6,692)
Patronage distribution adjustment			60	60
Balance at December 31, 2023	<u>\$ 1,605</u>	<u>\$ 9,707</u>	<u>\$ 116,950</u>	<u>\$ 128,262</u>
Comprehensive income			13,203	13,203
Capital stock/participation certificates issued/(retired), net	19			19
Patronage distribution				
Cash			(6,115)	(6,115)
Patronage distribution adjustment			(108)	(108)
Balance at December 31, 2024	<u>\$ 1,624</u>	<u>\$ 9,707</u>	<u>\$ 123,930</u>	<u>\$ 135,261</u>

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

Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 13,203	\$ 13,864	\$ 17,415
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	279	272	235
Amortization (accretion) of net deferred loan costs (fees)	(59)	(157)	(115)
Premium amortization (discount accretion) on investments in debt securities	(1)	—	—
Provision for (reversal of) allowance for credit losses	1,183	(11)	(339)
(Gains) losses on other property owned	48	(6)	—
(Gains) losses on sales of premises and equipment, net	(9)	5	(47)
(Gains) losses on sales of rural home loans, net	(4)	—	—
(Gains) losses on other transactions	(42)	219	42
Changes in operating assets and liabilities:			
Origination of loans held for sale	(2,842)	(6,987)	(9,781)
Proceeds from sales of loans held for sale, net	5,464	4,141	9,781
(Increase) decrease in accrued interest receivable	323	(1,965)	(1,678)
(Increase) decrease in accounts receivable	(731)	474	7,075
(Increase) decrease in other assets	(13)	(56)	46
Increase (decrease) in accrued interest payable	(259)	477	720
Increase (decrease) in accounts payable	(559)	1	422
Increase (decrease) in other liabilities	(980)	(851)	2,184
Total adjustments	1,798	(4,444)	8,545
Net cash provided by (used in) operating activities	15,001	9,420	25,960
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	139	241	123
Net (increase) decrease in loans	26,684	1,176	(76,176)
(Increase) decrease in equity investments in other Farm Credit institutions	(1,819)	(3,430)	(3,460)
Purchases of premises and equipment	156	(1,135)	(552)
Proceeds from sales of premises and equipment	12	—	76
Proceeds from sales of other property owned	183	357	1
Net cash provided by (used in) investing activities	25,355	(2,791)	(79,988)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	(33,686)	99	62,166
Net increase (decrease) in advanced conditional payments	12	—	—
Capital stock and participation certificates issued/(retired), net	19	—	(11)
Patronage refunds and dividends paid	(6,701)	(6,728)	(8,127)
Net cash provided by (used in) financing activities	(40,356)	(6,629)	54,028
Net increase (decrease) in cash	—	—	—
Cash, beginning of period	2	2	2
Cash, end of period	\$ 2	\$ 2	\$ 2
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	\$ 1,736	\$ 305	\$ —
Estimated cash dividends or patronage distributions declared or payable	6,115	6,692	6,836
Cumulative effect of change in accounting principle	—	452	—
Supplemental information:			
Interest paid	\$ 22,666	\$ 22,358	\$ 14,090
Taxes (refunded) paid, net	—	—	(15)

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:** Southwest Georgia Farm Credit, ACA (the Association or ACA) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Baker, Calhoun, Chattahoochee, Clay, Decatur, Dougherty, Early, Grady, Lee, Marion, Miller, Mitchell, Quitman, Randolph, Schley, Seminole, Stewart, Sumter, Terrell, Thomas, and Webster in the state of Georgia.

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

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

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

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

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

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

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

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

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. The costs of these support services are included in the cost of the Direct Note, 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.

Investments in Debt Securities

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

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

Other Equity Investments

Any equity securities with a readily determinable fair value are carried at fair value with unrealized gains and losses included in earnings. Equity securities without a readily determinable fair value are carried at cost less any impairment.

The Association holds minority equity interests in a Rural Business Investment Company (RBIC). This investment is carried at cost less any impairment, plus or minus adjustments resulting from any observable price changes.

Allowance for Credit Losses on Investments

Upon adoption of the CECL standard on January 1, 2023, investments held-to-maturity are presented net of an allowance for credit losses on investments. Impairment requiring an allowance for credit losses on investments may result from credit deterioration of the issuer or collateral underlying the security. The Association's portfolio is evaluated quarterly for credit deterioration, and based on that evaluation, determined credit losses to be immaterial for all periods presented. Therefore, no ACL is recorded on the Association's investment portfolio.

Investment Income

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

Dividends from 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 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.

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 credit worthiness.

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

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

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

Financial Instruments

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

Contracts with Customers

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

Gains and Losses from Nonfinancial Assets

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

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

Lessee

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

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

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

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

Lessor

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

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

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

Note 3 — Loans and Allowance for Credit Losses

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

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

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than

2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.

- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Real estate mortgage	\$ 350,720	\$ 386,942	\$ 381,961
Production and intermediate-term	170,411	164,037	173,371
Agribusiness:			
Loans to cooperatives	2,224	2,247	1,761
Processing and marketing	76,837	77,976	81,454
Farm-related business	25,815	25,928	25,926
Rural infrastructure:			
Communication	14,990	13,733	10,162
Power and water/waste disposal	7,188	7,327	4,238
Rural residential real estate	2,410	2,463	2,567
Other:			
International	2,405	1,930	2,713
Lease receivables	1,917	2,198	2,142
Total loans	<u>\$ 654,917</u>	<u>\$ 684,781</u>	<u>\$ 686,295</u>

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	\$ 36,622	\$ 151,999	\$ –	\$ –	\$ 36,622	\$ 151,999
Production and intermediate-term	21,286	40,764	–	–	21,286	40,764
Agribusiness	109,459	100,085	–	–	109,459	100,085
Rural infrastructure	22,239	–	–	–	22,239	–
Other	4,326	–	–	–	4,326	–
Total	<u>\$ 193,932</u>	<u>\$ 292,848</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 193,932</u>	<u>\$ 292,848</u>

	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	\$ 32,768	\$ 113,048	\$ –	\$ –	\$ 32,768	\$ 113,048
Production and intermediate-term	21,951	43,293	–	–	21,951	43,293
Agribusiness	95,543	81,198	–	–	95,543	81,198
Rural infrastructure	21,154	–	–	–	21,154	–
Other	4,134	–	–	–	4,134	–
Total	<u>\$ 175,550</u>	<u>\$ 237,539</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 175,550</u>	<u>\$ 237,539</u>

	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	\$ 36,324	\$ 98,977	\$ –	\$ –	\$ 36,324	\$ 98,977
Production and intermediate-term	22,976	60,274	–	–	22,976	60,274
Agribusiness	80,932	100,118	9,999	–	90,931	100,118
Rural infrastructure	14,507	–	–	–	14,507	–
Other	4,861	–	–	–	4,861	–
Total	\$ 159,600	\$ 259,369	\$ 9,999	\$ –	\$ 169,599	\$ 259,369

Loan Quality

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

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

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

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

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

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

	December 31,		
	2024	2023	2022*
Real estate mortgage:			
Acceptable	96.70%	98.13%	98.73%
OAEM	0.73	1.35	0.88
Substandard/doubtful/loss	2.57	0.52	0.39
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production and intermediate-term:			
Acceptable	92.05%	93.33%	94.60%
OAEM	3.29	3.47	2.19
Substandard/doubtful/loss	4.66	3.20	3.21
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Agribusiness:			
Acceptable	91.62%	92.48%	91.32%
OAEM	5.62	6.46	6.42
Substandard/doubtful/loss	2.76	1.06	2.26
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural infrastructure:			
Acceptable	98.40%	94.65%	100.00%
OAEM	1.60	5.35	-
Substandard/doubtful/loss	-	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural residential real estate:			
Acceptable	93.05%	92.50%	90.93%
OAEM	-	-	-
Substandard/doubtful/loss	6.95	7.50	9.07
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Other:			
Acceptable	76.90%	100.00%	100.00%
OAEM	-	-	-
Substandard/doubtful/loss	23.10	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total loans:			
Acceptable	94.59%	95.98%	96.47%
OAEM	2.20	2.76	2.06
Substandard/doubtful/loss	3.21	1.26	1.47
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

Accrued interest receivable on loans of \$10,889, \$11,210, and \$9,244 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	\$ 880	\$ 7,287	\$ 8,167	\$ 342,553	\$ 350,720
Production and intermediate-term	613	743	1,356	169,055	170,411
Agribusiness	270	-	270	104,606	104,876
Rural infrastructure	-	-	-	22,178	22,178
Rural residential real estate	58	109	167	2,243	2,410
Other	1,103	-	1,103	3,219	4,322
Total	<u>\$ 2,924</u>	<u>\$ 8,139</u>	<u>\$ 11,063</u>	<u>\$ 643,854</u>	<u>\$ 654,917</u>

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	\$ 1,985	\$ 613	\$ 2,598	\$ 384,344	\$ 386,942	
Production and intermediate-term	715	845	1,560	162,477	164,037	
Agribusiness	—	899	899	105,252	106,151	
Rural infrastructure	—	—	—	21,060	21,060	
Rural residential real estate	185	—	185	2,278	2,463	
Other	145	—	145	3,983	4,128	
Total	\$ 3,030	\$ 2,357	\$ 5,387	\$ 679,394	\$ 684,781	

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	\$ 459	\$ 555	\$ 1,014	\$ 385,920	\$ 386,934	
Production and intermediate-term	929	1,541	2,470	174,367	176,837	
Agribusiness	756	1,999	2,755	107,105	109,860	
Rural infrastructure	—	—	—	14,448	14,448	
Rural residential real estate	—	140	140	2,434	2,574	
Other	—	—	—	4,886	4,886	
Total	\$ 2,144	\$ 4,235	\$ 6,379	\$ 689,160	\$ 695,539	

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

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

Nonaccrual loans:	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
	Real estate mortgage	\$ —	\$ 8,167	\$ 8,167
Production and intermediate-term	100	1,097	1,197	66
Agribusiness	—	278	278	15
Rural residential real estate	—	167	167	9
Total	\$ 100	\$ 9,709	\$ 9,809	\$ 540

Nonaccrual loans:	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
	Real estate mortgage	\$ —	\$ 2,000	\$ 2,000
Production and intermediate-term	3,291	(682)	2,609	50
Agribusiness	—	1,133	1,133	22
Rural residential real estate	—	123	123	2
Total	\$ 3,291	\$ 2,574	\$ 5,865	\$ 113

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:

Impaired loans:	December 31, 2022			Year Ended December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	
With a related allowance for credit losses:						
Real estate mortgage	\$ 1	\$ 1	\$ 1	\$ —	\$ —	\$ —
Production and intermediate-term Agribusiness	112	191	2	88	—	1
Rural residential real estate	—	—	—	—	—	—
Total	\$ 113	\$ 192	\$ 3	\$ 88	\$ —	\$ 1
With no related allowance for credit losses:						
Real estate mortgage	\$ 3,956	\$ 4,162	\$ —	\$ 3,092	\$ —	\$ 37
Production and intermediate-term Agribusiness	3,860	4,576	—	3,016	—	37
Rural residential real estate	2,778	2,924	—	2,171	—	26
Total	\$ 10,828	\$ 11,901	\$ —	\$ 8,461	\$ —	\$ 102
Total impaired loans:						
Real estate mortgage	\$ 3,957	\$ 4,163	\$ 1	\$ 3,092	\$ —	\$ 37
Production and intermediate-term Agribusiness	3,972	4,767	2	3,104	—	38
Rural residential real estate	2,778	2,924	—	2,171	—	26
Total	\$ 10,941	\$ 12,093	\$ 3	\$ 8,549	\$ —	\$ 103

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	\$ 2,827
Production and intermediate-term Agribusiness	3,972
Rural residential real estate	2,778
Total	\$ 9,718

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	\$ 1,806	\$ 1,453	\$ 543	\$ 69	\$ 13	\$ 38	\$ 3,922
Charge-offs	(17)	(232)	(1,308)	—	—	—	(1,557)
Recoveries	27	27	—	—	—	—	54
Provision for credit losses on loans	(246)	(199)	1,569	(10)	(1)	(13)	1,100
Balance at December 31, 2024	\$ 1,570	\$ 1,049	\$ 804	\$ 59	\$ 12	\$ 25	\$ 3,519
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	\$ 7	\$ 111	\$ 253	\$ —	\$ —	\$ 4	\$ 375
Provision for unfunded commitments	(1)	41	37	7	—	(1)	83
Balance at December 31, 2024	\$ 6	\$ 152	\$ 290	\$ 7	\$ —	\$ 3	\$ 458
Total allowance for credit losses	\$ 1,576	\$ 1,201	\$ 1,094	\$ 66	\$ 12	\$ 28	\$ 3,977
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	\$ 2,401	\$ 1,086	\$ 671	\$ 91	\$ 15	\$ 30	\$ 4,294
Cumulative effect of a change in accounting principle	(274)	218	34	(54)	(4)	37	(43)
Balance at January 1, 2023	\$ 2,127	\$ 1,304	\$ 705	\$ 37	\$ 11	\$ 67	\$ 4,251
Charge-offs	—	(224)	—	—	—	—	(224)
Recoveries	7	28	—	—	—	—	35
Provision for credit losses on loans	(328)	345	(162)	32	2	(29)	(140)
Balance at December 31, 2023	\$ 1,806	\$ 1,453	\$ 543	\$ 69	\$ 13	\$ 38	\$ 3,922
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	\$ 26	\$ 418	\$ 196	\$ 3	\$ —	\$ 12	\$ 655
Cumulative effect of a change in accounting principle	(18)	(314)	(65)	(3)	—	(9)	(409)
Balance at January 1, 2023	\$ 8	\$ 104	\$ 131	\$ —	\$ —	\$ 3	\$ 246
Provision for unfunded commitments	(1)	7	122	—	—	1	129
Balance at December 31, 2023	\$ 7	\$ 111	\$ 253	\$ —	\$ —	\$ 4	\$ 375
Total allowance for credit losses	\$ 1,813	\$ 1,564	\$ 796	\$ 69	\$ 13	\$ 42	\$ 4,297

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	\$ 2,732	\$ 1,222	\$ 593	\$ 21	\$ 20	\$ 34	\$ 4,622
Charge-offs	(27)	(11)	(9)	–	–	–	(47)
Recoveries	13	45	–	–	–	–	58
Provision for loan losses	(317)	(170)	87	70	(5)	(4)	(339)
Balance at December 31, 2022	\$ 2,401	\$ 1,086	\$ 671	\$ 91	\$ 15	\$ 30	\$ 4,294
Allowance on loans evaluated for impairment:							
Individually	\$ 1	\$ 2	\$ –	\$ –	\$ –	\$ –	\$ 3
Collectively	2,400	1,084	671	91	15	30	4,291
Balance at December 31, 2022	\$ 2,401	\$ 1,086	\$ 671	\$ 91	\$ 15	\$ 30	\$ 4,294
Recorded investment in loans evaluated for impairment:							
Individually	\$ 3,957	\$ 3,972	\$ 2,778	\$ –	\$ 234	\$ –	\$ 10,941
Collectively	382,977	172,865	107,082	14,448	2,340	4,886	684,598
Balance at December 31, 2022	\$ 386,934	\$ 176,837	\$ 109,860	\$ 14,448	\$ 2,574	\$ 4,886	\$ 695,539

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain GSEs, including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the 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 \$105,794, \$103,061, and \$65,858 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled \$491, \$263, and \$190 for 2024, 2023, and 2022 respectively. These amounts are classified as noninterest expense.

Loans held for sale were \$0, \$2,618, 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

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

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2024		
	Maturity Extension	Total	Percentage of Total by Loan Type
Production and intermediate-term	\$ 1,621	\$ 1,621	0.95%
Total	\$ 1,621	\$ 1,621	0.25%

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

	Maturity Extension Financial Effect
Production and intermediate-term	Added a weighted average 1.33 years to the life of loans

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.

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

	December 31, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
	Production and intermediate-term	\$ 1,621	\$ –	\$ –
Total	\$ 1,621	\$ –	\$ –	\$ 1,621

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024 was \$7. There were no additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified at December 31, 2024.

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

Troubled Debt Restructurings

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

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

Outstanding Recorded Investment	Year Ended December 31, 2022				Total	Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions			
Pre-modification:						
Real estate mortgage	\$ –	\$ 620	\$ –	\$ 620		
Production and intermediate-term	–	9,548	–	9,548		
Agribusiness	–	2,124	–	2,124		
Rural residential real estate	–	77	–	77		
Total	\$ –	\$ 12,369	\$ –	\$ 12,369		
Post-modification:						
Real estate mortgage	\$ –	\$ 620	\$ –	\$ 620	\$ (3)	
Production and intermediate-term	–	9,548	–	9,548	–	
Agribusiness	–	2,124	–	2,124	–	
Rural residential real estate	–	76	–	76	–	
Total	\$ –	\$ 12,368	\$ –	\$ 12,368	\$ (3)	

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. 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	\$ 1,410	\$ 280
Production and intermediate-term	1,878	1,878
Agribusiness	1,999	1,999
Rural residential real estate	93	–
Total loans	\$ 5,380	\$ 4,157
Additional commitments to lend	\$ –	–

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

Note 4 — Investments

Investments in Debt Securities

The Association’s investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9, and requires System institutions to provide notification to FCA when a security becomes ineligible. Any new bonds purchased under the MRI program are approved on a case-by-case basis by FCA and may have different eligibility requirements. At December 31, 2024, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

December 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 3,852	\$ 5	\$ (135)	\$ 3,722	6.08%

December 31, 2023					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 3,990	\$ 65	\$ (86)	\$ 3,969	6.08%

December 31, 2022					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 4,231	\$ 1	\$ (171)	\$ 4,061	6.13%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

December 31, 2024			
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ —	\$ —	—%
After one year through five years	—	—	—
After five years through ten years	—	—	—
After ten years	3,852	3,722	6.08
Total	\$ 3,852	\$ 3,722	6.08%

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

An investment is considered impaired if its fair value is less than its cost. The following table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. Following the adoption of CECL on January 1, 2023, this table is no longer required for held-to-maturity securities. Therefore, there is no table presented for December 31, 2024 and 2023.

December 31, 2022				
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	\$ 2,334	\$ (171)	\$ —	\$ —

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

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

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

Equity Investments in Other Farm Credit Institutions

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$19,562 for 2024, \$17,741 for 2023 and \$14,292 for 2022. The Association owned 3.48 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled \$47.0 billion and shareholders' equity totaled \$1.7 billion. The Bank's earnings were \$283 million for 2024. In addition, the Association had investments of \$1,119 related to other Farm Credit institutions at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2024	2023	2022
Land	\$ 666	\$ 902	\$ 902
Buildings and improvements	4,803	4,866	3,793
Furniture and equipment	1,773	1,691	1,719
	7,242	7,459	6,414
Less: accumulated depreciation	3,604	3,384	3,197
Total	<u>\$ 3,638</u>	<u>\$ 4,075</u>	<u>\$ 3,217</u>

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	\$680,000	\$ 650,000	\$ 644,000
Outstanding principal under the line of credit	551,551	585,237	585,138
Interest rate.	4.18%	3.93%	2.71%

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 Equity:** Protection of certain borrower equity is provided under the Farm Credit Act which requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities 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 equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.
- B. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 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 is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31,		
				2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	17.79%	16.73%	15.57%
Tier 1 Capital	6.0%	2.5%	8.5%	17.79%	16.73%	15.57%
Total Capital	8.0%	2.5%	10.5%	18.75%	17.49%	16.36%
Permanent Capital	7.0%	0.0%	7.0%	17.95%	16.84%	15.68%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	16.33%	15.39%	14.78%
URE and UREE Leverage	1.5%	0.0%	1.5%	16.09%	15.16%	14.55%

* 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 per share.

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

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
C Common	No	306,526	\$ 1,532
C Participation Certificates/Nonvoting	No	18,350	92
Total Capital Stock and Participation Certificates		324,876	\$ 1,624

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 of Directors 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.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a dividend 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. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2024, allocated members' equity consisted of \$9,707 of nonqualified retained surplus.

Dividend 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 dividend basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Dividend 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 dividend basis is approved by the Board.

If the Association meets its capital adequacy standards after making the dividend distributions, the dividend 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. Dividend 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 dividend distribution to any borrower for any fiscal year shall always be paid in cash. Amounts not distributed are retained as unallocated members' equity.

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 dividends paid on Classes A, B or C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B and 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.

Transfer

Classes A and D Preferred, 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. Assistance Preferred Stock
2. Allocated Retained Earnings in its entirety
3. Class C Common Stock and Class C Participation Certificates
4. Classes A and B Common Stock and Class B Participation Certificates
5. 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 and B Common Stock and Class B Participation Certificates
3. Class C Common Stock and Class C Participation Certificates
4. Allocated surplus evidenced by qualified written notices of allocation on the basis of oldest allocations first
5. Allocated surplus evidenced by nonqualified notices of allocation on the basis of oldest allocations first
6. All Unallocated Retained Earnings issued after January 1, 1995 shall be distributed to the holders of Class C Stock and Class C Participation Certificates from January 1, 1995 through the date of liquidation on a dividend basis; and
7. Any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

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 Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 329	\$ —	\$ —	\$ —	\$ —	\$ 329
Nonrecurring assets						
Nonaccrual loans	\$ —	\$ —	\$ —	\$ 79	\$ —	\$ 79
Other property owned	\$ —	\$ —	\$ —	\$ 1,557	\$ —	\$ 1,557

	December 31, 2023					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 295	\$ —	\$ —	\$ —	\$ —	\$ 295
Nonrecurring assets						
Nonaccrual loans	\$ —	\$ —	\$ —	\$ 3,018	\$ —	\$ 3,018
Other property owned	\$ —	\$ —	\$ —	\$ 33	\$ —	\$ 33

	December 31, 2022					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 246	\$ —	\$ —	\$ —	\$ —	\$ 246
Nonrecurring assets						
Impaired loans*	\$ —	\$ —	\$ —	\$ 110	\$ —	\$ 110
Other property owned	\$ —	\$ —	\$ —	\$ 82	\$ —	\$ 82

*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 \$249 for 2024, \$306 for 2023, and \$320 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 \$162 for 2024, \$144 for 2023, and \$127 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 \$391, \$414, and \$395 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.

The Association also sponsors a nonqualified supplemental 401(k) plan. Expenses of this plan included in noninterest expense were \$0, \$6, and \$10 for 2024, 2023, and 2022, respectively.

Note 10 — Related Party Transactions

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

Total loans to such persons at December 31, 2024 amounted to \$7,427. During 2024, \$3,552 of new loans were made and repayments totaled \$2,387. 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, \$145,052 of commitments to extend credit and \$67 of commercial letters of credit were outstanding. A reserve for unfunded commitments of \$458 was included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2024.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled \$1,335 with expiration dates ranging from January 1, 2025 to November 17, 2027. The maximum potential amount of future payments that may be required under these guarantees was \$1,335.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ —	\$ —	\$ 15
State	—	—	—
	—	—	15
Deferred:			
Federal	—	—	—
State	—	—	—
	—	—	—
Total provision (benefit) for income taxes	\$ —	\$ —	\$ 15

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	\$ 2,773	\$ 2,908	\$ 3,660
State tax, net	—	—	—
Dividend distributions	(1,284)	(1,181)	(1,436)
Tax-exempt FLC A earnings	(1,974)	(1,940)	(1,904)
Change in valuation allowance	375	402	(653)
Future tax rate change	—	—	—
Other	110	(189)	333
Provision (benefit) for income taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Association experienced a loss during the 2008 economic downturn. A \$3.2 million loss carryforward remains which will begin to expire in 2028.

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

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for loan losses	\$ 593	\$ 676	\$ 743
Pensions and other postretirement benefits	46	47	51
Nonaccrual loan interest	108	133	126
Acquired property write-downs	13	1	1
Loan Fees	—	—	—
Depreciation	10	466	7
Loss carryforwards	3,225	2,857	2,855
Gross deferred tax assets	<u>3,995</u>	<u>4,180</u>	<u>3,783</u>
Less: valuation allowance	<u>(3,546)</u>	<u>(3,733)</u>	<u>(3,331)</u>
Gross deferred tax assets, net of valuation allowance	<u>449</u>	<u>447</u>	<u>452</u>
Deferred income tax liabilities:			
Loan fees	4	6	1
Depreciation	—	—	—
Bank Patronage Allocation	(453)	(453)	(453)
Pensions and other postretirement benefits	—	—	—
Gross deferred tax liability	<u>(449)</u>	<u>(447)</u>	<u>(452)</u>
Net deferred tax asset (liability)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately \$2 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of \$3,546, \$3,733, and \$3,331 as of December 31, 2024, 2022 and 2021, 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	\$ 4,599	\$ 4,907	\$ 4,079	\$ 4,839	\$ 18,424
Provision for (reversal of) allowance for credit losses	112	1,782	(67)	(644)	1,183
Noninterest income (expense), net	(781)	(946)	(1,471)	(840)	(4,038)
Net income	<u>\$ 3,706</u>	<u>\$ 2,179</u>	<u>\$ 2,675</u>	<u>\$ 4,643</u>	<u>\$ 13,203</u>

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 4,423	\$ 4,606	\$ 4,561	\$ 4,293	\$ 17,883
Provision for (reversal of) allowance for credit losses	(133)	655	-	(533)	(11)
Noninterest income (expense), net	(1,294)	(794)	(762)	(1,180)	(4,030)
Net income	\$ 3,262	\$ 3,157	\$ 3,799	\$ 3,646	\$ 13,864

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 3,841	\$ 3,896	\$ 4,086	\$ 4,324	\$ 16,147
Provision for (reversal of) allowance for loan losses	-	-	-	(339)	(339)
Noninterest income (expense), net	(462)	(623)	(567)	2,581	929
Net income	\$ 3,379	\$ 3,273	\$ 3,519	\$ 7,244	\$ 17,415

Note 14 — Merger Activity

On December 6, 2024, the Board of Directors of the Association and Farm Credit of Central Florida, ACA signed a letter of intent to merge the two associations. Following review and approval by the FCA, the merger proposal will be presented to shareholders of both associations for their approval in the fall of 2025. Following final approval by all required parties, the merged association is expected to begin operations on January 1, 2026.

Note 15 — 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.



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