

PUERTO RICO FARM CREDIT, ACA

2024 ANNUAL REPORT

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Management

Ricardo L. Fernández	President and Chief Executive Officer
Rafael A. Vélez	Chief Business Officer
Vannesa Ortiz (<i>joined the Association in January 2025</i>)	Comptroller

Board of Directors

Michael J. Serrallés	Chairman
Rafael J. Borges	Vice Chairman
José V. Fabre	Second Vice Chairman, Director
Duamed Colón	Director
Francisco Oramas	Director
Antonio E. Marichal	External Director and Financial Expert
Marta E. Rodríguez	External Director and Financial Expert

Message From the Chief Executive Officer

Dear Valued Members,

As we reflect on 2024, I want to take a moment to express my deepest gratitude—to you, our dedicated farmers, who work tirelessly to feed our communities, and to all our members who continue to place their trust in Puerto Rico Farm Credit. Your resilience, hard work, and commitment to agriculture inspires us daily, and it is an honor to serve as your financial partner.

The past year presented its fair share of challenges, from ongoing economic pressures to shifts in the agricultural landscape. However, through strategic investments, innovation, and our collective dedication to the industry, we have navigated these challenges together. Thanks to your support and our shared commitment to Puerto Rico's agricultural sector, we have strengthened our financial position and expanded our ability to serve you better.

We are pleased to report that in 2024, Puerto Rico Farm Credit generated a net income of \$3.903 million, a significant turnaround from the \$830,000 operating loss in 2023. The 2023 loss was isolated and we were able to return to profitability quickly. Net interest income, our primary source of revenue, increased by \$2.0 million. Additionally, our total loans—net of allowance—grew by 4.07 percent, a testament to our ongoing efforts to provide financial solutions tailored to the needs of our members. The Farm Credit Express program exceeded \$5.0 million in loan volume during 2024, reflecting the commitment of our farmers, to innovate and implement technology in their operations. We continue to be active locally to serve our farmers and, in the capital markets landscape to diversify risk, enhance earnings and leverage our capital.

Perhaps most importantly, we are excited to announce a patronage distribution of \$3.50 million, which will be paid to our members in March 2025. This reflects our commitment to returning value to you, our cooperative members, and ensuring that the benefits of our success are shared within the agricultural community.

As we look ahead, our mission remains clear: to support and empower Puerto Rico's farmers through reliable financial services, innovative solutions, and a deep commitment to sustainability. We will continue to seek new ways to bridge the gap between agriculture and finance, ensuring that you have the resources you need to grow and thrive. Through our quarterly meet-up events, we aimed to do just that in 2024. We successfully gathered the livestock, ornamental, and Ag equipment sectors to promote collaboration and evolution. Expect more unique events from us in 2025.

Thank you for trusting Puerto Rico Farm Credit as your financial partner. Your dedication to agriculture is the foundation of our success, and we are proud to stand by your side. Together, we will continue building a stronger, sustainable, and adaptable agricultural future for Puerto Rico.

Sincerely,

/s/ Ricardo L. Fernández
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 the management of Puerto Rico Farm Credit, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

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

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

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2024 Annual Report of Puerto Rico 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/Michael J. Serrallés
Chairman of the Board

/s/ Marta E. Rodriguez
Chairman of the Audit Committee

/s/ Ricardo L. Fernández
Chief Executive 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	\$ 412	\$ 745	\$ 1,244	\$ 96	\$ 192
Loans	178,680	171,693	179,723	169,144	153,426
Allowance for credit losses on loans	(969)	(1,747)	(1,189)	(1,193)	(1,482)
Net loans	177,711	169,946	178,534	167,951	151,944
Equity investments in other Farm Credit institutions	2,449	2,628	1,982	1,304	1,385
Other property owned	540	691	755	2,058	2,761
Other assets	3,071	6,832	3,405	4,430	3,697
Total assets	\$ 184,183	\$ 180,842	\$ 185,920	\$ 175,839	\$ 159,979
Notes payable to AgFirst Farm Credit Bank*	\$ 118,943	\$ 118,582	\$ 122,638	\$ 116,482	\$ 101,357
Accrued interest payable and other liabilities with maturities of less than one year	5,090	2,523	2,816	4,047	3,834
Total liabilities	124,033	121,105	125,454	120,529	105,191
Capital stock and participation certificates	521	511	514	470	444
Unallocated retained earnings	59,629	59,226	59,952	54,840	54,344
Total members' equity	60,150	59,737	60,466	55,310	54,788
Total liabilities and members' equity	\$ 184,183	\$ 180,842	\$ 185,920	\$ 175,839	\$ 159,979
Statement of Income Data					
Net interest income	\$ 7,131	\$ 6,067	\$ 4,076	\$ 4,541	\$ 4,420
Provision for (reversal of) allowance for credit losses	(642)	3,306	(8)	(408)	(165)
Noninterest income (expense), net	(3,870)	(3,591)	2,028	(1,753)	(1,673)
Net income (loss)	\$ 3,903	\$ (830)	\$ 6,112	\$ 3,196	\$ 2,912
Key Financial Ratios					
Rate of return on average:					
Total assets	2.19%	(0.46)%	3.41%	1.91%	1.85%
Total members' equity	6.36%	(1.39)%	10.79%	5.75%	5.23%
Net interest income as a percentage of average earning assets	4.11%	3.40%	2.33%	2.80%	2.92%
Net (chargeoffs) recoveries to average loans	(0.145)%	(1.462)%	0.002%	0.073%	0.001%
Total members' equity to total assets	32.66%	33.03%	32.52%	31.46%	34.25%
Debt to members' equity (:1)	2.06	2.03	2.07	2.18	1.92
Allowance for credit losses to loans	0.54%	1.02%	0.66%	0.71%	0.97%
Permanent capital ratio	33.95%	32.49%	32.50%	33.88%	36.85%
Common equity tier 1 capital ratio	33.66%	32.11%	32.27%	33.51%	36.44%
Tier 1 capital ratio	33.66%	32.11%	32.27%	33.51%	36.44%
Total regulatory capital ratio	34.64%	33.38%	33.08%	34.67%	37.64%
Tier 1 leverage ratio**	33.17%	31.40%	31.32%	32.24%	34.45%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	32.88%	31.12%	31.05%	32.69%	35.02%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 3,500	\$ —	\$ 1,000	\$ 2,700	\$ 2,900

* 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)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of Puerto Rico 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 Puerto Rico. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

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

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, www.prfarmcredit.com, or by calling 1-800-981-3323, or writing Alice Rivera, Puerto Rico Farm Credit, ACA, P.O. Box 363649 San Juan, PR 00936. 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 the expectations and predictions due to a number of risks and uncertainties, many of which are beyond the Association's control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States, Puerto Rico 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 the United States and Puerto Rico governments support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

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.

PUERTO RICO ECONOMIC CONDITIONS

Puerto Rico experienced positive economic momentum in 2024, with GDP growth estimated at 2.8 percent. Several factors contributed to this progress:

1. **Federal Reconstruction Funds:** Federal investments, particularly through the Community Development Block Grant (CDBG) program, played a central role in driving growth. The program disbursed \$1.85 billion in fiscal 2024, marking a 21.2 percent increase from the previous year. These funds supported infrastructure development and post-hurricane recovery efforts.
2. **Labor Market and Consumer Spending:** Tax incentives, such as the Earned Income Tax Credit and Child Tax Credit, boosted household incomes. Increased consumer spending, along with a recovering labor market, further fueled the economy.
3. **Tourism and Service Sectors:** Tourism flourished, thanks to the island's efforts to promote its cultural and natural attractions. The services sector, including hospitality, saw sustained demand as visitor numbers returned to pre-pandemic levels.
4. **Inflation Reduction:** Inflation fell to 2.0 percent in 2024, offering relief to consumers and improving the business climate. This was a notable improvement from the 3.3 percent inflation rate in 2023.

Despite these gains, challenges persisted. Puerto Rico's long-term fiscal health remained under scrutiny, with public debt restructuring and demographic shifts posing risks to sustainable growth.

Puerto Rico's economy is projected to grow at a slower pace of 1.4 percent in 2025. The growth trajectory reflects both opportunities and constraints:

1. **Federal Funds and Infrastructure Investment:** Federal funds are expected to increase by 10.6 percent, reaching \$2.054 billion. This continued support will sustain construction and infrastructure upgrades, a cornerstone of the island's economic recovery.
2. **Tourism Growth:** Tourism is anticipated to remain a key driver, with an emphasis on eco-tourism and expanding international markets. Investments in hospitality infrastructure and digital marketing campaigns aim to attract higher-spending visitors.
3. **Inflation Control:** Inflation is expected to decline further to 1.4 percent, stabilizing prices and enhancing purchasing power.
4. **Economic Challenges:**

- a. Population Decline: Continued outmigration and aging demographics will impact the labor force and economic output.
- b. Debt Management: The government will face pressure to manage its restructured debt while maintaining essential public services.
- c. Private Sector Growth: Policies aimed at supporting entrepreneurship and attracting foreign investment will be critical to offset dependency on federal funding.

In 2025, Puerto Rico's economy is projected to experience slight growth in 2025 of 1.4 percent, following the 2.8 percent growth in fiscal year 2024. Additionally, inflation is projected to decelerate to 1.4 percent in fiscal year 2025, down from 2.0 percent in fiscal year 2024. The Financial Oversight and Management Board has expressed concerns about the sustainability of this growth, noting that the influx of federal funds may be masking underlying economic weaknesses. The Board's report suggests that the economic outlook for 2025 remains uncertain, with potential contractions if structural issues are not addressed. In summary, while Puerto Rico's economy is expected to grow modestly in 2025, the sustainability of this growth is uncertain due to potential underlying economic weaknesses. The agricultural sector's outlook remains unclear, highlighting the need for targeted strategies to bolster its development. Management expects the economy to remain stagnant over the planning period.

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	12/31/24	12/31/23	12/31/22
Real estate mortgage	25.91%	32.08%	32.13%
Production and intermediate term	30.16	33.85	33.80
Agribusiness:			
Loans to cooperatives	0.63	0.90	1.04
Processing and marketing	24.45	22.17	22.40
Farm related business	4.77	0.03	0.03
Communication	7.84	6.95	5.94
Energy	1.34	—	—
Water and waste disposal	1.30	—	—
Rural residential real estate	2.34	3.14	3.27
International	1.26	1.69	1.39
Total	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association's loan portfolio are shown below. The predominant commodities are dairy, tree fruits and field crops which constitute 39.53 percent of the entire portfolio at December 31, 2024.

Commodity Group	Percent of Portfolio		
	2024	2023	2022
Participations (net)	44.91%	43.21%	41.66%
Dairy	19.51	17.15	17.93
Tree Fruits	13.68	14.37	15.21
Field Crops	6.34	5.58	4.68
Cattle / Livestock	4.44	4.49	4.23
Processing / Food Prep	3.44	4.08	4.79
Ornamentals	3.14	3.35	2.93
Rural Housing	2.36	2.81	3.32
Animal Specialties	0.87	0.92	1.01
Misc. Real Estate / Ag Services	0.81	3.48	3.50
Poultry	0.50	0.56	0.74
Total	100.00%	100.00%	100.00%

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 island dairy producers. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diverse enterprises in the Association's chartered territory. Even though the concentration of participation loans has steadily increased during the past several years, the agricultural and geographic mix of these loans is diversified. Management and the Board of Directors continue to believe a major factor protecting the balance sheet and income statement is diversification, spreading both geographic and industry concentration risks.

During 2024, the Association remained active in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread geographic and credit concentration risks and earn additional fee income.

Loan Participations	2024	2023	2022
	<i>(dollars in thousands)</i>		
Participations Purchased			
– FCS Institutions	\$ 78,162	\$ 68,567	\$ 69,940
Participations Purchased			
– Non-FCS Institutions	2,724	3,184	5,540
Total Participations Purchased	\$ 80,886	\$ 71,751	\$ 75,480
Participations Sold	\$ 13,880	\$ 10,969	\$ 11,921

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 unamortized premium on Participations purchased was \$424, \$595, and \$631 as of December 31, 2024, 2023 and 2022, respectfully. As part of the non-FCS participation portfolio, the Association has purchased participation interests in loans that are guaranteed by the United States Department of Agriculture (USDA). These loans are held for the purposes of reducing geographic risk and managing surplus funds as allowed under FCA regulations. At December 31, 2024, the balance of these loans was \$2,724 compared to \$3,184 at December 31, 2023 and \$5,540 at December 31, 2022.

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	98.34%	95.54%	94.59%
Substandard/doubtful/loss	1.66	4.46	5.41
Total	100.00%	100.00%	100.00%

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:

	12/31/24	12/31/23	12/31/22
	(dollars in thousands)		
Nonperforming Assets			
Nonaccrual loans	\$ 3,248	\$ 3,088	\$ 5,692
Accruing restructured loans	—	—	3,070
Accruing loans 90 days past due	796	27	—
Total nonperforming loans	\$ 4,044	\$ 3,115	\$ 8,762
Other property owned	539	691	755
Total nonperforming assets	\$ 4,583	\$ 3,806	\$ 9,517
Ratios			
Nonaccrual loans to total loans	1.81%	1.80%	3.17%
Nonperforming assets to total assets	2.49%	3.79%	5.12%

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 \$3,248 compared to \$3,088 and \$5,692 at December 31, 2022 and 2023, respectively. Nonaccrual loans increased \$160 or 5.18 percent during 2024 primarily due to transfers in exceeding workouts of nonaccrual accounts or transfers to other property owned. Of the \$3,248 in nonaccrual volume at December 31, 2024, \$34 or less than 1 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 \$27 or less than 1 percent and \$4,332 or 76.10 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 on loans was \$969, \$1,747, and \$1,189 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:

	December 31,		
Allowance for Credit Losses Activity	2024	2023	2022
Allowance for credit losses on loans – beginning balance	\$ 1,747	\$ 1,189	\$ 1,193
Cumulative effect of a change in accounting principle	—	(11)	—
Charge-offs:			
Real Estate Mortgage	—	—	(24)
Production and Intermediate-term	(363)	(2,684)	(11)
Total charge-offs	(363)	(2,684)	(35)
Recoveries:			
Real Estate Mortgage	108	77	31
Production and Intermediate-term	3	2	7
Rural Residential Real Estate	—	—	1
Total recoveries	111	79	39
Net (charge-offs) recoveries	(252)	(2,605)	4
Provision for (reversal of) credit losses on loans	(526)	3,174	(8)
Allowance for credit losses on loans – ending balance	\$ 969	\$ 1,747	\$ 1,189
Allowance for unfunded commitments – beginning balance	\$ 247	\$ 163	\$ 103
Cumulative effect of a change in accounting principle	—	—	—
Provision for (reversal of) unfunded commitments*	(157)	84	61
Allowance for unfunded commitments – ending balance	\$ 90	\$ 247	\$ 164
Total allowance for credit losses	\$ 1,059	\$ 1,994	\$ 1,353

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

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

	December 31,		
	2024	2023	2022
Allowance for credit losses on loans to loans	0.54%	1.02%	0.66%
Allowance for credit losses on loans to nonaccrual loans	29.83%	56.57%	20.89%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.145)%	(1.514)%	(0.002)%

The Association made a significant reversal to the provision for loan loss in 2024. The reversal was tied to the reclassification of the a purchased participation loan which resulted in a lesser amount of allowance required.

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 \$3,903 for the year ended December 31, 2024, an increase of \$4,733 from 2023. A loss of \$830 for the year ended December 31, 2023 was a decrease of \$6,942 from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income:	2024-2023	2023-2022
	(dollars in thousands)	
Net income (loss) (prior year)	\$ (830)	\$ 6,112
Increase (decrease) in net income (loss) due to:		
Interest income	814	4,303
Interest expense	(250)	2,312
Net interest income	\$ 1,064	\$ 1,991
Provision for loan losses	(3,948)	3,314
Noninterest income	217	(699)
Noninterest expense	496	4,920
Provision for income taxes	—	—
Total change in net income	\$ 4,733	\$ (6,942)
Net income	\$ 3,903	\$ (830)

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 \$407 for the year ended December 31, 2023.

Net Interest Income

Net interest income was \$7,131, \$6,067, and \$4,076 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:

(dollars in thousands)

	Volume	Rate	Other	Total
12/31/24 – 12/31/23				
Interest income	\$ (244)	\$ 1,058	\$ –	\$ 814
Interest expense	(245)	(5)	–	(250)
Change in net interest income	\$ 1	\$ 1,063	\$ –	\$ 1,064
12/31/23 – 12/31/22				
Interest income	\$ 20	\$ 4,283	\$ –	\$ 4,303
Interest expense	(58)	2,370	–	2,312
Change in net interest income	\$ 78	\$ 1,913	\$ –	\$ 1,991

* 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 increase in interest income of \$814 is due to the higher average interest rate charged on loans between the two reporting periods. The decrease in interest expense of \$250 is due to a decline in rates is primarily due to the change in Direct Note Rate as discussed above.

Noninterest Income

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

Noninterest Income	For the Year Ended			Percentage Increase/(Decrease)	
	December 31,			2024/	2023/
	2024	2023	2022	2023	2022
	(dollars in thousands)				
Loan fees	\$ 306	\$ 225	\$ 119	36.00 %	89.08 %
Fees for financially related services	–	1	1	–	–
Patronage refunds from other Farm Credit institutions	969	1,179	1,738	(17.81)	(32.15)
Gains (losses) on other transactions	–	(310)	(64)	(100.00)	(384.38)
Insurance Fund refunds	37	–	–	–	–
Total noninterest income	\$ 1,312	\$ 1,095	\$ 1,794	19.82 %	(38.95)%

Loan fees increased due to the higher loan volume between 2023 and 2024. Patronage refunds from other Farm Credit institutions was \$210 or 17.81 percent below the amount received in 2023. In 2023, AgFirst paid a special distribution of \$154, but no special distribution was paid in 2024. In 2022, the amount of special distribution was \$678 which resulted in a change of 32.15 percent between 2023 and 2022

The Association recorded income of \$37 from the Insurance Fund as a refund. No refund was recorded in the years 2023 or 2022. The amount of the refund is determined by the performance of the Insurance Fund account.

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
	(dollars in thousands)				
Salaries and employee benefits	\$ 2,193	\$ 2,201	\$ 1,962	(0.36)%	12.18 %
Occupancy and equipment	222	225	228	(1.33)	(1.32)
Insurance Fund premiums	98	188	205	(47.87)	(8.29)
Purchased Services	1,446	775	974	86.58	(20.43)
Data processing	35	37	47	(5.41)	(21.28)
Other operating expenses	1,150	1,181	1,040	(2.62)	13.56
(Gains) losses on OPO, net	38	79	(4,690)	(51.90)	(101.68)
Total noninterest expense	\$ 5,182	\$ 4,686	\$ (234)	10.58 %	(2,102.56)%

Salary and employee benefits decreased \$8 or less than 1 percent. The Association changed its policy for annual leave carry over from year to year for certain employees and this resulted in a reversal of previously accrued annual leave expense. Occupancy and equipment expense was \$3 less than 2023. Expenses for a remodel to the main office have not occurred as expected due to delays in obtaining materials.

Insurance Fund premium decreased \$90 or 47.87 percent. The FCSIC (Farm Credit System Insurance Corporation) reduced the premium charged to Associations from 18 basis points in 2023 to 10 basis points in 2024. The Insurance Fund premium was 20 basis

points in 2022. The Insurance Fund premium is set based upon condition of the Farm Credit System, the health of the agricultural economy, and risks in the financial environment.

Purchased services totaled \$1,446 compared to \$775 in 2023. The 86.58 percent increase is primarily 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 \$133 for the year ended December 31, 2024.

Losses on Other Property Owned (OPO) declined from \$79 to \$38 between the December 31, 2023 and December 31, 2024 reporting periods. This 51.90 percent decrease is the result of fewer sales of OPO in the 2024 reporting period. Between December 31, 2022 and December 31, 2023, OPO moved from a gain of \$4,690 to \$79. This change of 101.68% is due to a gain on an OPO property recognized in 2022 that did not reoccur in 2023.

Income Taxes

The Association recorded no provision for income taxes during 2024, 2023 or 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

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

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/24	For the 12 Months Ended 12/31/23	For the 12 Months Ended 12/31/22
Return on Average Assets	2.19%	(0.46)%	3.41%
Return on Average Members' Equity	6.36%	(1.39)%	10.79%
Net Interest Income as a Percentage of Average Earning Assets	4.11%	3.40 %	2.33%
Net (Charge-offs) Recoveries to Average Loans	(0.145)%	1.462 %	0.00%

The Return on Average Assets improved in the reporting period ending December 31, 2024 due to the positive net income recorded by the Association, compared to the loss in the 2023 reporting period. Return on Average Assets for 2022 exceeded 2024 Return on Average Assets because earnings were significantly more in 2022. The variance in income from 2022 to 2024 was due to a gain recorded on other property owned in the 2022 reporting period.

The Return on Average Members' Equity improved in the reporting period ending December 31, 2024 also due to the positive net income recorded by the Association, compared to the Net Loss in the 2023 reporting period. The Return on Average Members' Equity is down from the 2022 amount, 6.36 percent compared to 10.79 percent, because of the gain on other property owned recorded in the 2022 reporting period.

Net Interest Income as a Percentage of Average Earning Assets improved from 2.33 percent to 3.40 percent to 4.11 percent for the reporting periods ending December 31, 2022, 2023 and 2024, respectively. The increase in the percentage between 2024 and 2023 can be tied to the increase in loans. Between 2022 and 2023, the percentage increased but the increase was tied to an increase in loan rate.

The Association took a charge-off in the 2024 reporting period compared to recoveries in the reporting periods ending December 31, 2022 and December 31, 2023.

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 \$118,943 as compared to \$118,582 at December 31, 2023 and \$122,638 at December 31, 2022. The increase of \$361 or less than 1 percent compared to December 31, 2023 was primarily attributable to higher loan volume. The decrease of \$4,056 or 3.31 percent between the periods 2023 and 2023 was primarily attributable to the decrease in

loans during the comparative periods. The average volume of outstanding notes payable to the Bank was \$114,632, \$121,803, and \$120,218 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. 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 earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to either market indices such as the Prime Rate. Fixed rate loans are priced based on the current cost of Farm Credit System debt of similar terms to maturity. The Association does not offer or include adjustable-rate mortgages (ARMS) in its portfolio of loan products.

Most 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, *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, *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 Sources" section of this Management's Discussion and Analysis and in Note 6, *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 \$60,150, an increase of \$413 or less than 1 percent from a total of \$59,737 at December 31, 2023. Unallocated retained earnings increased from \$59,226 to \$59,629 due to earnings exceeding what the Association is setting aside for patronage distribution for the year ending December 31, 2024. At December 31, 2023, total members' equity decreased \$729 or 1.21 percent from \$60,466 at December 31, 2022. The decline in unallocated retained earnings was due to the Net Loss incurred in the 2023 reporting period.

Total capital stock and participation certificates were \$521 on December 31, 2024, compared to \$511 on December 31, 2023 and \$514 on December 31, 2022. The Association was successful in attracting new borrowers during 2024.

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

The following sets forth the regulatory capital ratios:

	Minimum	Capital	Minimum Requirement	Capital Ratios as of December 31,		
Ratio	Requirement	Conservation	with Capital			
		Buffer*	Conservation Buffer	2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	33.66%	32.11%	32.27%
Tier 1 Capital	6.0%	2.5%	8.5%	33.66%	32.11%	32.27%
Total Capital	8.0%	2.5%	10.5%	34.64%	33.38%	33.08%
Permanent Capital	7.0%	0.0%	7.0%	33.95%	32.49%	32.50%
Non-risk-adjusted ratios:						
Tier 1 Leverage **	4.0%	1.0%	5.0%	33.17%	31.40%	31.32%
URE and UREE Leverage	1.5%	0.0%	1.5%	32.88%	31.12%	31.05%

* Includes fully phased-in capital conservation buffers which became effective January 1, 2020.

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

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

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. 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 \$3,500 in 2024, \$0 in 2023, and \$1,000 in 2022. The Association's strong capital position allows the distribution of the majority of Association earnings in the 2024 reporting period. No distribution was made in 2023 due to the Net Loss recorded.

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

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young, Beginning and Small farmers. The Association has established annual marketing goals to increase its market share of loans to YBS farmers because of the unique needs of these individuals and their importance to the future growth of the Association. Specific marketing plans have been developed to target these groups and resources have been designated to help ensure YBS borrowers have access to a stable source of credit.

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

Young Farmer – A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan is originally made.

Beginning Farmers – A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less experience at farming, ranching or producing or harvesting aquatic products as of the date the loan is originally made.

Small Farmer – A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$350,000 in annual gross income of agricultural or aquatic products at the date the loan is originally made.

The following table summarizes information regarding the Association's YBS actual number of loans and dollar amount in the loan portfolio as of December 31, 2024:

(dollars in thousands)	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
Young only	3	–%	\$331	–%
Young and Beginning	9	1%	\$373	–%
Young & Small	8	1%	\$210	–%
Beginning Only	36	5%	\$7,122	3%
Beginning & Small	201	26%	\$14,132	7%
Small Only	111	15%	\$9,396	4%
Young, Beginning & Small	73	10%	\$3,266	2%

The following table outlines the Association YBS goals and the actual results for both number and dollar amount of loans for the year ended December 31, 2024:

	Number of Loans		\$ Amount of Loans	
	2024 Goal	2024 Actual	2024 Goal	2024 Actual
Young	75	20	\$4,010	\$914
Beginning	271	36	\$24,418	\$7,122
Small	340	111	\$26,937	\$9,396
Beginning & Small	—	201	—	\$14,132
Young, Beginning & Small	—	73	—	\$3,266

The following table outlines the Association YBS goals and the actual results for both number and dollar amount of new loans for the year ended December 31, 2024:

	Number of Loans		\$ Amount of New Loans	
	2024 Goal	2024 Actual	2024 Goal	2024 Actual
Young	10	6	\$340	\$367
Beginning	43	5	\$1,704	\$354
Small	43	28	\$1,363	\$1,208
Beginning & Small	—	40	—	\$2,562
Young, Beginning & Small	—	17	—	\$719

The following table outlines the Association YBS goal and the actual results as a percentage of number and dollar amount of new loans for the year ended December 31, 2024:

	Number of Loans		\$ Amount of New Loans	
	2024 Goal	2024 Actual	2024 Goal	2024 Actual
Young	6%	4%	2%	1%
Beginning	25%	3%	10%	1%
Small	25%	17%	8%	3%
Beginning & Small	—	24%	—	6%
Young, Beginning & Small	—	10%	—	2%

The Association began to offer equipment loans through the Farm Credit Express program in late 2019, and at that time the Association saw a marked increase in loans closed to YBS borrowers. Under this program, customers apply for loans to purchase farm equipment through a network of approved dealers. The credit process is expedited, as the credit decision is principally based on credit scores and not on the traditional credit analysis. Later, the Association created a similar program for the financing of used equipment. The success of these programs is reflected in the number of loans made to YBS borrowers, which are above the Association's goals.

The Association continues to promote the YBS program during 2024. The Association continues to use the virtual communications to communicate with its borrowers and prospects. While in-person conferences and meetings have returned, the use of virtual communications has remained strong.

The Association continues its implementation of Hubspot, a web-based software suite that provides tools for customer relationship management. This software suite was implemented in the first quarter of 2020 and is principally used to track customer orientations and interactions as they progress from initial consultation to loan application to closing. Most of the potential customers who make an initial orientation request are new to farming and qualify in one or more of the YBS categories.

- Participated in the PR Farm Bureau's first activity of the year (Primer Encuentro de Agricultores) held in Lares, where the YBS program was presented.
- Held its Farm Credit Express Kick-Off Meeting, held in Cidra, with the participation of the dealers enrolled in the Association's Farm Credit Express program. The YBS program was presented to attendees.
- Sponsored the annual shareholders meeting of Cooperativa de Productores de Leche (COPPLE), the farmers' cooperative that owns INDULAC. During the meeting, the YBS program was promoted as part of the financing alternatives offered to milk producers.
- Participated in the Agro Power Open House held in Salinas. Agro Power is a Farm Credit Express dealer, and the YBS program was discussed with participants.
- Participated in the Feria de Oportunidades Agrícolas Victus PR (Victus Agricultural Opportunities Fair) held in Mayagüez, where the YBS program was promoted.
- PRFC participated in the PR Agrotechnology Forum 2024, organized by the PR Farm Bureau, where the YBS program was promoted.
- Loan officers participated in Conexión Agrícola 2024, held in Hatillo, where the YBS was discussed.
- Loan officers took part of the 2024 MIDA Convention, held by the island's Foodservice Distributor Association. PRFC sponsored the assistance of several members, and held a luncheon where the YBS program was discussed.
- Sponsored the National Agricultural Fair (Feria Nacional Agrícola) held in Lajas, where Association officials gave orientations promoting the YBS program.

- Sponsored the Procafe annual stockholders meeting in Adjuntas, where the YBS Program was promoted.
- Participated in a symposium titled “Financial Assistance for the Agricultural Sector”, held by Agroinnova and the Universidad del Sagrado Corazon, where the YBS promoted.
- Participated in Boricua Emprende Fest, held in Ponce, where the YBS program was presented to the attendants.
- Sponsored the annual assembly of the PR Farm Bureau, held in Dorado, where Association officers promoted the opportunities presented by the YBS program.
- Participated in the Feria de Oportunidades Agrícolas Victus PR (Victus Agricultural Opportunities Fair) held in Guayama, where the YBS program was promoted.
- Loan officers participated an AgroHack Meet-up, held in Bayamon, where the YBS program was presented.
- Sponsored the National Goat Festival held in Cataño, where Association officials gave orientations promoting the YBS program.
- Sponsored Agro-Hack Meet-ups in Caguas, Ponce, and Mayaguez, where Association personnel discussed the YBS program with participants.
- Sponsored the annual Yearling Auction held in Potrero Los Llanos in Coamo, where the YBS was promoted.
- Sponsored the Ornamental Industry Conference held in Aibonito, where the YBS was discussed with participants.
- Sponsored the annual Festival de las Pascuas (Poinsettia Festival), where the YBS program was presented.
- Sponsored the Beef Cattle Industry Conference held in Salinas, where the YBS program was presented.

The Chief Business Officer coordinates the Association’s efforts, with the assistance of the Lending Manager, and oversees the YBS program. The Association includes YBS goals in the annual strategic business plan, and reports on those goals and achievements to the board of directors on a quarterly basis. The Association is committed to the future success of Young, Beginning and Small farmers.

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.

OTHER MATTERS

There are no other matters to report.

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, patronage dividend policies or practices, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report.

Description of Property

The following table sets forth certain information regarding the property of the reporting entity, which is located in San Juan, Puerto Rico:

Location	Description	Form of Ownership
URB Baldrich 213 Calle Manuel Domenech, San Juan, PR	Administrative/ San Juan Branch	Owned

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
Ricardo L. Fernández	<i>President & CEO</i> since February 2011. Former Member of Farm Credit System's Presidents Planning Committee (PPC) for 9 years. Former Chair and active member of the District's Sales & Marketing Committee. He has 28 years of experience in commercial banking, occupying various positions in strategic planning, finance and, small and middle-market commercial lending.
Rafael A. Vélez	<i>Chief Business Officer</i> since February 2023. He is an international banking professional with 23 years of experience in forming and leading multi-business workgroups, retail and commercial business analysis, risk analysis, customer experience strategy, product and system conversion & migration, reengineering processes, sales management and product development. He is a former participant in Santander's "Future International Executives Program" (From 2004 to 2012), Future participant of The Enterprise (LTE) program from FCCS.
Vannesa Ortiz	<i>Comptroller</i> joined the Association in January 2025. She is a Certified Public Accountant with over 15 years of experience in accounting, financial reporting, auditing, and internal controls. She has served to different commercial banks as external auditor as well as a direct employee in the Finance and Risk Management areas. She also has served as Director of Finance and Controller in international banking and private equity fund entities operating in Puerto Rico.

The total amount of compensation earned by the CEO and the three most highly paid officers 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*	Perquisites/ Other**	Total (a)
Ricardo L. Fernández	2024	\$ 252,000	\$ 40,000	\$ —	\$ —	\$ 28,343	\$ 320,343
Ricardo L. Fernández	2023	\$ 240,000	\$ 1,500	\$ —	\$ —	\$ 25,397	\$ 266,897
Ricardo L. Fernández	2022	\$ 240,000	\$ 89,078	\$ —	\$ —	\$ 31,247	\$ 360,325
3	2024	\$ 549,250	\$ 36,918	\$ —	\$ 5,494	\$ —	\$ 591,662
5	2023	\$ 512,973	\$ 55,760	\$ —	\$ 120,938	\$ —	\$ 689,671
5	2022	\$ 423,040	\$ 71,682	\$ —	\$ (644,029)	\$ 48,588	\$ (100,719)

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

** Includes company contributions to 401(k) plan (see Note 9, Employee Benefit Plans, to the Financial Statements), excess annual leave paid, and medical and dental insurance premiums.

(a) Disclosure of information on the total compensation paid during 2020 to any senior officer, or to any other individual included in the aggregate, is available to shareholders upon request.

**Pension Benefits Table
As of December 31, 2024**

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
Senior Officers and Highly Compensated Employees:					
3 employees, excluding the CEO	2024	AgFirst Farm Credit Retirement Plan	*27.20	\$ 1,634,881	\$ —
3 Total Officers				\$ 1,634,881	\$ —

* Number of years credited service represents the average years of credited service for the group.

The present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year older and one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present value is calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one less year of discounting, which increases the present value. For those already eligible for unreduced retirement (e.g. have 85 age + service points), this increase is offset by the decrease in early retirement subsidy value. The early retirement subsidy provided under the plan is most valuable when a participant first reaches eligibility for unreduced benefits. The value decreases every year thereafter until age 65.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa. There was an increase in the discount rate assumption from December 31, 2023, to December 31, 2024, which decreased the pension values.

The Board of Directors approved an annual bonus plan for Mr. Fernandez in 2024 which payment is based upon achieved results for 2024. The Board approved a payment of \$40,000 for 2024.

For 2023, the bonus amount reflected above is the Christmas bonus.

The Board of Directors approved a bonus payment of \$89,078 to Mr. Fernández for results obtained in 2022. The bonus includes the Christmas bonus required by law in Puerto Rico

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

The Association provides retirement benefit plans to all employees. Employees' participation in a plan is mostly determined by date of hire. Additional information on the Association's retirement plans can be found in Note 9, *Employee Benefit Plans*, of the Notes to the Consolidated Financial Statements.

Directors

Directors and senior officers are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking, laundry, registration fees, and other expenses associated with the travel on official business. A copy of the policy is available to the Associations' stockholders upon request.

The aggregate amount of expense or reimbursement for travel, subsistence and other related expenses for all directors as a group was \$92,930 for 2024, \$113,941 for 2023 and \$106,671 for 2022. It is the practice of the Association not to provide noncash compensation to directors. For 2022, there was no noncash compensation provided.

The Board of Directors reviews and determines adequate director compensation to attract qualified directors. All elected stockholder directors are compensated at a per diem rate of \$500 for all official activities. Honorarium for all external directors is paid at a per diem rate of \$600 and \$1,000 for the financial expert.

Directors are also paid honorarium at the per diem rate for travel to and from conferences and meetings when the distance and schedule requires travel on any portion of the day prior to or following the scheduled activity. In addition, all directors were paid a quarterly retainer fee as compensation for incidental services and review/preparation for meetings and assignments. The chairman's retainer fee is \$1,100 per quarter and \$800 per quarter for all the other directors, including external directors.

Additional information for each Director is provided below:

Name of Director	Position	Committee Assignments	Term of Office		Number of Days Served		Compensation Expensed on 2024		
			Last Election Year	Current Term Expiration	Board Meetings*	Other Official Activities*	Compensation Regular Board Meetings & Retainer	Compensation for Other Activities	Total Compensation During 2024
Rafael J. Borges	Vice Chairman	Governance, Compensation & Audit	2021	2025	12	17	\$ 9,800	\$ 9,250	\$ 19,050
Michael J. Serrallés	Chairman	Compensation, Audit & Sales and Marketing	2023	2027	12	25	9,800	13,000	22,800
José V. Fabre	Director	Compensation, Risk Management, Sales & Marketing	2022	2026	11	13	8,700	7,500	16,200
Marta E. Rodríguez	External Director & Financial Expert	Compensation, Audit	2022	2026	12	10	15,200	9,250	24,450
Antonio E. Marichal	External Director & Financial Expert	Governance & Audit	2021	2025	10	6	9,200	4,150	13,350
*Hector A. Santiago	Director	Risk Management & Sales and Marketing	2020	2024	4	4	3,333	1,750	5,083
*Victor M. Ayala	Director	Governance, Risk Management	2020	2024	4	4	3,333	1,750	5,083
Duamed Colón	Director	Risk Management, Sales & Marketing	2024	2028	8	13	5,867	7,000	12,867
Francisco Oramas	Director	Governance, Risk Management & Sales Marketing	2024	2028	8	8	5,867	4,500	10,367
Total							\$ 71,100	\$ 58,150	\$ 129,250

*Directors Santiago and Ayala completed their term as directors in May, 2024

All directors shall make themselves available to serve on the loan committee, upon the scheduling of a meeting. Any four directors along with the CEO or his designee shall constitute a quorum for the loan committee. Committee meetings are normally scheduled and held the same day as monthly board of director's meetings. This scheduling method results in there being no separate and/or additional honorarium paid for the various committee meetings.

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

Mr. Rafael J. Borges is the Vice Chairman of the Board and has served as a director since 2018. He is an equine veterinary specialist and dairy farmer. As a veterinarian he may provide his services to members of the Association from time to time. His dairy farm is located in Isabela, PR. Mr. Borges is President of Isagro, Inc and is a member of "La Cooperativa Productores de Leche (COOPLE)", a dairy industry cooperative.

Mr. Michael J. Serrallés is the Chairman of the Board and has served as a director since 2013. Mr. Serrallés was elected to the AgFirst Legislative Advisory Council in January 2019. He is a manager and director of Sucesión J. Serrallés, Inc. The corporation grows sod, ornamental plants and coconut palms. The corporation also has farmland leased to seed research companies, for pasture, and to grow bananas, plantains and mangoes.

Mr. José V. Fabre Is a banana grower in Sabana Grande. He also grows other fruits and vegetables. He is the President of the "Asociación de Bananeros de PR". He is the Vice President of "Finca Alicante" a relative's farm business. He has been a board member since May 2022.

Mrs. Marta E. Rodríguez External Director and Financial Expert of the Board. She is a Certified Public Accountant working as Partner, Head of Advisory at Kevane Grant Thornton in PR. She is a Director and Treasurer at the "Asociación Hecho en Puerto Rico". She is also a member of the following groups: Puerto Rico State Society of Certified Public Accountants, National Association of Certified Valuation Analysts, Association of Insolvency and Restructuring Advisors and, the American Institute of Certified Public Accountants. She has been a director since 2022.

Mr. Antonio E. Marichal External Director and Financial Expert of the Board. He is a retired partner of the firm Marichal, Hernandez, Santiago & Juarbe, LLC. He continues to practice law as an off counsel of the firm. His list of clients includes several association members and directors for whom he may perform work as the need arises. He practices tax, estate and business law. He is a member of the Bar Association and The Association of Public Notaries of Puerto Rico. He is admitted to practice in Puerto Rico, The U.S. District Court for The District of Puerto Rico, The First Circuit of the U.S. Court of Appeals and The U.S. Tax Court. Originally appointed by the board in 2006.

Mr. Héctor A. Santiago is an ornamental grower in Barranquitas. He owns one of the largest diversified ornamental operations on the island, Cali Nurseries. He is also a member of the PR Farm Bureau. Mr. Santiago is the President of Puerto Rico Farmer's Market, a local farmer's market. He is President of the Porsche Club of America – PR Region. Mr. Santiago completed his term on the board in May 2024.

Mr. Víctor M. Ayala is a dairy farmer and cattle rancher with a farm in the neighborhood of Collores, in Humacao. He is the owner of VHE, Inc., who is an association member. Mr. Ayala is a member of "La Cooperativa Productores de Leche (COOPLE)", a dairy industry cooperative. Mr. Ayala completed his term on the board in May 2024.

Mr. Duamed Colón Carrión is the founder and President of Agro Tropical, Inc., established in 2011 in Santa Isabel. He leads the production of Global G.A.P. certified plantains and founded Puerto Rico's first Commercial Plant Tissue Culture Laboratory. Colón Carrión manages a certified 89-acre farm and directs R&D projects with USDA and local universities. He serves as Vice President of Agro Tropical Solutions and market developer for Yara International. A member of the USDA-FSA Committee and active in Farm Credit, he studied Animal Sciences and Marine Biology at the University of Puerto Rico. Additionally, he is the founder and violinist of the musical group Así Somos. He was elected to the Board in 2024.

Mr. Francisco Oramas serves as the Executive President of Industria Lechera de Puerto Rico, Inc. (Indulac) in San Juan. He oversees finances and sales of the UHT milk plant, the largest producer in Puerto Rico with \$70 million in sales. Oramas holds an MBA in Finance and Marketing, and a Bachelor's degree in Agronomy. He has experience in various agricultural sectors and is a former Undersecretary of the Department of Agriculture (2005-2007). A member of the Puerto Rico College of Agronomists, he leads the development of new dairy products and beverages. He was elected to the Board in 2024.

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.

Transactions Other Than Loans

There have been no transactions that occurred at any time during the year ended December 31, 2024, between the Association and senior officers or directors, their immediate family members or any organizations with which they are affiliated, which require reporting per FCA regulations. There were no transactions with any senior officer or director related to the purchase or retirement of preferred stock of the Association for the year ended December 31, 2024.

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 the generally accepted accounting principles or financial statement disclosures during this period.

Aggregate fees expensed 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	
Audit services	\$ 71,000
Total	\$ 71,000

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

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 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 1-787-753-5435, or writing Alice Rivera, Puerto Rico Farm Credit, ACA, PO Box 363649, San Juan, PR 00936 or accessing the web site, www.prfarmcredit.com. The Association prepares an electronic version of the Annual Report which is available on the Association's web site 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 Association.

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 may 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 web site 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 Puerto Rico Farm Credit, ACA (Association) and in the opinion of the Board of Directors; each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been reviewed, amended and approved by the Board of Directors in 2024. 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 the Statement on Auditing Standards No. 114 (The Auditor's Communication with those charged with Governance). The Committee discussed with PwC its independence from Puerto Rico Farm Credit, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

The members of the Committee are not professionally engaged in the practice of auditing or accounting. The members of the Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Committee's considerations and discussions referred to above do not assure that the audit of the Association's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America or that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

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 Audit Committee:

/s/ Marta E. Rodriguez, External Director
Chairman of the Audit Committee

Members of Audit Committee

Rafael J. Borges
Michael J. Serrallés
Antonio E. Marichal

March 11, 2025



Report of Independent Auditors

To the Management and Board of Directors of Puerto Rico Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Puerto Rico 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

(dollars in thousands)	December 31,		
	2024	2023	2022
Assets			
Cash	\$ 412	\$ 745	\$ 1,244
Loans	178,680	171,693	179,723
Allowance for credit losses on loans	(969)	(1,747)	(1,189)
Net loans	177,711	169,946	178,534
Loans held for sale	—	3,561	—
Accrued interest receivable	870	1,138	1,251
Equity investments in other Farm Credit institutions	2,449	2,628	1,982
Premises and equipment, net	1,071	863	844
Other property owned	540	691	755
Accounts receivable	1,044	1,222	1,256
Other assets	86	48	54
Total assets	\$ 184,183	\$ 180,842	\$ 185,920
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 118,943	\$ 118,582	\$ 122,638
Accrued interest payable	413	553	415
Patronage refunds payable	3,534	21	1,007
Accounts payable	368	513	402
Other liabilities	775	1,436	992
Total liabilities	124,033	121,105	125,454
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	521	511	514
Unallocated retained earnings	59,629	59,226	59,952
Total members' equity	60,150	59,737	60,466
Total liabilities and members' equity	\$ 184,183	\$ 180,842	\$ 185,920

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31,		
	2024	2023	2022
Interest Income			
Loans	\$ 12,573	\$ 11,760	\$ 7,456
Interest Expense	5,442	5,693	3,380
Net interest income	7,131	6,067	4,076
Provision for (reversal of) allowance for credit losses	(642)	3,306	(8)
Net interest income after provision for (reversal of) allowance for credit losses	7,773	2,761	4,084
Noninterest Income			
Loan fees	306	225	119
Fees for financially related services	—	1	1
Patronage refunds from other Farm Credit institutions	969	1,179	1,738
Gains (losses) on other transactions	—	(310)	(64)
Insurance Fund refunds	37	—	—
Total noninterest income	1,312	1,095	1,794
Noninterest Expense			
Salaries and employee benefits	2,193	2,201	1,962
Occupancy and equipment	222	225	228
Insurance Fund premiums	98	188	205
Purchased services	1,446	775	974
Data processing	35	37	47
Other operating expenses	1,150	1,181	1,040
(Gains) losses on other property owned, net	38	79	(4,690)
Total noninterest expense	5,182	4,686	(234)
Net income (loss)	\$ 3,903	\$ (830)	\$ 6,112
Other comprehensive income	—	—	—
Comprehensive income (loss)	\$ 3,903	\$ (830)	\$ 6,112

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	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2021	\$ 470	\$ 54,840	\$ 55,310
Comprehensive income (loss)		6,112	6,112
Capital stock/participation certificates issued/(retired), net	44		44
Patronage distribution Cash		(1,000)	(1,000)
Balance at December 31, 2022	\$ 514	\$ 59,952	\$ 60,466
Cumulative effect of change in accounting principle		104	104
Comprehensive income (loss)		(830)	(830)
Capital stock/participation certificates issued/(retired), net	(3)		(3)
Balance at December 31, 2023	\$ 511	\$ 59,226	\$ 59,737
Comprehensive income (loss)		3,903	3,903
Capital stock/participation certificates issued/(retired), net	10		10
Patronage distribution Cash		(3,500)	(3,500)
Balance at December 31, 2024	\$ 521	\$ 59,629	\$ 60,150

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income (loss)	\$ 3,903	\$ (830)	\$ 6,112
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	105	130	166
Amortization (accretion) of net deferred loan costs (fees)	574	398	283
Provision for (reversal of) allowance for credit losses	(642)	3,306	(8)
(Gains) losses on other property owned	8	(4)	(4,824)
(Gains) losses on other transactions	—	310	64
Changes in operating assets and liabilities:			
Origination of loans held for sale	—	(3,871)	—
Proceeds from sales of loans held for sale, net	3,562	—	—
(Increase) decrease in accrued interest receivable	268	113	(542)
(Increase) decrease in accounts receivable	178	34	1,385
(Increase) decrease in other assets	(38)	6	29
Increase (decrease) in accrued interest payable	(140)	138	227
Increase (decrease) in accounts payable	(145)	111	179
Increase (decrease) in other liabilities	(546)	402	(7)
Total adjustments	3,184	1,073	(3,048)
Net cash provided by (used in) operating activities	7,087	243	3,064
Cash flows from investing activities:			
Net (increase) decrease in loans	(8,689)	5,028	(10,858)
(Increase) decrease in equity investments in other Farm Credit institutions	179	(646)	(678)
Purchases of premises and equipment	(314)	(148)	(13)
Proceeds from sales of other property owned	1,020	68	6,127
Net cash provided by (used in) investing activities	(7,804)	4,302	(5,422)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	361	(4,056)	6,156
Capital stock and participation certificates issued/(retired), net	10	(3)	44
Patronage refunds and dividends paid	13	(985)	(2,694)
Net cash provided by (used in) financing activities	384	(5,044)	3,506
Net increase (decrease) in cash	(333)	(499)	1,148
Cash, beginning of period	745	1,244	96
Cash, end of period	\$ 412	\$ 745	\$ 1,244
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	\$ 244	\$ —	\$ —
Receipt of property in settlement of loans	1,120	—	—
Estimated cash dividends or patronage distributions declared or payable	3,500	—	1,000
Cumulative effect of change in accounting principle	—	104	—
Supplemental information:			
Interest paid	\$ 5,582	\$ 5,555	\$ 3,153

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:** Puerto Rico Farm Credit, ACA (Association) is a stockholder-owned cooperative that provides credit and credit-related services to qualified borrowers within the Commonwealth of Puerto Rico. The Association is also authorized by its charter from the Farm Credit Administration to provide the same credit and credit-related services for qualified purposes within the territory of the U.S. Virgin Islands.

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 — Summary of Significant Accounting Policies

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

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

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

- A. **Accounting Standard Updates (ASUs) Effective During the Period:** In December 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 \$138 in 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 ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the 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.

Investment Income

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

Other Equity Investments

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.

Unincorporated Business Entities

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

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

- 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.

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

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

- 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. However, for Puerto Rico tax purposes, the Association has had a ruling from the Puerto Rico Treasury Department since June 1993 determining that the Association and its subsidiaries will be treated as a domestic cooperative association. Thus, the Association enjoys the exemptions provided by Article 23 of the General Cooperative Association Act of Puerto Rico of 2004, Act No. 239 of September 1, 2004.

The Association operates 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 taxable 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.

The Association has adopted a "pro-rata" method to tax effect only the portion of the Association's temporary differences expected to have a future tax consequence to the Association. The Association intends to have only patronage sourced income that will be distributed in its entirety on a cooperative basis as tax deductible patronage dividends. This operating scenario results in zero federal taxable income. Thus, the Association has applied a zero effective tax rate to its cumulative temporary differences.

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	\$ 46,287	\$ 56,847	\$ 57,743
Production and intermediate-term	53,886	54,149	60,752
Agribusiness:			
Loans to cooperatives	1,128	1,188	1,866
Processing and marketing	43,687	38,875	40,261
Farm-related business	8,518	75	47
Rural infrastructure:			
Communication	14,003	11,028	10,673
Power and water/waste disposal	4,730	2,828	—
Rural residential real estate	4,188	4,824	5,878
Other:			
International	2,253	1,879	2,503
Total loans	\$ 178,680	\$ 171,693	\$ 179,723

A substantial portion of the Association's chartered territory 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	\$ 5,661	\$ 7,724	\$ —	\$ —	\$ 5,661	\$ 7,724
Production and intermediate-term	13,237	—	2,724	—	15,961	—
Agribusiness	38,177	6,156	—	—	38,177	6,156
Rural infrastructure	18,825	—	—	—	18,825	—
Other	2,262	—	—	—	2,262	—
Total	\$ 78,162	\$ 13,880	\$ 2,724	\$ —	\$ 80,886	\$ 13,880

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	\$ 5,481	\$ 3,294	\$ —	\$ —	\$ 5,481	\$ 3,294
Production and intermediate-term	14,868	—	3,184	—	18,052	—
Agribusiness	32,378	7,675	—	—	32,378	7,675
Rural infrastructure	13,948	—	—	—	13,948	—
Other	1,892	—	—	—	1,892	—
Total	\$ 68,567	\$ 10,969	\$ 3,184	\$ —	\$ 71,751	\$ 10,969

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	\$ 6,270	\$ 3,690	\$ —	\$ —	\$ 6,270	\$ 3,690
Production and intermediate-term	17,835	—	5,540	—	23,375	—
Agribusiness	32,655	8,231	—	—	32,655	8,231
Rural infrastructure	10,677	—	—	—	10,677	—
Other	2,503	—	—	—	2,503	—
Total	\$ 69,940	\$ 11,921	\$ 5,540	\$ —	\$ 75,480	\$ 11,921

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	99.54%	99.45%	98.75%
OAEM	0.01	0.03	0.65
Substandard/doubtful/loss	0.45	0.52	0.60
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	94.88%	87.98%	84.67%
OAEM	1.57	0.14	—
Substandard/doubtful/loss	3.55	11.88	15.33
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	91.94%	92.42%	100.00%
OAEM	6.91	5.85	—
Substandard/doubtful/loss	1.15	1.73	—
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	94.26%	95.30%	95.71%
OAEM	—	—	3.25
Substandard/doubtful/loss	5.74	4.70	1.04
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	95.80%	94.12%	94.27%
OAEM	2.54	1.42	0.32
Substandard/doubtful/loss	1.66	4.46	5.41
	100.00%	100.00%	100.00%

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

Accrued interest receivable on loans of \$870, \$1,138, and \$1,251 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	\$ 1,194	\$ 1,850	\$ 3,044	\$ 43,243	\$ 46,287
Production and intermediate-term	1,399	2,060	3,459	50,427	53,886
Agribusiness	—	—	—	53,333	53,333
Rural infrastructure	—	—	—	18,733	18,733
Rural residential real estate	211	—	211	3,977	4,188
Other	—	—	—	2,253	2,253
Total	\$ 2,804	\$ 3,910	\$ 6,714	\$ 171,966	\$ 178,680

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	\$ 448	\$ 478	\$ 926	\$ 55,921	\$ 56,847
Production and intermediate-term	2,149	2,021	4,170	49,979	54,149
Agribusiness	—	—	—	40,138	40,138
Rural infrastructure	—	—	—	13,856	13,856
Rural residential real estate	271	—	271	4,553	4,824
Other	—	—	—	1,879	1,879
Total	\$ 2,868	\$ 2,499	\$ 5,367	\$ 166,326	\$ 171,693

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	\$ 20	\$ 357	\$ 377	\$ 57,883	\$ 58,260
Production and intermediate-term	2,748	432	3,180	58,088	61,268
Agribusiness	—	—	—	42,344	42,344
Rural infrastructure	—	—	—	10,677	10,677
Rural residential real estate	446	—	446	5,458	5,904
Other	—	—	—	2,521	2,521
Total	\$ 3,214	\$ 789	\$ 4,003	\$ 176,971	\$ 180,974

The Association had accruing loans greater than 90 days past due of \$796 and \$27 as of December 31, 2024 and 2023, respectively. The Association had no accruing loans greater than 90 days past due as of December 31, 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 periods ended December 31, 2024 and 2023:

	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
Nonaccrual loans:				
Real estate mortgage	\$ 915	\$ 924	\$ 1,839	\$ 421
Production and intermediate-term	755	617	1,372	314
Rural residential real estate	—	37	37	9
Total	\$ 1,670	\$ 1,578	\$ 3,248	\$ 744

	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
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 472	\$ 472	\$ 29
Production and intermediate-term	390	2,226	2,616	162
Rural residential real estate	10	(10)	—	—
Total	\$ 400	\$ 2,688	\$ 3,088	\$ 191

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	\$ —	\$ —	\$ —	\$ —	\$ —
Production and intermediate-term	217	211	10	253	7
Rural residential real estate	37	37	2	44	1
Total	\$ 254	\$ 248	\$ 12	\$ 297	\$ 8
With no related allowance for credit losses:					
Real estate mortgage	\$ 2,283	\$ 2,618	\$ —	\$ 2,669	\$ 74
Production and intermediate-term	6,122	8,322	—	7,160	198
Rural residential real estate	103	100	—	120	3
Total	\$ 8,508	\$ 11,040	\$ —	\$ 9,949	\$ 275
Total impaired loans:					
Real estate mortgage	\$ 2,283	\$ 2,618	\$ —	\$ 2,669	\$ 74
Production and intermediate-term	6,339	8,533	10	7,413	205
Rural residential real estate	140	137	2	164	4
Total	\$ 8,762	\$ 11,288	\$ 12	\$ 10,246	\$ 283

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	\$ 1,404
Production and intermediate-term	4,288
Total	\$ 5,692

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	\$ 185	\$ 1,193	\$ 247	\$ 13	\$ 108	\$ 1	\$ 1,747
Charge-offs	—	(363)	—	—	—	—	(363)
Recoveries	108	3	—	—	—	—	111
Provision for credit losses on loans	(133)	(203)	(103)	11	(98)	—	(526)
Balance at December 31, 2024	\$ 160	\$ 630	\$ 144	\$ 24	\$ 10	\$ 1	\$ 969
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	\$ —	\$ 18	\$ 184	\$ 3	\$ —	\$ 1	\$ 206
Provision for unfunded commitments	—	24	(142)	3	—	(1)	(116)
Balance at December 31, 2024	\$ —	\$ 42	\$ 42	\$ 6	\$ —	\$ —	\$ 90
Total allowance for credit losses	\$ 160	\$ 672	\$ 186	\$ 30	\$ 10	\$ 1	\$ 1,059
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	\$ 378	\$ 385	\$ 289	\$ 69	\$ 42	\$ 26	\$ 1,189
Cumulative effect of a change in accounting principle	(219)	461	(146)	(60)	(23)	(24)	(11)
Balance at January 1, 2023	\$ 159	\$ 846	\$ 143	\$ 9	\$ 19	\$ 2	\$ 1,178
Charge-offs	—	(2,684)	—	—	—	—	(2,684)
Recoveries	—	2	—	—	77	—	79
Provision for credit losses on loans	26	3,029	104	4	12	(1)	3,174
Balance at December 31, 2023	\$ 185	\$ 1,193	\$ 247	\$ 13	\$ 108	\$ 1	\$ 1,747
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	\$ 12	\$ 43	\$ 87	\$ 15	\$ —	\$ 10	\$ 167
Cumulative effect of a change in accounting principle	(12)	(18)	(40)	(13)	—	(10)	(93)
Balance at January 1, 2023	\$ —	\$ 25	\$ 47	\$ 2	\$ —	\$ —	\$ 74
Provision for unfunded commitments	—	(7)	137	1	—	1	132
Balance at December 31, 2023	\$ —	\$ 18	\$ 184	\$ 3	\$ —	\$ 1	\$ 206
Total allowance for credit losses	\$ 185	\$ 1,211	\$ 431	\$ 16	\$ 108	\$ 2	\$ 1,953

The Allowance for Credit Losses including the Allowance for Unfunded Commitments was \$1,953 at December 31, 2023. It declined to \$1,059 at December 31, 2024. The decrease of \$894 was due to the risk assessment of a large credit. During the Allowance analysis it was determined that the calculation was using a higher than necessary assessment percentage based upon a change in the NAICS code for the credit.

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	\$ 414	\$ 411	\$ 261	\$ 39	\$ 55	\$ 13	\$ 1,193
Charge-offs	(24)	(11)	—	—	—	—	(35)
Recoveries	31	7	—	—	1	—	39
Provision for loan losses	(43)	(22)	28	30	(14)	13	(8)
Balance at December 31, 2022	\$ 378	\$ 385	\$ 289	\$ 69	\$ 42	\$ 26	\$ 1,189
Allowance on loans evaluated for impairment:							
Individually	\$ —	\$ 10	\$ —	\$ —	\$ 2	\$ —	\$ 12
Collectively	378	375	289	69	40	26	1,177
Balance at December 31, 2022	\$ 378	\$ 385	\$ 289	\$ 69	\$ 42	\$ 26	\$ 1,189
Recorded investment in loans evaluated for impairment:							
Individually	\$ 2,283	\$ 6,339	\$ —	\$ —	\$ 140	\$ —	\$ 8,762
Collectively	55,977	54,929	42,344	10,677	5,764	2,521	172,212
Balance at December 31, 2022	\$ 58,260	\$ 61,268	\$ 42,344	\$ 10,677	\$ 5,904	\$ 2,521	\$ 180,974

Loans held for sale were \$0, \$3,561, 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					Percentage of Total Portfolio by Loan Type
	Maturity Extension	Payment Deferral	Total		
Production and intermediate-term	\$ 637	\$ 728	\$ 1,365		2.53%
Agribusiness	612	—	612		1.15%
Rural residential real estate	—	37	37		0.88%
Total	\$ 1,249	\$ 765	\$ 2,014		1.13%

The following tables describe 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 0.50 years to the life of loans
Agribusiness	Added a weighted average 0.25 years to the life of loans
	Payment Deferral
	Financial Effect
Production and intermediate-term	Added a weighted average 0.74 years to the life of loans
Rural residential real estate	Added a weighted average 0.25 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	\$ 1,293	\$ 72	\$ —	\$ 1,365
Agribusiness	612	—	—	612
Rural residential real estate	—	37	—	37
Total	\$ 1,905	\$ 109	\$ —	\$ 2,014

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 \$14. 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 modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

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

There were no new TDRs that occurred during the year ended December 31, 2022. There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

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

	December 31, 2022*	
	Total TDRs	Nonaccrual TDRs
Real estate mortgage	\$ 1,906	\$ 1,027
Production and intermediate-term	6,207	4,156
Rural residential real estate	140	—
Total loans	\$ 8,253	\$ 5,183
Additional commitments to lend	\$ —	

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

Note 4 — Investments

Equity Investments in Other Farm Credit Institutions

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

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$2,319 for 2024, \$2,493 for 2023 and \$1,837 for 2022. The Association owned 0.41 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 held \$130 in investments 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 and improvements	\$ 131	\$ 131	\$ 131
Buildings and improvements	2,121	2,201	2,046
Furniture and equipment	1,643	1,249	1,256
	\$ 3,895	\$ 3,581	\$ 3,433
Less: accumulated depreciation	2,824	2,718	2,589
Total	\$ 1,071	\$ 863	\$ 844

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	\$ 135,000	\$ 143,000	\$ 147,000
Outstanding principal under the line of credit	118,943	118,582	122,638
Interest rate	4.75%	4.75%	2.81%

Note 7 — Members' Equity

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

- A. **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 Class C participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to 2.0 percent or \$1 thousand, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 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 is at par (\$5 per share). Repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates. Retirements of equity investments are subject to approval by the Board, at its sole discretion. Subject to any limitations of the Farm Credit Act, when the debt of a borrower/stockholder is in default, the Association may order retirement of stock or participation certificates owned by the borrower and apply the proceeds to the indebtedness.

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

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

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

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

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvment, unallocated retained earnings,

and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.

- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

		Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31,		
Ratio	Minimum Requirement			2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.50%	2.50%	7.00%	33.66%	32.11%	32.27%
Tier 1 Capital	6.00%	2.50%	8.50%	33.66%	32.11%	32.27%
Total Capital	8.00%	2.50%	10.50%	34.64%	33.38%	33.08%
Permanent Capital	7.00%	0.00%	7.00%	33.95%	32.49%	32.50%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.00%	1.00%	5.00%	33.17%	31.40%	31.32%
URE and UREE Leverage	1.50%	0.00%	1.50%	32.88%	31.12%	31.05%

* 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.

- C. **Description of Equities:** The Association is authorized to issue or have outstanding Class D Preferred Stock, Classes A and C Common Stock, Class 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 classes of stock and participation certificates have a par or face value of five dollars (\$5.00) per share.

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

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
C Common/Voting	No	86,529	\$ 432
C Participation Certificates/Nonvoting	No	17,912	89
Total Capital Stock and Participation Certificates		104,441	\$ 521

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

Retained Earnings

The Association maintains an unallocated retained earnings account. The minimum amount is determined annually by the Board. At the end of any fiscal year, if the retained earnings account 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.

Equity Dividends

Equity dividends may be declared and paid on stock and participation certificates as determined by the Board's resolution. All equity dividends shall be paid on a per share basis. Dividends on common stock and participation certificates shall be noncumulative without preference between classes.

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

Patronage Distributions

The Board, by adoption of a resolution, may obligate the Association to distribute to eligible borrowers on a patronage basis all or any portion of available net earnings for the fiscal year. By adoption of resolutions in December, the Board may obligate the Association to distribute to eligible borrowers on a patronage basis all or any portion of available net taxable earnings. Patronage distributions declared are authorized to be paid 100 percent in cash, based on the proportion of each eligible borrower's net interest margin as compared to the total net interest margin earned by all eligible borrowers. The Board of Directors reserves the right to change the basis for the payment of patronage dividends.

If the Association meets its capital adequacy standards after accruing the patronage distribution, the dividend distribution may be paid in cash, authorized stock of the Association, allocations of earnings retained in an allocated member's equity account, or any one or more of such forms of distribution.

Transfer

Each owner or joint owners of Class C Common Stock is entitled to a single vote, regardless of the number of shares owned, while Class A Common Stock, Class D Preferred Stock and Class C Participation Certificates provide no voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. Common stock and participation certificates may be transferred to any person eligible to hold such class of equity under the bylaws. Class D Preferred Stock may be transferred in the manner set forth in the resolution authorizing its issuance.

Impairment

Under the capitalization bylaw of the Association, all stock and participation certificates are considered to be issued "at risk" and are not protected under the Farm Credit Act. Any net losses recorded by the Association shall first be applied against unallocated retained earnings. To the extent that such losses would exceed unallocated retained earnings, resulting in impairment of the Association's capital stock, such losses would be applied pro rata to each share and/or unit outstanding in the class, in the following order:

1. Classes A and C Common Stock and Class C Participation Certificates
2. Class 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 would be distributed to the holders of the outstanding stock and participation certificates in the following order:

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

Note 8 — Fair Value Measurement

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

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

	December 31, 2024						
	Fair Value Measurement Using						Total Fair Value
	Level 1		Level 2		Level 3		
Recurring assets							
Assets held in trust funds	\$	—	\$	—	\$	—	\$ —
Nonrecurring assets							
Nonaccrual loans	\$	—	\$	—	\$	1,583	\$ 1,583
Other property owned	\$	—	\$	—	\$	552	\$ 552

	December 31, 2023						
	Fair Value Measurement Using						Total Fair Value
	Level 1		Level 2		Level 3		
Recurring assets							
Assets held in trust funds	\$	—	\$	—	\$	—	\$ —
Nonrecurring assets							
Nonaccrual loans	\$	—	\$	—	\$	4,081	\$ 4,081
Other property owned	\$	—	\$	—	\$	737	\$ 737

	December 31, 2022						
	Fair Value Measurement Using						Total Fair Value
	Level 1		Level 2		Level 3		
Recurring assets							
Assets held in trust funds	\$	—	\$	—	\$	—	\$ —
Nonrecurring assets							
Impaired loans*	\$	—	\$	—	\$	242	\$ 242
Other property owned	\$	—	\$	—	\$	805	\$ 805

*Prior to 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 two District sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, AgFirst Farm Credit Retirement Plan, which is a final average pay plan (FAP Plan). In addition, the Association participates in a defined contribution 401(k) plan, the Farm Credit Benefits Alliance (FCBA) 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 \$255 for 2024, \$212 for 2023, and \$245 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.

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 Hacienda. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were \$130, \$128, and \$111 for the years ended December 31, 2024, 2023, and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

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

Note 10 — Related Party Transactions

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

Total loans to such persons at December 31, 2024 amounted to \$11,167. During 2024, \$123 of new loans were made and repayments totaled \$2,409. In addition, net loans of \$12,419 were newly classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

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

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

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

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2024, \$32,904 of commitments to extend credit and \$100 of commercial letters of credit were outstanding. A reserve for unfunded commitments of \$90 was included in Other Liabilities on 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 \$323 with expiration dates ranging from January 1, 2025 to August 19, 2027. The maximum potential amount of future payments that may be required under these guarantees was \$323.

Note 12 — Income Taxes

The Association recorded \$0 provision for federal income tax for 2024, \$0 provision for federal income tax for 2023, and a \$0 provision for federal income tax for 2022. For 2010, the Association incurred a patronage sourced net operating loss which was carried forward to 2013 through 2015, which fully offset patronage sourced taxable income. Therefore, since 2012, any eligible patronage sourced income was not distributed, until 2017, 2018, 2019, and 2020 when \$1,700 in 2017, \$3,000 in 2018, \$2,000 in 2019, \$2,900 in 2020, \$2,700 in 2021, and \$1,000 in 2022 of eligible patronage source income was distributed to offset patronage source income in each year. During 2023 the Association did not distribute any patronage sourced income. The Association is exempt from Puerto Rico income tax under Article 23 of the General Cooperative Act of 2004. 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	\$ 820	\$ 174	\$ 1,284
Patronage distributions	(735)	—	(210)
Tax-exempt FLCA earnings (losses)	(85)	(174)	(187)
Other	—	—	(887)
Provision (benefit) for income taxes	\$ —	\$ —	\$ —

As discussed in Note 2, Income Taxes, the Board and management intend that the ACA will have only patronage sourced income that will be distributed in its entirety on a cooperative basis as tax deductible patronage dividends, resulting in zero federal income tax. Thus, the Association has applied a zero effective tax rate to its cumulative temporary differences and has no net deferred tax assets.

There were no potential 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. At December 31, 2024 the Association has Federal loss carryforwards totaling approximately \$1,064 that expire in varying amounts beginning in 2030. Any portion of the Federal loss carryforwards generated post 2017 does not expire.

The tax years that remain open for Federal and Puerto Rico income tax jurisdictions are 2021, 2022, 2023 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2024				
	First	Second	Third	Fourth	Total
Net interest income	\$ 1,863	\$ 1,932	\$ 1,637	\$ 1,699	\$ 7,131
Provision for (reversal of) allowance for credit losses	(22)	(17)	70	(673)	(642)
Noninterest income (expense), net	(949)	(951)	(1,025)	(945)	(3,870)
Net income (loss)	\$ 936	\$ 998	\$ 542	\$ 1,427	\$ 3,903

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 1,514	\$ 1,422	\$ 1,478	\$ 1,653	\$ 6,067
Provision for (reversal of) allowance for credit losses	2,101	526	520	159	3,306
Noninterest income (expense), net	(815)	(816)	(734)	(1,226)	(3,591)
Net income (loss)	\$ (1,402)	\$ 80	\$ 224	\$ 268	\$ (830)

	2022				
	First	Second	Third	Fourth	Total
Net interest income	\$ 1,056	\$ 1,116	\$ 831	\$ 1,073	\$ 4,076
Provision for (reversal of) allowance for loan losses	24	2	62	(96)	(8)
Noninterest income (expense), net	(757)	(1,008)	(863)	4,656	2,028
Net income (loss)	\$ 275	\$ 106	\$ (94)	\$ 5,825	\$ 6,112

Note 14 — Subsequent Events

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