
Horizon Farm Credit, ACA
FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025, quarterly report of Horizon 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 and regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Thomas H. Truitt, Jr.
Chief Executive Officer

/s/ Brian E. Rosati
Chief Financial Officer

/s/ David R. Smith
Chair of the Board

May 9, 2025

Horizon Farm Credit, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management, and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2025. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2025.

/s/ Thomas H. Truitt, Jr.
Chief Executive Officer

/s/ Brian E. Rosati
Chief Financial Officer

May 9, 2025

Horizon Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Horizon Farm Credit, ACA (Association) for the period ended March 31, 2025, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2024 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

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. The Association's loan portfolio encompasses a well-diversified range of agricultural commodities, including cash grains, dairy, livestock, poultry, forest products, various crops, and also includes part-time and rural home loans. In addition, the Association provides loans to lessors of agricultural real estate. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, impacts the level of dependency on any particular commodity.

The total loan volume of the Association as of March 31, 2025, was \$7,366,780, an increase of \$98,516 as compared to \$7,268,264 at December 31, 2024.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased to \$32,237 at March 31, 2025 from \$26,885 at December 31, 2024. As a percent of total loans, nonaccrual loans were 0.44% and 0.37% at March 31, 2025, and December 31, 2024, respectively. Other property owned was reduced to \$1,352 at March 31, 2025 (five properties) from \$1,497 at December 31, 2024 (six properties).

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLL). The ACLL at March 31, 2025, was \$23,871 or 0.32% of total loans compared to \$20,980 or 0.29% of total loans at December 31, 2024. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

For the three months ended March 31, 2025

Net income for the three months ended March 31, 2025, was \$30,216, a decrease of \$2,460 as compared to net income of \$32,676 for the same period ended in 2024. Major changes in the components of net income are identified as follows:

For the three months ended March 31, 2025, net interest income was \$50,586, an increase of \$2,643 compared to the same period ended in 2024. The net interest margin was 2.82%, a decrease of 11 basis points as compared to the same period ended in 2024. The change in net interest income is attributable to (a) a \$778 increase as a result of changes in volume and interest rate due to a \$664 million increase in the average daily balance of accruing portfolio volume, (b) a favorable variance of \$859 due to increased earnings on free cash held at the Bank, offset by (c) an unfavorable variance of \$54 in net interest recognized attributable to nonaccruing loans, and (d) a \$1,060 decrease in net interest income from the GAAP fair market value adjustments as a result of the Merger and booked in accordance with ASC 805.

The provision for credit losses for the three months ended March 31, 2025, was \$3,323, an increase of \$2,092 from the provision for credit losses of \$1,231 for the same period ended during the prior year. The change was driven by an increase in loan volume and the impact of macroeconomic forecasts within the allowance model.

Noninterest income increased \$1,625 to \$14,760 during the first three months of 2025 compared with the first three months of 2024 primarily due to (a) the receipt of a Farm Credit System Insurance Corporation (FCSIC) refund in the amount of \$1,165 in the first quarter of 2025, (b) a \$354 increase in Patronage related income, and (c) an increase of \$297 from fees and other noninterest income activity, partially offset by (d) a decrease of \$191 in gains from sales and other transactions.

For the three months ended March 31, 2025, noninterest expense increased \$4,648 to \$31,569 compared with the first three months of 2024 primarily due to (a) a \$3,056 increase in purchased services and data processing, (b) a \$1,758 increase in salaries and employee benefits, and (c) an increase of \$158 in insurance fund premiums, partially offset by (d) a decrease of \$324 in occupancy, equipment, and other operating expenses.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement 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 funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. 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. The total notes payable to the Bank at March 31, 2025, was \$6,131,901 as compared to \$6,087,403 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was \$1,290,983, an increase of \$29,755 from a total of \$1,261,228 at December 31, 2024. This increase is attributed to (a) Total Comprehensive income of \$30,398 for the first three months ended March 31, 2025 and (b) net member capital stock/participation certificates issued of \$199, partially offset by (c) an \$842 adjustment to the 2024 patronage distribution accrual. Total capital stock and participation certificates were \$22,549 on March 31, 2025, compared to \$22,350 on December 31, 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:

	Regulatory Minimum Including Buffer*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	15.10%	15.26%	15.87%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	14.84%	15.22%	15.56%
Tier 1 Capital Ratio	8.50%	14.84%	15.22%	15.56%
Total Regulatory Capital Ratio	10.50%	15.14%	15.53%	15.84%
Tier 1 Leverage Ratio**	5.00%	15.88%	16.32%	16.73%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	15.57%	16.01%	16.40%

*Include full capital conservation buffers.

**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.

REGULATORY MATTERS

On November 29, 2024, the Farm Credit Administration (FCA) published a proposed rule on internal control over financial reporting (ICFR) in the Federal Register. The proposed rule would amend the financial reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR (also known as integrated audit). Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its District Bank's direct loans to Associations or if the FCA's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period ended 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% risk-weighting to such exposures, instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weightings and the federal banking regulators, with deviations as appropriate to accommodate the different regulatory, operational and credit considerations of the System. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the necessary 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 institution board reporting requirements. The final rule became effective on January 1, 2025.

SHAREHOLDER INVESTMENT

Shareholder investment in the Association may be materially affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by 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.

WHISTLEBLOWER

Reports of suspected or actual wrongdoing involving the Association, its employees and/or Directors, can be made anonymously and confidentially through the Association's Whistleblower Hotline at 1-833-220-9773 or a link to the website is available at www.horizonfarmcredit.ethicspoint.com.

Horizon Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2025 <i>(unaudited)</i>	December 31, 2024 <i>(audited)</i>
Assets		
Cash	\$ 17	\$ 56
Loans	7,366,780	7,268,264
Allowance for credit losses on loans	(23,871)	(20,980)
Net loans	7,342,909	7,247,284
Other investments	2,905	2,239
Accrued interest receivable	41,163	41,799
Equity investments in other Farm Credit institutions	113,998	113,761
Premises and equipment, net	28,556	28,632
Other property owned	1,352	1,497
Accounts receivable	12,012	45,850
Other assets	6,309	5,361
Total assets	\$ 7,549,221	\$ 7,486,479
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 6,131,901	\$ 6,087,403
Accrued interest payable	22,061	21,270
Patronage refunds payable	8,010	72,385
Accounts payable	3,252	9,063
Advanced conditional payments	172	198
Other liabilities	92,842	34,932
Total liabilities	6,258,238	6,225,251
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	22,549	22,350
Additional paid-in-capital	267,216	267,216
Retained earnings		
Allocated	650,334	649,741
Unallocated	353,665	324,884
Accumulated other comprehensive income (loss)	(2,781)	(2,963)
Total members' equity	1,290,983	1,261,228
Total liabilities and members' equity	\$ 7,549,221	\$ 7,486,479

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

Horizon Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

For the Three Months
Ended March 31,
2025 2024

(dollars in thousands)

Interest Income		
Loans	\$ 116,520	\$ 106,664
Interest Expense	65,934	58,721
Net interest income	50,586	47,943
Provision for credit losses	3,323	1,231
Net interest income after provision for credit losses	47,263	46,712
Noninterest Income		
Loan fees	651	633
Fees for financially related services	1,760	1,483
Patronage refunds from other Farm Credit institutions	11,042	10,688
Gains (losses) on sales of rural home loans, net	—	21
Gains (losses) on sales of premises and equipment, net	82	73
Gains (losses) on other transactions	(4)	175
Insurance Fund refunds	1,165	—
Other noninterest income	64	62
Total noninterest income	14,760	13,135
Noninterest Expense		
Salaries and employee benefits	16,354	14,596
Occupancy and equipment	893	900
Insurance Fund premiums	1,515	1,357
Purchased services	7,853	5,106
Data processing	638	329
Other operating expenses	4,305	4,551
(Gains) losses on other property owned, net	11	82
Total noninterest expense	31,569	26,921
Income before income taxes	30,454	32,926
Provision for income taxes	238	250
Net income	\$ 30,216	\$ 32,676
Other comprehensive income net of tax		
Employee benefit plans adjustments	182	—
Comprehensive income	\$ 30,398	\$ 32,676

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

Horizon Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2023	\$ 21,470	\$ 267,216	\$ 619,254	\$ 296,483	\$ (147)	\$ 1,204,276
Comprehensive income				32,676		32,676
Capital stock/participation certificates issued/(retired), net	146					146
Patronage distribution adjustment			(1,814)	1,259		(555)
Balance at March 31, 2024	\$ 21,616	\$ 267,216	\$ 617,440	\$ 330,418	\$ (147)	\$ 1,236,543
Balance at December 31, 2024	\$ 22,350	\$ 267,216	\$ 649,741	\$ 324,884	\$ (2,963)	\$ 1,261,228
Comprehensive income				30,216	182	30,398
Capital stock/participation certificates issued/(retired), net	199					199
Patronage distribution adjustment			593	(1,435)		(842)
Balance at March 31, 2025	\$ 22,549	\$ 267,216	\$ 650,334	\$ 353,665	\$ (2,781)	\$ 1,290,983

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

Horizon Farm Credit, ACA

Notes to the Consolidated Financial Statements

*(dollars in thousands, except as noted)
(unaudited)*

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Horizon Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2024, are contained in the 2024 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

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

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or Adopted Accounting Pronouncements

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. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

	March 31, 2025	December 31, 2024
Real estate mortgage	\$ 4,005,309	\$ 3,958,563
Production and intermediate-term	1,632,935	1,660,260
Agribusiness:		
Loans to cooperatives	143,601	113,275
Processing and marketing	813,640	784,152
Farm-related business	162,914	152,236
Rural infrastructure:		
Communication	259,169	252,470
Power and water/waste disposal	159,834	159,209
Rural residential real estate	112,951	108,389
Other:		
International	73,719	76,872
Lease receivables	2,708	2,838
Total loans	\$ 7,366,780	\$ 7,268,264

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

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:

	March 31, 2025					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 68,735	\$ 8,060	\$ —	\$ —	\$ 68,735	\$ 8,060
Production and intermediate term	234,087	202,635	—	2,442	234,087	205,077
Agribusiness	559,410	109,423	149,768	—	709,178	109,423
Rural infrastructure	420,575	—	—	—	420,575	—
Other	76,631	—	—	—	76,631	—
Total	\$ 1,359,438	\$ 320,118	\$ 149,768	\$ 2,442	\$ 1,509,206	\$ 322,560

	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	\$ 69,921	\$ 8,222	\$ —	\$ —	\$ 69,921	\$ 8,222
Production and intermediate term	219,871	136,408	—	2,446	219,871	138,854
Agribusiness	519,292	115,565	151,258	—	670,550	115,565
Rural infrastructure	413,589	—	—	—	413,589	—
Other	79,955	—	—	—	79,955	—
Total	\$ 1,302,628	\$ 260,195	\$ 151,258	\$ 2,446	\$ 1,453,886	\$ 262,641

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	March 31, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	95.91%	96.03%
OAEM	2.30	2.36
Substandard/doubtful/loss	1.79	1.61
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.41%	96.15%
OAEM	2.64	2.12
Substandard/doubtful/loss	1.95	1.73
	100.00%	100.00%
Agribusiness:		
Acceptable	93.19%	92.68%
OAEM	5.04	6.96
Substandard/doubtful/loss	1.77	0.36
	100.00%	100.00%
Rural infrastructure:		
Acceptable	98.72%	98.70%
OAEM	1.28	1.30
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.30%	95.82%
OAEM	1.82	2.14
Substandard/doubtful/loss	1.88	2.04
	100.00%	100.00%
Other:		
Acceptable	99.52%	99.51%
OAEM	0.48	0.49
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Total loans:		
Acceptable	95.59%	95.76%
OAEM	2.71	2.89
Substandard/doubtful/loss	1.70	1.35
	100.00%	100.00%

Accrued interest receivable on loans of \$41,163 and \$41,799 at March 31, 2025 and December 31, 2024, 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:

	March 31, 2025					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	\$ 31,394	\$ 8,586	\$ 39,980	\$ 3,965,329	\$ 4,005,309	\$ 258
Production and intermediate-term	11,338	7,551	18,889	1,614,046	1,632,935	626
Agribusiness	1,538	794	2,332	1,117,823	1,120,155	—
Rural infrastructure	—	—	—	419,003	419,003	—
Rural residential real estate	640	278	918	112,033	112,951	—
Other	78	—	78	76,349	76,427	—
Total	\$ 44,988	\$ 17,209	\$ 62,197	\$ 7,304,583	\$ 7,366,780	\$ 884

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	90 Days or More Past Due and Accruing
Real estate mortgage	\$ 20,264	\$ 7,156	\$ 27,420	\$ 3,931,143	\$ 3,958,563	\$ 672
Production and intermediate-term	9,546	6,401	15,947	1,644,313	1,660,260	—
Agribusiness	3,333	800	4,133	1,045,530	1,049,663	—
Rural infrastructure	—	—	—	411,679	411,679	—
Rural residential real estate	720	251	971	107,418	108,389	—
Other	—	—	—	79,710	79,710	—
Total	\$ 33,863	\$ 14,608	\$ 48,471	\$ 7,219,793	\$ 7,268,264	\$ 672

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans as of:

March 31, 2025			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 7,171	\$ 14,417	\$ 21,588
Production and intermediate-term	8,455	662	9,117
Agribusiness	813	—	813
Rural residential real estate	572	147	719
Total	\$ 17,011	\$ 15,226	\$ 32,237

December 31, 2024			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:			
Real estate mortgage	\$ 8,469	\$ 9,442	\$ 17,911
Production and intermediate-term	6,621	748	7,369
Agribusiness	739	88	827
Rural residential real estate	630	148	778
Total	\$ 16,459	\$ 10,426	\$ 26,885

The Association recognized \$204 and \$378 of interest income on settled nonaccrual loans during the three months ended March 31, 2025 and March 31, 2024, respectively.

Reversals of interest income on loans that moved to nonaccrual status were not material for the three months ended March 31, 2025 and March 31, 2024.

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

Three Months Ended March 31,			
	2025	2024	
Allowance for Credit Losses on Loans:			
Balance at beginning of period	\$ 20,980	\$ 17,283	
Charge-offs	(95)	(26)	
Recoveries	3	39	
Provision for credit losses on loans	2,983	1,214	
Balance at end of period	\$ 23,871	\$ 18,510	
Allowance for Credit Losses on Unfunded Commitments:			
Balance at beginning of period	\$ 2,472	\$ 2,245	
Provision for unfunded commitments	340	17	
Balance at end of period	\$ 2,812	\$ 2,262	
Total allowance for credit losses	\$ 26,683	\$ 20,772	

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.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three months ended March 31, 2025 and 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 2025 and 2024. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

The Association had no loans held for sale at March 31, 2025 and December 31, 2024.

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Associations are 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 owned 19.77% of the issued stock and allocated retained earnings of the Bank as of March 31, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled \$47.1 billion and shareholders' equity totaled \$1.9 billion. The Bank's earnings were \$66 million for the first three months of 2025. In addition, the Association held investments of \$3,223 related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component (a)			
Three Months Ended March 31,			
	2025	2024	
Employee Benefit Plans:			
Balance at beginning of period	\$ (2,963)	\$ (147)	
Other comprehensive income before reclassifications	—	—	
Amounts reclassified from AOCI	182	—	
Net current period other comprehensive income	182	—	
Balance at end of period	\$ (2,781)	\$ (147)	

Reclassifications Out of Accumulated Other Comprehensive Income (b)			
Three Months Ended March 31,			
	2025	2024	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	\$ (182)	\$ —	Salaries and employee benefits
Net amounts reclassified	\$ (182)	\$ —	

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 5 — 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 establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

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

Level 2 inputs 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 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 the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	March 31, 2025				
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 3,595	\$ —	\$ —	\$	3,595
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 11,685	\$	11,685
Other property owned	\$ —	\$ —	\$ 1,513	\$	1,513

	December 31, 2024				
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 3,659	\$ —	\$ —	\$	3,659
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 11,446	\$	11,446
Other property owned	\$ —	\$ —	\$ 1,607	\$	1,607

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

For certain loans evaluated for credit loss under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other property owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Note 6 — Commitments and Contingent Liabilities

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 remote 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.

Note 7 — Subsequent Events

The Association evaluated subsequent events and determined no subsequent events have occurred requiring disclosure through May 9, 2025, which was the date the financial statements were issued.