# Farm Credit of Western Oklahoma, ACA

# Quarterly Report
# March 31, 2025

The shareholders' investment in Farm Credit of Western Oklahoma, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2024 CoBank Annual Report to Shareholders and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, **www.cobank.com**, or may be obtained at no charge by contacting us at Farm Credit of Western Oklahoma, ACA, 3302 Williams Avenue, Woodward, Oklahoma 73801, or by calling 580-256-3465 or toll free 1-800-299-3465.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Western Oklahoma, ACA (the Association) for the three months ended March 31, 2025, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2024 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

While the U.S. economy ended on good footing for 2024, economic growth has been slow in the first quarter of 2025. A combination of high interest rates, slower GDP growth, decreased consumer spending, continued global supply chain pressures, and geopolitical risks are all key factors in the weakened economic growth. The labor market has remained steady for the first quarter of 2025; however, uncertainty around import tariffs and cuts in government spending have affected the labor market and its outlook for 2025. For 2025, farm income is anticipated to increase primarily as a result of direct government relief payments through the American Relief Act that was approved in late 2024. This estimated increase in farm income is partially offset by elevated farming expenses. Additionally, global conflicts and the impending reciprocal tariffs are expected to affect commodity prices, creating volatility and uncertainty in the markets. At the March FOMC meeting, the Fed announced that interest rates will be kept steady in the near future. However, the recent tariffs and resulting impact on inflation could lead to further interest rate cuts in 2025.

Loan demand has been strong so far in 2025. Given commodity price uncertainty and inflationary factors impacting input prices within the agricultural economy, it is important that the operations we serve rely upon diversification to insulate themselves from individual commodity losses. Our customers continue to take advantage of commodity price protection and invest in insurance options to hedge their operations against commodity price fluctuations and to insulate themselves from undue risk related to adverse weather conditions. With historically low unemployment and strong demand for labor, off-farm income continues to provide healthy diversification to our customers' income sources.

Our lending territory is currently experiencing various levels of drought throughout the region, and the current soil moisture conditions primarily fall within an adequate to short range, amplifying the need for soil moisture improvement across the lending territory.

Real estate values in Oklahoma have increased on average 4.99% over the last 5 years, and have continued to strengthen in our territory with a year over year increase of 8.6% in Oklahoma noted in 2024. Potential weaknesses in commodity markets, volatility in oil/gas price/production, and/or U.S. recession brought on by federal inflation response could lead to a softening or decline in the real estate market which is a risk to our portfolio as well as to our customer base.

Our Association continues to analyze the material effects of transition risks related to climate change that may affect our business, financial condition, and results of operations. These risks include policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, litigation risks, and technological changes. Agricultural producers continue to adjust to changing climate conditions and have implemented additional practices of no-till planting, minimal till practices, cover crops, and other water conservation techniques to manage reduced amounts of rainfall and to keep their farmland in a state of sustainable production. Currently, we are not aware of any specific material impacts on our business, results of operations, or financial conditions from the effects of climate change transition risks.

## LOAN PORTFOLIO

Loans outstanding at March 31, 2025, totaled $1.95 billion, an increase of $30.4 million, or 1.59%, from loans of $1.92 billion at December 31, 2024. The increase was primarily due to loan growth in the production and intermediate-term and agribusiness sectors, partially offset by paydowns and payoffs in the portfolio during the first three months of 2025.

## RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2025, was $9.7 million, an increase of $2.9 million, or 42.73%, from the same period ended one year ago. The increase was primarily due to an increase in net interest income and noninterest income. Additionally, a credit loss reversal was recorded for the three months ended March 31, 2025, compared with a provision for credit losses recorded for the three months ended March 31, 2024.

For the three months ended March 31, 2025, net interest income was $14.6 million, an increase of $1.8 million, or 13.91%, compared with the three months ended March 31, 2024. Net interest income increased primarily as a result of loan volume growth and increased interest income earned, partially offset by increased interest expense.

The credit loss reversal for the three months ended March 31, 2025, was $62 thousand, compared with a provision for credit losses of $464 thousand for the same period ended one year ago. The credit loss reversal was recorded primarily due to improvements in the Association's risk portfolio.

Noninterest income increased $716 thousand during the first three months of 2025 compared with the first three months of 2024, primarily due to a refund of $348 thousand received during the first quarter of 2025 from the Farm Credit System Insurance Corporation (FCSIC). This refund represents our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. No such refunds were received in the same period ended one year ago. Additionally, the Association recorded an increase of $227 thousand in patronage distribution from Farm Credit institutions. This increase was primarily due to additional patronage distribution from CoBank, resulting from an increase in our direct note payable due to CoBank between the periods compared. Patronage income from other Farm Credit institutions also increased for the period ended March 31, 2025 compared to the period ended March 31, 2024, due to additional patronage eligible loan participations purchased from other Farm Credit institutions.

Mineral income of $262 thousand was recognized during the first three months of 2025, an increase of $44 thousand from the same period ended one year ago. Of this amount, $183 thousand was received from CoBank and $79 thousand was received from Association-owned minerals. The increase for the three months ended March 31, 2025, was primarily due to an increase in Association-owned minerals income.

During the first three months of 2025, noninterest expense increased $115 thousand to $7.9 million compared to the first three months of 2024. The increase in noninterest expense was primarily due to increases in expenses related to the Association's loan origination system upgrade, purchased services from AgVantis, and increased attorney fees. This increase was partially offset by a decrease in salaries and employee benefit expense.

**CAPITAL RESOURCES**

Our shareholders' equity at March 31, 2025, was $359.4 million, an increase from $349.5 million at December 31, 2024. This increase is due to net income, the amortization of pension costs included in the net periodic benefit cost, and net stock issuances.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements, and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

| | | |
|---|---|---|
| Greg Livingston | Jamey B. Mitchell | Roger Fischer |
| President/CEO | CFO | Chairman of the Board |
| May 5, 2025 | May 5, 2025 | May 5, 2025 |

## Consolidated Statement of Condition

(Dollars in Thousands)

| | March 31 2025 | December 31 2024 |
|---|---|---|
| | **UNAUDITED** | AUDITED |
| **ASSETS** | | |
| Loans | **$ 1,949,475** | $ 1,919,049 |
| Less allowance for loan losses | **4,422** | 4,359 |
| Net loans | **1,945,053** | 1,914,690 |
| Cash | **5,090** | 6,123 |
| Accrued interest receivable | **43,478** | 39,650 |
| Investment in CoBank, ACB | **47,744** | 47,744 |
| Premises and equipment, net | **10,491** | 10,581 |
| Prepaid benefit expense | **9,670** | 9,763 |
| Other assets | **7,574** | 13,580 |
| **Total assets** | **$ 2,069,100** | $ 2,042,131 |
| **LIABILITIES** | | |
| Note payable to CoBank, ACB | **$ 1,679,541** | $ 1,649,113 |
| Advance conditional payments | **14,905** | 13,524 |
| Accrued interest payable | **5,435** | 5,322 |
| Patronage distributions payable | **-** | 10,800 |
| Accrued benefits liability | **3,008** | 3,486 |
| Reserve for unfunded commitments | **899** | 1,024 |
| Other liabilities | **5,938** | 9,368 |
| **Total liabilities** | **$ 1,709,726** | $ 1,692,637 |
| **Commitments and Contingencies** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Capital stock | **2,923** | 2,916 |
| Additional paid-in capital | **146,592** | 146,592 |
| Unallocated retained earnings | **211,756** | 202,022 |
| Accumulated other comprehensive income/(loss) | **(1,897)** | (2,036) |
| **Total shareholders' equity** | **359,374** | 349,494 |
| **Total liabilities and shareholders' equity** | **$ 2,069,100** | $ 2,042,131 |

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

## Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

| | For the three months ended March 31 | |
|---|---|---|
| UNAUDITED | **2025** | 2024 |
| **INTEREST INCOME** | | |
| Loans | **$ 30,305** | $ 27,567 |
| Other | **3** | - |
| **Total interest income** | **30,308** | 27,567 |
| **INTEREST EXPENSE** | | |
| Note payable to CoBank, ACB | **15,603** | 14,624 |
| Other | **71** | 96 |
| **Total interest expense** | **15,674** | 14,720 |
| Net interest income | **14,634** | 12,847 |
| (Credit loss reversal)/Provision for credit losses | **(62)** | 464 |
| Net interest income after credit loss reversal/provision for credit losses | **14,696** | 12,383 |
| **NONINTEREST INCOME** | | |
| Financially related services income | **17** | 7 |
| Loan fees | **177** | 158 |
| Patronage distribution from Farm Credit institutions | **1,992** | 1,765 |
| Farm Credit Insurance Fund distribution | **348** | - |
| Mineral income | **262** | 218 |
| Other noninterest income | **107** | 39 |
| **Total noninterest income** | **2,903** | 2,187 |
| **NONINTEREST EXPENSE** | | |
| Salaries and employee benefits | **3,620** | 3,979 |
| Occupancy and equipment | **592** | 385 |
| Purchased services from AgVantis, Inc. | **1,369** | 1,243 |
| Farm Credit Insurance Fund premium | **378** | 351 |
| Supervisory and examination costs | **147** | 131 |
| Other noninterest expense | **1,759** | 1,661 |
| **Total noninterest expense** | **7,865** | 7,750 |
| **Net income** | **9,734** | 6,820 |
| **COMPREHENSIVE INCOME** | | |
| Amortization of retirement costs | **139** | 121 |
| **Total comprehensive income** | **$ 9,873** | $ 6,941 |

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

## Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

| UNAUDITED | Capital Stock | Additional Paid-In Capital | Unallocated Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2023** | $ 2,884 | $ 146,592 | $ 180,939 | $ (1,916) | $ 328,499 |
| Comprehensive income | | | 6,820 | 121 | 6,941 |
| Stock issued | 44 | | | | 44 |
| Stock retired | (52) | | | | (52) |
| **Balance at March 31, 2024** | $ 2,876 | $ 146,592 | $ 187,759 | $ (1,795) | $ 335,432 |
| | | | | | |
| **Balance at December 31, 2024** | $ 2,916 | $ 146,592 | $ 202,022 | $ (2,036) | $ 349,494 |
| Comprehensive income | | | 9,734 | 139 | 9,873 |
| Stock issued | 53 | | | | 53 |
| Stock retired | (46) | | | | (46) |
| **Balance at March 31, 2025** | **$ 2,923** | **$ 146,592** | **$ 211,756** | **$ (1,897)** | **$ 359,374** |

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

## NOTES TO FINANCIAL STATEMENTS
(Unaudited)

### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Western Oklahoma, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2024, are contained in the 2024 Annual Report to Shareholders. These unaudited first quarter 2025 financial statements should be read in conjunction with the 2024 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under U.S. GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Shareholders.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair statement of results for the interim periods, have been made. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

**Recently Adopted or Issued Accounting Pronouncements**

**Disaggregation of Income Statement Expenses (ASC 220)**

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

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

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

**Improvements to Income Tax Disclosures (ASC 740)**

In December 2023, FASB issued 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 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, 2024. 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.

**NOTE 2 - LOANS AND ALLOWANCE FOR CREDIT LOSSES**

A summary of loans by type follows:

| *(dollars in thousands)* | **March 31, 2025** | December 31, 2024 |
|---|---|---|
| Real estate mortgage | **$ 1,195,231** | $ 1,193,808 |
| Production and intermediate-term | **539,168** | 522,824 |
| Agribusiness | **140,385** | 128,891 |
| Rural infrastructure | **65,579** | 64,239 |
| Agricultural export finance | **7,476** | 7,469 |
| Rural residential real estate | **1,636** | 1,818 |
| Total loans | **$ 1,949,475** | $ 1,919,049 |

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2025:

| | Other Farm Credit Institutions | | Non-Farm Credit Institutions | | Total | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | Purchased | Sold | Purchased | Sold | Purchased | Sold |
| Real estate mortgage | $ 39,946 | $ 6,511 | $ 165,952 | $ - | $ 205,898 | $ 6,511 |
| Production and intermediate-term | 67,737 | 16,642 | - | - | 67,737 | 16,642 |
| Agribusiness | 106,001 | 562 | - | - | 106,001 | 562 |
| Rural infrastructure | 65,579 | - | - | - | 65,579 | - |
| Agricultural export finance | 7,476 | - | - | - | 7,476 | - |
| Total | $ 286,739 | $ 23,715 | $ 165,952 | $ - | $ 452,691 | $ 23,715 |

**Credit Quality**

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position, and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% 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. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These categories are defined as follows:

- 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 factors, 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 as of:

| | **March 31, 2025** | December 31, 2024 |
|---|---|---|
| Real estate mortgage | | |
| Acceptable | **98.32%** | 98.07% |
| OAEM | **1.13%** | 1.14% |
| Substandard | **0.55%** | 0.79% |
| Total | **100.00%** | 100.00% |
| Production and intermediate-term | | |
| Acceptable | **97.08%** | 96.92% |
| OAEM | **2.68%** | 2.65% |
| Substandard | **0.24%** | 0.43% |
| Total | **100.00%** | 100.00% |
| Agribusiness | | |
| Acceptable | **90.72%** | 89.78% |
| OAEM | **4.48%** | 7.01% |
| Substandard | **4.80%** | 3.21% |
| Total | **100.00%** | 100.00% |
| Rural infrastructure | | |
| Acceptable | **96.90%** | 96.83% |
| OAEM | **3.10%** | 3.17% |
| Total | **100.00%** | 100.00% |
| Agricultural export finance | | |
| Acceptable | **100.00%** | 100.00% |
| Total | **100.00%** | 100.00% |
| Rural residential real estate | | |
| Acceptable | **100.00%** | 100.00% |
| Total | **100.00%** | 100.00% |
| Total Loans | | |
| Acceptable | **97.40%** | 97.17% |
| OAEM | **1.86%** | 2.01% |
| Substandard | **0.74%** | 0.82% |
| Total | **100.00%** | 100.00% |

Accrued interest receivable on loans of $43.5 million at March 31, 2025 and $39.7 million at December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. The Association wrote off accrued interest receivable of $4 thousand during the first three months of 2025 and $31 thousand during the first three months of 2024.

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. The following table shows these nonperforming assets and related credit quality statistics as follows:

| *(dollars in thousands)* | **March 31, 2025** | December 31, 2024 |
|---|---|---|
| Nonaccrual loans | | |
| Real estate mortgage | **$ 2,251** | $ 4,262 |
| Production and intermediate-term | **340** | 1,288 |
| Total nonaccrual loans | **$ 2,591** | $ 5,550 |
| Accruing loans 90 days past due | | |
| Real estate mortgage | **$ 287** | $ 168 |
| Total accruing loans 90 days past due | **$ 287** | $ 168 |
| Total nonperforming assets | **$ 2,878** | $ 5,718 |
| Nonaccrual loans to total loans | **0.13%** | 0.29% |
| Nonperforming assets to total loans | **0.15%** | 0.30% |
| Nonperforming assets to total shareholders' equity | **0.80%** | 1.64% |

The Association had other property owned for the periods presented.

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

| | **March 31, 2025** | | |
|---|---|---|---|
| *(dollars in thousands)* | Amortized Cost with Allowance | Amortized Cost without Allowance | Total |
| Nonaccrual loans | | | |
| Real estate mortgage | $ - | $ 2,251 | $ 2,251 |
| Production and intermediate-term | 63 | 277 | 340 |
| Total | $ 63 | $ 2,528 | $ 2,591 |

| | December 31, 2024 | | |
|---|---|---|---|
| *(dollars in thousands)* | Amortized Cost with Allowance | Amortized Cost without Allowance | Total |
| Nonaccrual loans | | | |
| Real estate mortgage | $ - | $ 4,262 | $ 4,262 |
| Production and intermediate-term | 63 | 1,225 | 1,288 |
| Total | $ 63 | $ 5,487 | $ 5,550 |

| | Interest Income Recognized For the Three Months Ended March 31 | |
|---|---|---|
| *(dollars in thousands)* | **2025** | 2024 |
| Nonaccrual loans | | |
| Real estate mortgage | **$ 132** | $ - |
| Production and intermediate-term | **268** | (2) |
| Total | **$ 400** | $ (2) |

The following tables provide an age analysis of past due loans at amortized cost.

| (dollars in thousands) | March 31, 2025<br>30-89 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 | $ 2,771 | $ 287 | $ 3,058 | $1,192,173 | $1,195,231 | $ 287 |
| Production and intermediate-term | 1,570 | 338 | 1,908 | 537,260 | 539,168 | - |
| Agribusiness | - | - | - | 140,385 | 140,385 | - |
| Rural infrastructure | - | - | - | 65,579 | 65,579 | - |
| Agricultural export finance | - | - | - | 7,476 | 7,476 | - |
| Rural residential real estate | - | - | - | 1,636 | 1,636 | - |
| Total | $ 4,341 | $ 625 | $ 4,966 | $1,944,509 | $1,949,475 | $ 287 |

| (dollars in thousands) | December 31, 2024<br>30-89 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 | $ 3,108 | $ 2,064 | $ 5,172 | $1,188,636 | $1,193,808 | $ 168 |
| Production and intermediate-term | 1,645 | 615 | 2,260 | 520,564 | 522,824 | - |
| Agribusiness | - | - | - | 128,891 | 128,891 | - |
| Rural infrastructure | - | - | - | 64,239 | 64,239 | - |
| Agricultural export finance | - | - | - | 7,469 | 7,469 | - |
| Rural residential real estate | - | - | - | 1,818 | 1,818 | - |
| Total | $ 4,753 | $ 2,679 | $ 7,432 | $1,911,617 | $1,919,049 | $ 168 |

**Loan Modifications to Borrowers Experiencing Financial Difficulty**

The following tables show the amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted.

| | Term Extension | |
|---|---|---|
| | For the Three Months Ended | |
| *(dollars in thousands)* | **March 31, 2025** | % of Portfolio Segment |
| Production and intermediate-term | **$ 174** | 0.03% |
| Total | **$ 174** | |

| | Combination - Interest Rate Reduction and Term Extension | |
|---|---|---|
| | For the Three Months Ended | |
| *(dollars in thousands)* | **March 31, 2025** | % of Portfolio Segment |
| Production and intermediate-term | **710** | 0.13% |
| Total | **$ 710** | |

| (dollars in thousands) | Term Extension For the Three Months Ended March 31, 2024 | % of Portfolio Segment |
|---|---|---|
| Agribusiness | $ 831 | 0.67% |
| Total | $ 831 | |

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was $19 thousand as of the three months ended March 31, 2025 and $6 thousand as of the three months ended March 31, 2024.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025 and March 31, 2024:

| | Weighted-Average Term Extension (in months) For the Three Months Ended March 31 | |
|---|---|---|
| | **2025** | 2024 |
| Production and intermediate-term | **72.5** | - |
| Agribusiness | **-** | 9.6 |

| | Combination – Interest Rate Reduction and Term Extension |
|---|---|
| | **For the Three Months Ended March 31, 2025** |
| Production and intermediate-term | Reduced weighted average interest rates from 9.75% to 7.80% and added a weighted average of 96.1 months to the life of loans |

There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2025 or March 31, 2024 which were modified during the twelve months prior to those periods.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2025:

| | Payment Status of Modified Loans | | |
|---|---|---|---|
| | **During the Past Twelve Months Ended March 31, 2025** | | |
| (dollars in thousands) | Current | 30-89 Days Past Due | 90 Days or More Past Due |
| Production and intermediate-term | 945 | - | - |
| Agribusiness | 830 | - | - |
| Total | $ 1,775 | $ - | $ - |

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2024:

| | Payment Status of Modified Loans | | |
|---|---|---|---|
| | During the Past Twelve Months Ended March 31, 2024 | | |
| (dollars in thousands) | Current | 30-89 Days Past Due | 90 Days or More Past Due |
| Production and intermediate-term | $ 144 | $ - | $ - |
| Agribusiness | 831 | - | - |
| Total | $ 975 | $ - | $ - |

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2025 were $7 thousand and during the year ended December 31, 2024 were $1.0 million.

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

**Allowance for Credit Losses**

The allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of the loans 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. The Association uses a single economic scenario over a reasonable and supportable forecast period of 12 months. Subsequent to the forecast period, the Association explicitly reverts to long run historical loss experience beyond the 12 months to inform the estimate of losses for the remaining contractual life of the loan portfolio. The economic forecasts are updated on a quarterly basis and incorporate macroeconomic variables such as agricultural commodity prices, unemployment rates, Gross Domestic Product (GDP) annual growth rates, government spending to GDP, real consumer spending, United States exports, inflation, and Fed Funds rates.

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base but the Association's board of directors has generally established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities.

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

| *(dollars in thousands)* | Balance at December 31, 2024 | Charge-offs | Recoveries | Provision for Loan Losses/ (Loan Loss Reversals) | Balance at March 31, 2025 |
|---|---|---|---|---|---|
| Real estate mortgage | $ 235 | $ - | $ - | $ (14) | $ 221 |
| Production and intermediate-term | 1,081 | - | - | 135 | 1,216 |
| Agribusiness | 2,723 | - | - | (28) | 2,695 |
| Rural infrastructure | 318 | - | - | (30) | 288 |
| Agricultural export finance | 1 | - | - | - | 1 |
| Rural residential real estate | 1 | - | - | - | 1 |
| Total | $ 4,359 | $ - | $ - | $ 63 | $ 4,422 |

| *(dollars in thousands)* | Balance at December 31, 2023 | Charge-offs | Recoveries | Provision for Loan Losses/ (Loan Loss Reversals) | Balance at March 31, 2024 |
|---|---|---|---|---|---|
| Real estate mortgage | $ 231 | $ - | $ - | $ (10) | $ 221 |
| Production and intermediate-term | 1,042 | - | 1 | 210 | 1,253 |
| Agribusiness | 651 | - | - | (46) | 605 |
| Rural infrastructure | 551 | - | - | 149 | 700 |
| Agricultural export finance | 1 | - | - | - | 1 |
| Rural residential real estate | 1 | - | - | 1 | 2 |
| Total | $ 2,477 | $ - | $ 1 | $ 304 | $ 2,782 |

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

| *(dollars in thousands)* | **For the Three Months Ended March 31, 2025** |
|---|---|
| Balance at beginning of period | $ 1,024 |
| Reversal of reserve for unfunded commitments | (125) |
| Total | $ 899 |

| *(dollars in thousands)* | For the Three Months Ended March 31, 2024 |
|---|---|
| Balance at beginning of period | $ 931 |
| Provision for reserve for unfunded commitments | 160 |
| Total | $ 1,091 |

**NOTE 3 – CAPITAL**

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows.

| | **As of March 31, 2025** | As of December 31, 2024 | Regulatory Minimums | Capital Conservation Buffer | Total |
|---|---|---|---|---|---|
| Risk Adjusted: | | | | | |
| Common equity tier 1 ratio | 15.98% | 16.40% | 4.5% | 2.5% | 7.0% |
| Tier 1 capital ratio | 15.98% | 16.40% | 6.0% | 2.5% | 8.5% |
| Total capital ratio | 16.26% | 16.74% | 8.0% | 2.5% | 10.5% |
| Permanent capital ratio | 16.02% | 16.45% | 7.0% | - | 7.0% |
| Non-risk-adjusted: | | | | | |
| Tier 1 leverage ratio | 15.23% | 15.70% | 4.0% | 1.0% | 5.0% |
| Unallocated retained earnings and equivalents leverage ratio | 15.08% | 15.55% | 1.5% | - | 1.5% |

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

The following tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

| | For the Three Months Ended March 31 | |
|---|---|---|
| *(dollars in thousands)* | **2025** | 2024 |
| Pension and other benefit plans: | | |
| Beginning balance | **$ (2,036)** | $ (1,916) |
| Other comprehensive income before reclassifications | **-** | - |
| Amounts reclassified from accumulated other comprehensive income/loss | **139** | 121 |
| Net current period other comprehensive income/(loss) | **139** | 121 |
| Ending balance | **$ (1,897)** | $ (1,795) |

The following table represents reclassifications out of accumulated other comprehensive income/loss.

| | Amount Reclassified from Accumulated Other Comprehensive Income/Loss | | Location of Gain/Loss Recognized in Statement of Income |
|---|---|---|---|
| | For the Three Months Ended March 31 | | |
| *(dollars in thousands)* | **2025** | 2024 | |
| Pension and other benefit plans: | | | |
| Net actuarial loss | **$ 139** | $ 121 | Salaries and employee benefits |
| Total reclassifications | **$ 139** | $ 121 | |

## NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2024 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

| | Fair Value Measurement Using | | | Total Fair Value |
|---|---|---|---|---|
| *(dollars in thousands)* | Level 1 | Level 2 | Level 3 | |
| Assets held in nonqualified benefits trusts | | | | |
| **March 31, 2025** | **$ 2,639** | **$ -** | **$ -** | **$ 2,639** |
| December 31, 2024 | $ 2,649 | $ - | $ - | $ 2,649 |

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2025 or December 31, 2024.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

| | Fair Value Measurement Using | | | Total Fair Value |
|---|---|---|---|---|
| *(dollars in thousands)* | Level 1 | Level 2 | Level 3 | |
| Loans | | | | |
| **March 31, 2025** | **$ -** | **$ -** | **$ 1,007** | **$ 1,007** |
| December 31, 2024 | $ - | $ - | $ 1,025 | $ 1,025 |

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

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2025 or December 31, 2024.

### Valuation Techniques

As more fully discussed in Note 2 of the 2024 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

*Assets Held in Non-Qualified Benefits Trusts*

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

*Loans Evaluated for Impairment*

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans. 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

## NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 5, 2025, which is the date the financial statements were issued, and no material subsequent events were identified.