
Farm Credit of Central Florida, ACA
SECOND QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2025 quarterly report of Farm Credit of Central Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Reginald T. Holt
Chief Executive Officer

/s/ Anne M. Sullivan
Chief Financial Officer

/s/ David A. Mereness
Chairman of the Audit committee

August 8, 2025

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 June 30, 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 June 30, 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 June 30, 2025.

/s/ Reginald T. Holt
Chief Executive Officer

/s/ Anne M. Sullivan
Chief Financial Officer

August 8, 2025

Farm Credit of Central Florida, 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 Farm Credit of Central Florida (Association) for the period ended June 30, 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 is diversified over a range of agricultural commodities in our region, including horticulture, fruits/vegetables, citrus, and cattle. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, reduces the level of dependency on a given commodity.

The total loan volume of the Association as of June 30, 2025, was \$1,003,296, an increase of \$20,832 as compared to \$982,464 at December 31, 2024. In a typical year, the short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak balance between October and December and declines between January and June as strawberry and other winter vegetable growers pay down their loans using proceeds from the sale of their crops. The result of this normal seasonal lending activity typically causes net loan volume to decrease. However, loan growth during the first six months of 2025 has offset the seasonal reduction in loan volume.

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 decreased to \$502 at June 30, 2025 from \$1,044 at December 31, 2024. As a percent of total loans, nonaccrual loans were 0.05% and 0.11% at June 30, 2025 and December 31, 2024, respectively. At June 30, 2025, the Association owned equity in two capital markets entities valued at \$435, as well as one property totaling \$5, for a total OPO balance of \$440.

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 (ACLCL). The ACLCL at June 30, 2025, was \$1,518 or 0.15% of total loans compared to \$1,018 or 0.10% of total loans at December 31, 2024, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. 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 June 30, 2025

Net income for the three months ended June 30, 2025, was \$5,623, a decrease of \$1,211 as compared to net income of \$6,834 for the same period ended in 2024. The decrease is a result of decreased noninterest income, increased operating expenses, and increased provision for credit losses, offset by increased net interest income.

For the three months ended June 30, 2025, net interest income was \$7,160, an increase of \$520, and the net interest margin was 2.67%, a decrease of 20 basis points as compared to the same period ended in 2024. Higher average daily balances of loan volume, offset by lower spreads due to AgFirst's funding model changes, is the primary reason for the increase in net interest income.

The provision for credit losses for the three months ended June 30, 2025, was \$101, an increase of \$650 from the reversal of credit losses of \$549 for the same period ended during the prior year. The provision for the quarter was primarily due to the minor changes in credit quality causing an increase in the general reserve, whereas the reversal in 2024 was due to the transfer of two commercial credits into OPO.

Noninterest income decreased \$759 to \$3,376 during the three months ended June 30, 2025 compared to the same period ended during the prior year primarily due to decreased fees from financially related services and the FCSIC refund of \$255 that was received in the second quarter of 2024. In the first quarter of 2024, the Association entered a contract with the Florida Department of Agriculture and Consumer Services to underwrite loans for a state funded loan program for those who suffered weather-related impacts. The Association recorded \$236 in income from this contract during the second quarter of 2024 as opposed to \$0 in 2025.

For the three months ended June 30, 2025, noninterest expense increased \$322 to \$4,812 compared to the same period ended in 2024 primarily due to increased operating expense allocations from AgFirst, as well as decreased gains on OPO, offset by decreased salaries and benefits.

For the six months ended June 30, 2025

Net income for the six months ended June 30, 2025, was \$10,498, decrease of \$1,214 as compared to net income of \$11,712 for the same period ended in 2024. Increased operating expenses and decreased noninterest income, offset by increased net interest income, are the primary reasons for the decrease.

For the six months ended June 30, 2025, net interest income was \$14,263, an increase of \$213, and the net interest margin was 2.68%, a decrease of 34 basis points as compared to the same period ended in 2024. The increase in net interest income is due to increased loan volume.

The provision for credit losses for the six months ended June 30, 2025, was \$750, a decrease of \$60 from the provision for credit losses of \$810 for the same period ended during the prior year. The increase is primarily in the general allowance and is due to the implementation of the Association historic loss rates into the CECL model as well as minor changes in loan volume and credit quality.

Noninterest income decreased \$776 to \$6,195 during the first six months of 2025 compared with the first six months of 2024 primarily due to decreased crop insurance income, FCSIC refund and income from the contract with the Florida Department of Agriculture mentioned above.

For the six months ended June 30, 2025, noninterest expense increased \$711 to \$9,210 compared to the same period ended in 2024 primarily due to increased operating expense allocations from AgFirst.

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 June 30, 2025, was \$954,231 as compared to \$930,685 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at June 30, 2025, was \$163,294, an increase of \$10,309 from a total of \$152,985 at December 31, 2024. The increase is due to net income during the first two quarters of 2025. Total capital stock and participation certificates were \$1,217 on June 30, 2025, compared to \$1,223 on December 31, 2024. The decrease is attributed to the retirement of stock and participation certificates in the normal course of business.

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

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	6/30/25	12/31/24	6/30/24
Permanent Capital Ratio	7.00%	15.43%	15.34%	16.21%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	15.40%	15.30%	16.13%
Tier 1 Capital Ratio	8.50%	15.40%	15.30%	16.13%
Total Regulatory Capital Ratio	10.50%	15.59%	15.59%	16.66%
Tier 1 Leverage Ratio**	5.00%	12.85%	12.83%	13.43%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	11.57%	11.48%	11.80%

*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.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst'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 at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-533-2773, or writing Anne M. Sullivan, CFO, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802, or accessing the website, www.farmcreditfl.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit Of Central Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	June 30, 2025 <i>(unaudited)</i>	December 31, 2024 <i>(audited)</i>
Assets		
Cash	\$ 10	\$ 10
Investments in debt securities:		
Held to maturity	88,636	85,371
Loans	1,003,296	982,464
Allowance for credit losses on loans	(1,518)	(1,018)
Net loans	1,001,778	981,446
Loans held for sale	461	—
Accrued interest receivable	7,408	7,630
Equity investments in other Farm Credit institutions	17,636	17,484
Premises and equipment, net	5,352	4,208
Other property owned	440	581
Accounts receivable	5,738	10,132
Other assets	4,581	4,699
Total assets	\$ 1,132,040	\$ 1,111,561
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 954,231	\$ 930,685
Accrued interest payable	3,357	3,244
Patronage refunds payable	212	10,459
Accounts payable	1,171	1,463
Advanced conditional payments	2,144	2,815
Other liabilities	7,631	9,910
Total liabilities	968,746	958,576
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	1,217	1,223
Retained earnings		
Allocated	14,999	14,999
Unallocated	146,274	135,851
Accumulated other comprehensive income	804	912
Total members' equity	163,294	152,985
Total liabilities and members' equity	\$ 1,132,040	\$ 1,111,561

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Interest Income				
Loans	\$ 15,924	\$ 13,814	\$ 31,262	\$ 28,023
Investments	1,236	1,340	2,493	2,660
Total interest income	17,160	15,154	33,755	30,683
Interest Expense	10,000	8,514	19,492	16,633
Net interest income	7,160	6,640	14,263	14,050
Provision for (reversal of) allowance for credit losses	101	(549)	750	810
Net interest income after provision for (reversal of) allowance for credit losses	7,059	7,189	13,513	13,240
Noninterest Income				
Loan fees	161	30	237	87
Fees for financially related services	1,092	1,565	1,205	1,686
Patronage refunds from other Farm Credit institutions	2,069	1,970	4,172	4,204
Gains (losses) on sales of rural home loans, net	44	49	63	76
Gains (losses) on sales of premises and equipment, net	—	—	(45)	—
Gains (losses) on other transactions	10	28	7	73
Insurance Fund refunds	—	255	157	255
Other noninterest income	—	238	399	590
Total noninterest income	3,376	4,135	6,195	6,971
Noninterest Expense				
Salaries and employee benefits	2,566	2,773	4,567	4,875
Occupancy and equipment	269	267	540	537
Insurance Fund premiums	210	186	420	375
Purchased services	1,141	717	2,283	1,478
Data processing	86	58	171	134
Other operating expenses	555	559	1,255	1,167
(Gains) losses on other property owned, net	(15)	(70)	(26)	(67)
Total noninterest expense	4,812	4,490	9,210	8,499
Net income	\$ 5,623	\$ 6,834	\$ 10,498	\$ 11,712
Other comprehensive income net of tax				
Employee benefit plans adjustments	(54)	(38)	(108)	(76)
Comprehensive income	\$ 5,569	\$ 6,796	\$ 10,390	\$ 11,636

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income	Total Members' Equity
<i>(dollars in thousands)</i>		Allocated	Unallocated		
Balance at December 31, 2023	\$ 1,209	\$ 16,406	\$ 120,369	\$ 692	\$ 138,676
Comprehensive income (loss)			11,712	(76)	11,636
Capital stock/participation certificates issued/(retired), net	27				27
Patronage distribution adjustment			(175)		(175)
Balance at June 30, 2024	\$ 1,236	\$ 16,406	\$ 131,906	\$ 616	\$ 150,164
Balance at December 31, 2024	\$ 1,223	\$ 14,999	\$ 135,851	\$ 912	\$ 152,985
Comprehensive income			10,498	(108)	10,390
Capital stock/participation certificates issued/(retired), net	(6)				(6)
Patronage distribution adjustment			(75)		(75)
Balance at June 30, 2025	\$ 1,217	\$ 14,999	\$ 146,274	\$ 804	\$ 163,294

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

Farm Credit of Central Florida, 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 Farm Credit of Central Florida, 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:

	June 30, 2025	December 31, 2024
Real estate mortgage	\$ 551,894	\$ 520,493
Production and intermediate-term	185,996	220,434
Agribusiness:		
Loans to cooperatives	12,740	11,850
Processing and marketing	125,130	114,277
Farm-related business	49,720	44,610
Rural infrastructure:		
Communication	36,472	32,071
Power and water/waste disposal	16,329	14,866
Rural residential real estate	18,579	17,429
Other:		
International	6,436	6,434
Total loans	\$ 1,003,296	\$ 982,464

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

	June 30, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	99.39%	99.48%
OAEM	0.22	0.05
Substandard/doubtful/loss	0.39	0.47
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	98.00%	98.45%
OAEM	1.69	0.99
Substandard/doubtful/loss	0.31	0.56
	100.00%	100.00%
Agribusiness:		
Acceptable	91.54%	91.78%
OAEM	—	3.64
Substandard/doubtful/loss	8.46	4.58
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Rural residential real estate:		
Acceptable	97.09%	97.34%
OAEM	1.93	1.93
Substandard/doubtful/loss	0.98	0.73
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00%	100.00%
Total loans:		
Acceptable	97.66%	97.90%
OAEM	0.47	0.92
Substandard/doubtful/loss	1.87	1.18
	100.00%	100.00%

Accrued interest receivable on loans of \$6,603 and \$6,792 at June 30, 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:

June 30, 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	\$ 1,051	\$ 202	\$ 1,253	\$ 550,641	\$ 551,894	\$ —
Production and intermediate-term	198	121	319	185,677	185,996	—
Agribusiness	—	—	—	187,590	187,590	—
Rural infrastructure	—	—	—	52,801	52,801	—
Rural residential real estate	186	61	247	18,332	18,579	—
Other	—	—	—	6,436	6,436	—
Total	\$ 1,435	\$ 384	\$ 1,819	\$ 1,001,477	\$ 1,003,296	\$ —

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	\$ 1,383	\$ 672	\$ 2,055	\$ 518,438	\$ 520,493	\$ —
Production and intermediate-term	932	211	1,143	219,291	220,434	—
Agribusiness	—	—	—	170,737	170,737	—
Rural infrastructure	—	—	—	46,937	46,937	—
Rural residential real estate	203	—	203	17,226	17,429	—
Other	—	—	—	6,434	6,434	—
Total	\$ 2,518	\$ 883	\$ 3,401	\$ 979,063	\$ 982,464	\$ —

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

June 30, 2025				
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ 162	\$ 124	\$ 286	
Production and intermediate-term	69	73	142	
Rural residential real estate	—	74	74	
Total	\$ 231	\$ 271	\$ 502	

December 31, 2024				
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ 629	\$ 136	\$ 765	
Production and intermediate-term	152	111	263	
Rural residential real estate	—	16	16	
Total	\$ 781	\$ 263	\$ 1,044	

The Association recognized \$12 and \$26 of interest income on nonaccrual loans during the three months ended June 30, 2025 and June 30, 2024, respectively. The Association recognized \$64 and \$358 of interest income on nonaccrual loans during the six months ended June 30, 2025 and June 30, 2024, respectively.

Reversals of interest income on loans that moved to nonaccrual status were not material for the three and six months ended June 30, 2025 and 2024.

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

	Three Months Ended June 30,	
	2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	\$ 1,449	\$ 3,948
Charge-offs	(72)	(389)
Recoveries	21	1
Provision for credit losses on loans	120	(538)
Balance at end of period	<u>\$ 1,518</u>	<u>\$ 3,022</u>
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	\$ 347	\$ 248
Provision for unfunded commitments	(19)	(11)
Balance at end of period	<u>\$ 328</u>	<u>\$ 237</u>
Total allowance for credit losses	<u>\$ 1,846</u>	<u>\$ 3,259</u>

	Six Months Ended June 30,	
	2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	\$ 1,018	\$ 2,058
Charge-offs	(192)	(406)
Recoveries	21	527
Provision for credit losses on loans	671	843
Balance at end of period	<u>\$ 1,518</u>	<u>\$ 3,022</u>
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	\$ 249	\$ 270
Provision for unfunded commitments	79	(33)
Balance at end of period	<u>\$ 328</u>	<u>\$ 237</u>
Total allowance for credit losses	<u>\$ 1,846</u>	<u>\$ 3,259</u>

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 and six months ended June 30, 2025 and 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at June 30, 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 loans held for sale of \$461 at June 30, 2025 and none at December 31, 2024. Such loans are carried at the lower of cost or fair value.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

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

	June 30, 2025	December 31, 2024
	Amortized Cost	
ABSs	<u>\$ 88,636</u>	<u>\$ 85,371</u>

A summary of the contractual maturity and amortized cost of investment securities follows:

	<u>Amortized Cost</u>
In one year or less	\$ —
After one year through five years	—
After five years through ten years	51,868
After ten years	36,768
Total	<u>\$ 88,636</u>

For the securities listed above, expected maturities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At June 30, 2025 and December 31, 2024, the Association does not consider any unrealized losses to be credit-related and an allowance for credit losses on investments is not necessary.

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 AgFirst (AgFirst or 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 2.91% of the issued stock and allocated retained earnings of the Bank as of June 30, 2025 net of any reciprocal investment. As of that date, the Bank's assets totaled \$48.4 billion and shareholders' equity totaled \$2.0 billion. The Bank's earnings were \$129 million for the first six months of 2025. In addition, the Association held investments of \$1,316 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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Employee Benefit Plans:				
Balance at beginning of period	\$ 858	\$ 654	\$ 912	\$ 692
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	(54)	(38)	(108)	(76)
Net current period other comprehensive income	(54)	(38)	(108)	(76)
Balance at end of period	<u>\$ 804</u>	<u>\$ 616</u>	<u>\$ 804</u>	<u>\$ 616</u>

	Reclassifications Out of Accumulated Other Comprehensive Income (b)				Income Statement Line Item
	Three Months Ended June 30,		Six Months Ended June 30,		
	2025	2024	2025	2024	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ 54	\$ 38	\$ 108	\$ 76	Salaries and employee benefits
Net amounts reclassified	\$ 54	\$ 38	\$ 108	\$ 76	

(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. See Note 2, *Summary of Significant Accounting Policies* of the most recent Annual Report to Shareholders for additional information.

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.

June 30, 2025					
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 1,176	\$ —	\$ —	\$	1,176
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 157	\$	157
Other property owned	\$ —	\$ —	\$ 441	\$	441

December 31, 2024					
	Fair Value Measurement Using			Total Fair Value	
	Level 1	Level 2	Level 3		
Recurring assets					
Assets held in trust funds	\$ 1,171	\$ —	\$ —	\$	1,171
Nonrecurring assets					
Nonaccrual loans	\$ —	\$ —	\$ 686	\$	686
Other property owned	\$ —	\$ —	\$ 586	\$	586

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policies* of the most recent Annual Report to Shareholders, accounting guidance 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the System institution for assets and liabilities:

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 — Leases***Lessee***

The Association leases certain assets, consisting primarily of real estate, transportation and office equipment, under standard industry terms. The contracts are assessed at inception to determine whether a contract is, or contains, a lease.

The components of lease costs were as follows:

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Operating lease cost	\$ 190	\$ 381
Variable lease cost (costs excluded from lease payments)	82	161
Sublease income	—	—
Lease costs	<u>\$ 272</u>	<u>\$ 542</u>

Other information related to leases was as follows:

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 220	\$ 429
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ —	\$ 2

Lease term and discount rate for the periods ended were as follows:

	June 30, 2025	December 31, 2024
Weighted average remaining lease term in years:		
Operating leases	10.48	10.97
Weighted average discount rate:		
Operating leases	3.09%	3.09%

Maturities of lease liabilities as of period end were as follows:

	Operating Leases June 30, 2025
2025	\$ 220
2026	449
2027	457
2028	464
2029	475
Thereafter	<u>3,111</u>
Total lease payments	5,176
Less: imputed interest	<u>779</u>
Total lease liabilities	<u>\$ 4,397</u>

Note 8 — Merger Activity

On December 6, 2024, the boards of the Association and Southwest Georgia Farm Credit, ACA signed a letter of intent to pursue a merger but, in the second quarter of 2025, have mutually agreed to discontinue merger discussions.

Note 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 8, 2025, which was the date the financial statements were issued.