AgTrust™
FARM CREDIT

2024 ANNUAL REPORT

A Message from Our CEO

Dear Stockholder,

We are pleased to share the 2024 Annual Financial Report. While the year marked the Association's 107th anniversary, it was our first full year operating as AgTrust since the merger of Lone Star Ag Credit and Ag New Mexico. I can report to you that the merger integration has gone as planned and that we have already seen many of the expected advantages, including increased community involvement, increased lending capacity and improved profitability in our New Mexico Division.

If I were to sum up the year in one word, it would be resiliency. The headwinds of political uncertainty, volatility in the commodity markets, and higher input costs, including higher interest rates, all truly tested the strength and resiliency of the Association's business model. Like many of you in your own business, our Team focuses heavily on fiscal discipline and earnings diversification so that we can better withstand such adversity. Our portfolio diversity and long-standing focus on operating efficiency continue to serve the Association well, resulting in strong earning asset growth, excellent credit quality and record profitability.

Key to AgTrust's success is our dedicated and talented Team that works every day to provide first-class customer service, while canvassing the countryside for new opportunities. Over the last 5 years, the Team has doubled our assets serviced per employee and increased profitability per employee by 61%, a clear result of our ownership culture. That work led the Association to reach a record level of total assets at over $3.16 billion, representing growth of 8% for the year. Net interest income increased 25% year over year, resulting in record net income of over $59 million.

As a cooperative, we retain earnings necessary for capital growth and then distribute the balance to our customer owners. The solid performance of 2024 allowed the Board of Directors to declare a record patronage distribution of over $32 million, bringing the total patronage returned to our customer owners over the last 10 years to $204 million! Many experts say that a dollar turns over 2 to 6 times in a community, further magnifying the impact of these cash patronage distributions across the communities we serve.

> ***"Our Team focuses heavily on fiscal discipline and earnings diversification."***

In my letter to the stockholders last year, I shared that our largest vendor and lender, the Farm Credit Bank of Texas, had announced significant changes to their business model. Those changes included a higher cost of funds, reduced services offered, and higher capitalization requirements. Because of AgTrust's strong capital position and market leading level of operating efficiency, we have been able to withstand the impact of these changes. The Board and management team diligently and proactively prepare for such changes and will continue to do so in the future.

"The Association achieved record total assets of over $3.16 billion and record net income of over $59 million in fiscal year 2024."

In closing, you have heard me say many times that behind every number on the following pages, there is a face of an individual or family, and that the AgTrust story is truly a reflection of your stories.

We are thankful to be your financing partner and please keep those referrals coming as they are the lifeblood of the Association!

Sincerely,

Joe H. Hayman
President & CEO
817-509-8381
Joe.Hayman@AgTrustACA.com

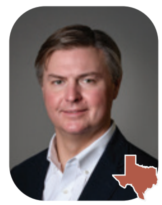
Customer Owner **Leadership**

The **AgTrust Farm Credit Board of Directors** is committed to supporting our customer-owners and the communities we serve. As fellow members of the agricultural industry, they help shape the direction of our cooperative, ensuring our policies and decisions align with the best interests of those we serve. Our board members take their responsibility seriously, working to keep AgTrust **strong** and **accountable**. To learn more about their backgrounds and leadership, see the Disclosure Information and Index section of this report.

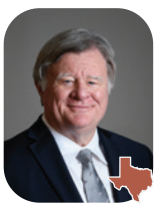
Board of Directors

Brent Neuhaus
Board Chairman
Governance Committee
FCBT SAC Committee
Region 7

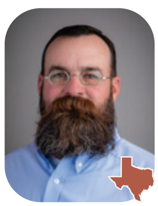
Asa G. Langford
Vice Chairman
Audit Committee
Region 6



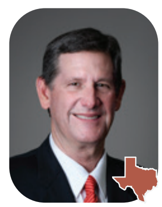
Matt Carter
Compensation Committee
Region 2



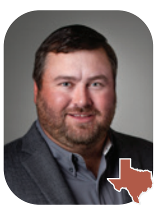
David W. Conrad
Chairman of Audit Committee
Director Appointed



Josh Drews
Compensation Committee
Audit Committee
Region 7



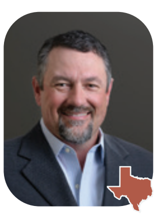
David Harris
Chairman of Governance Committee
Region 3



Cody Hughes
Audit Committee
Region 1

Chad Lee
Governance Committee
Chairman of Compensation Committee
FCBT Nominating Committee
Director Appointed

Tina Murphy
Audit Committee
Region 5



Jeff Nelson
Compensation Committee
Governance Committee
Region 8

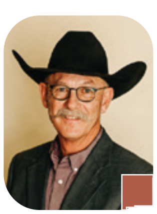
Stacey Schumacher
Governance Committee
Compensation Committee
Region 4

Linda Miller Brown
Governance Committee
Region 10

Ted McCollum
Audit Committee
Regions 9 & 10

Billy Rucker
Audit Committee
Region 10

Thomas J. Runyan
Compensation Committee
Region 9



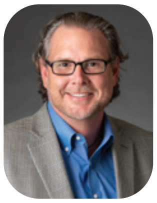
John Sisk
Governance Committee
Region 9

Kendal Wilson
Compensation Committee
Region 9

Executive Management

Joe H. Hayman
Chief Executive Officer

Nicholas Acosta
Chief Financial Officer



Matt James
Chief Credit and Lending Officer

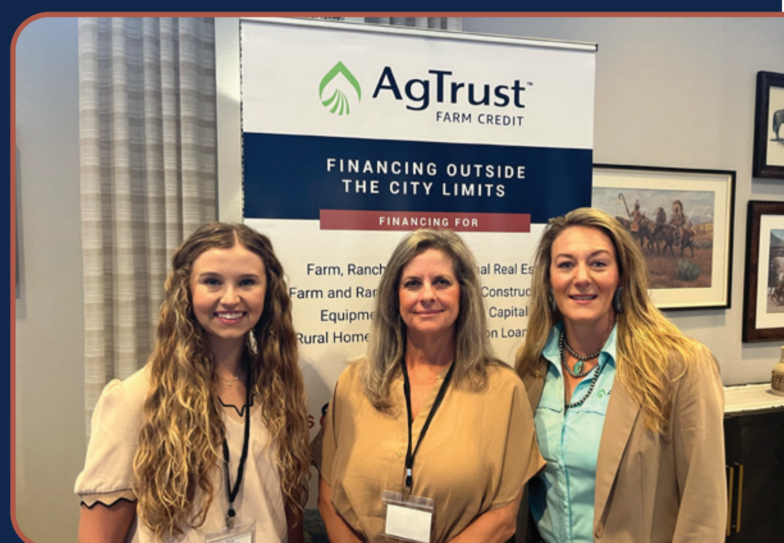
Jeff Royal
Chief Collateral Risk Officer

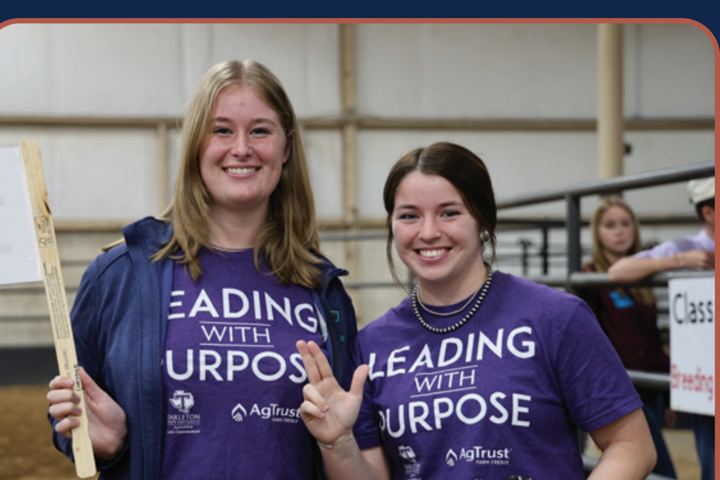
Justin Renard
Chief Information Officer

Hans Pettit
Chief Risk Officer

Community Connection

In 2024, AgTrust Farm Credit demonstrated an unwavering commitment to supporting farmers, ranchers and rural communities. Through active participation in key events, sponsorships and community initiatives, AgTrust reinforced its dedication to fostering growth, resilience and leadership within the agricultural sector. By engaging with emerging agricultural professionals, sponsoring vital industry events, and investing in educational opportunities, AgTrust remained steadfast in its mission to support and sustain the agricultural community.

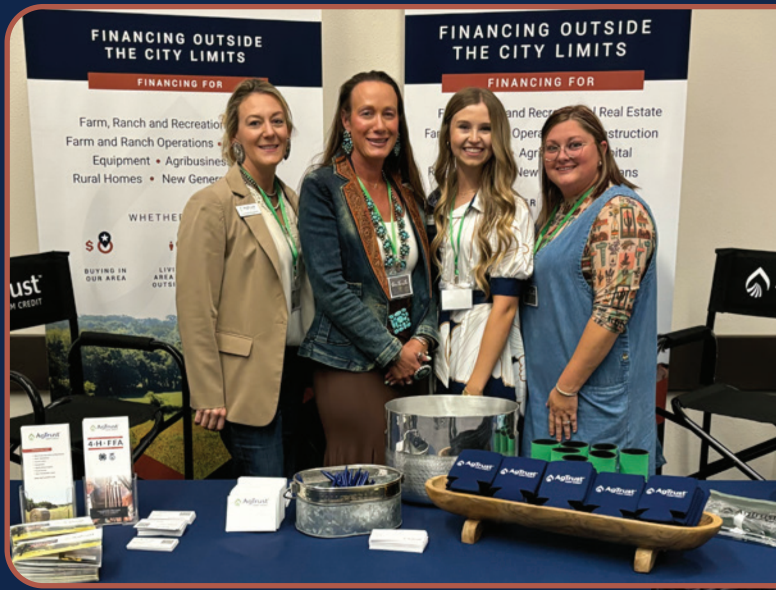




A major highlight of AgTrust's community outreach in 2024 was its involvement in events designed to nurture future agricultural leaders. AgTrust participated in the 2024 Farm Credit Young, Beginning, and Small (YBS) Conference, where Regional President Aaron Nors delivered a presentation offering insights and strategies to

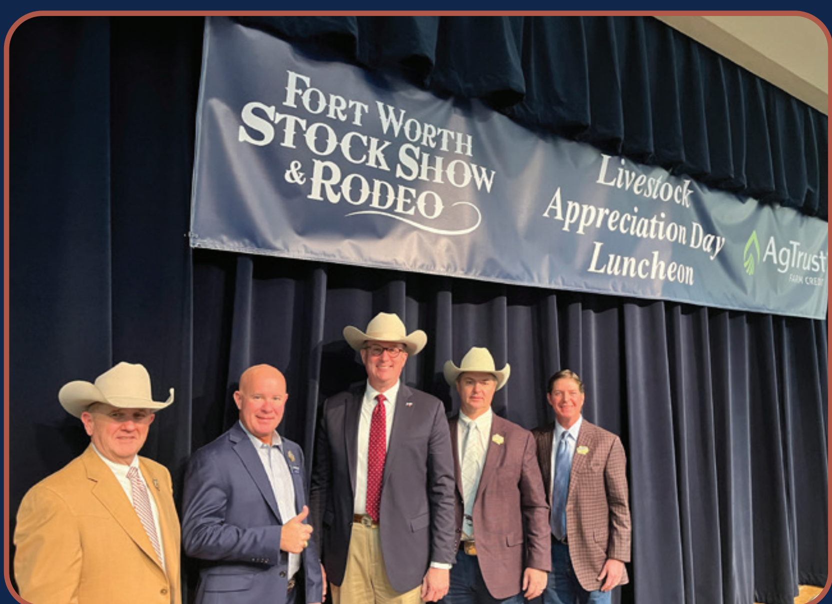
Community Connection

support young professionals entering the industry. Additionally, AgTrust played an integral role in the Tarleton State University Career and Leadership Development Event, which hosted more than 8,800 FFA members and 500 TSU student volunteers. Further strengthening its support for youth in agriculture, AgTrust served as the Title Sponsor at both the New Mexico State FFA Convention and the Texas State FFA Convention, where they engaged with thousands of attendees through convention addresses, booth presence, and sponsorship visibility. These initiatives underscore AgTrust's commitment to fostering the next generation of farmers and ranchers, ensuring they have the resources and support necessary for success.



Beyond youth engagement, AgTrust continued to champion the preservation of Western heritage and agricultural traditions through its sponsorship of the Fort Worth Stock Show & Rodeo (FWSSR). By supporting key events such as the Chuck Wagons, Mustang Magic, Livestock Appreciation Day Luncheon, North Texas High School Scholarship Rodeo (NTHSRA), and Shooting Sports, AgTrust played a vital role in promoting community engagement and agricultural education. Similarly, their sponsorship and participation in the 2024 Joint Stockmen's Convention in Albuquerque, New Mexico, provided industry stakeholders with a platform to collaborate and discuss pressing issues affecting the livestock industry. These engagements reinforced AgTrust's dedication to strengthening community partnerships and advocating for rural industries.

Through these combined efforts in education, sponsorship and advocacy, AgTrust Farm Credit solidified its role as a trusted partner in rural communities, making a meaningful impact on the future of agriculture.

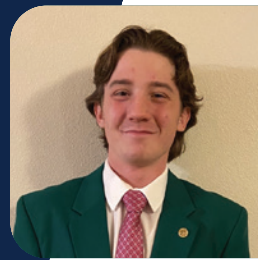


SCHOLARSHIP WINNERS

Every year, AgTrust Farm Credit proudly supports the next generation of agricultural leaders by awarding scholarships to 10 graduating seniors.

Each recipient receives $2,500 to help further their education, and to celebrate the strong roots of their journey, we also give $500 to their home 4-H club or FFA chapter.

We're excited to introduce our 2024 scholarship winners!



Luke Anderson
James Madison High School
Seguin, TX

West Texas A&M University

Bryce Bain
Artesia High School
Artesia, NM

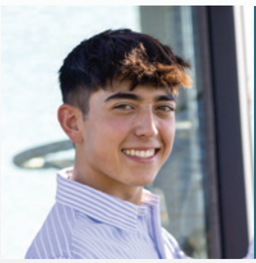
Oklahoma State University

Jackson Bragg
Salado High School
Salado, TX

Texas Tech University

Karleigh Erramousepe
Corona High School
Corona, NM

Oklahoma State University

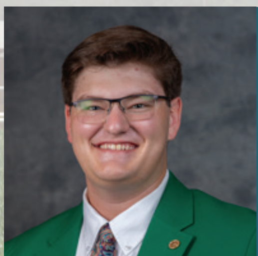


Braden Fuentes
Artesia High School
Artesia, NM

Oklahoma State University

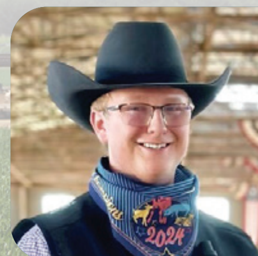
Elena Gonzales
Medina Valley High School
Natalia, TX

Texas A&M University, Kingsville



Justin Hill
Hill Homeschool
Dumas, TX

Texas A&M University, College Station



Garrison Pieniazek
Frenship High School
Ropesville, TX

Texas A&M University, College Station

Taylee Sours
Texico High School
Clovis, NM

West Texas A&M University

Kyleigh Stephenson
Elida High School
Portales, NM

Texas Tech University

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REPORT OF MANAGEMENT

The consolidated financial statements of AgTrust, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (FCBT) and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The Board of Directors (Board) has overall responsibility for the Association's systems of internal control and financial reporting. The Board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared 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 or belief.

/s/ Joe H. Hayman
Joe H. Hayman, Chief Executive Officer

March 10, 2025

/s/ Brent Neuhaus
Brent Neuhaus, Chairman, Board of Directors

March 10, 2025

/s/ Nicholas Acosta
Nicholas Acosta, Chief Financial Officer

March 10, 2025

/s/ David Conrad
David Conrad, Chairman, Audit Committee

March 10, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's Chief Executive Officer and Chief Financial Officer, 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, to provide 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 and 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 December 31, 2024. In making the assessment, management used the framework in Internal Control— Integrated Framework, 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 concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024. A review of the assessment performed was reported to the Association's Audit Committee.

/s/ Joe H. Hayman
Joe H. Hayman, Chief Executive Officer

March 10, 2025

/s/ Nicholas Acosta
Nicholas Acosta, Chief Financial Officer

March 10, 2025

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of seven members from the Board of Directors of AgTrust, ACA. In 2024, 13 Committee meetings were held. The Committee oversees the scope of AgTrust, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on AgTrust, ACA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC), independent auditors, to perform the consolidated financial statements audit for 2024.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of AgTrust, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2024 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2024.

Audit Committee Members

David Conrad, CPA, Chairman
Josh Drews
Cody Hughes
Asa Langford
Ted McCollum
Tina Murphy
Billy Rucker

March 10, 2025

AGTRUST, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Cash	**$ 7**	$ 22	$ 35	$ 40	$ 87
Loans	**3,057,183**	2,844,534	2,488,864	2,287,886	1,965,793
Less: allowance for credit losses on loans	**(6,206)**	(8,163)	(5,747)	(7,336)	(8,045)
Net loans	**3,050,977**	2,836,371	2,483,117	2,280,550	1,957,748
Investment in and receivable from the FCBT	**64,992**	56,936	42,995	35,337	30,731
Other property owned, net	**1,580**	3	-	-	-
Other assets	**45,664**	33,745	20,507	17,803	15,183
Total assets	**$ 3,163,220**	$ 2,927,077	$ 2,546,654	$ 2,333,730	$ 2,003,749
Liabilities					
Obligations with maturities of one year or less	**$ 64,603**	$ 49,762	$ 47,076	$ 44,171	$ 29,104
Obligations with maturities greater than one year	**2,613,775**	2,418,695	2,086,954	1,903,222	1,610,616
Total liabilities	**2,678,378**	2,468,457	2,134,030	1,947,393	1,639,720
Members' Equity					
Capital stock and participation certificates	**6,246**	6,213	5,816	5,930	5,841
Additional paid-in capital	**123,814**	124,214	91,344	91,344	91,344
Unallocated retained earnings	**355,060**	328,158	315,282	290,017	267,904
Accumulated other comprehensive (loss) income	**(278)**	35	182	(954)	(1,060)
Total members' equity	**484,842**	458,620	412,624	386,337	364,029
Total liabilities and members' equity	**$ 3,163,220**	$ 2,927,077	$ 2,546,654	$ 2,333,730	$ 2,003,749
Statement of Income Data					
Net interest income	**$ 87,091**	$ 69,536	$ 68,356	$ 61,882	$ 49,048
Reversal of (provision for) credit losses	**688**	(2,581)	1,621	1,301	(775)
Income from the FCBT	**10,316**	8,548	15,035	12,062	8,846
Other noninterest income	**2,177**	1,170	1,446	1,606	1,635
Noninterest expense	**(40,918)**	(36,520)	(35,350)	(30,724)	(24,210)
(Provision for) benefit from income taxes	**(9)**	(3)	(20)	30	17
Net income	**$ 59,345**	$ 40,150	$ 51,088	$ 46,157	$ 34,561
Key Financial Ratios for the Year					
Return on average assets	**1.9%**	1.5%	2.1%	2.1%	1.9%
Return on average members' equity	**12.1%**	9.2%	12.4%	12.0%	9.4%
Net interest income as a percentage of average earning assets	**2.9%**	2.7%	2.8%	2.9%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.1%	0.0%	0.0%	0.0%

AGTRUST, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2024	2023	2022	2021	2020
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**15.3%**	15.7%	16.2%	16.6%	18.2%
Debt as a percentage of members' equity	**552.4%**	538.2%	517.2%	504.1%	450.4%
Allowance for credit losses on loans as a percentage of loans	**0.2%**	0.3%	0.2%	0.3%	0.4%
Common equity tier 1 ratio	**14.4%**	15.5%	15.3%	16.1%	16.9%
Tier 1 capital ratio	**14.4%**	15.5%	15.3%	16.1%	16.9%
Total capital ratio	**14.6%**	15.7%	15.5%	16.5%	17.2%
Permanent capital ratio	**14.4%**	15.5%	15.3%	16.2%	16.9%
Tier 1 leverage ratio	**14.7%**	15.8%	15.5%	16.5%	17.6%
UREE leverage ratio	**14.5%**	15.6%	15.2%	17.5%	18.6%
Net Income Distribution					
Cash dividends*	**$ 27,837**	$ 26,283	$ 24,080	$ 14,650	$ 26,908

*The total patronage paid based on 2020 earnings was $22,103,662. An advance payment in the amount of $7,424,105 of the patronage paid based on 2020 year-end earnings was paid in October 2020 in an effort to assist member-owners during an unprecedented and challenging time resulting from COVID-19. The remaining balance in the amount of $14,649,904 was paid in March 2021.

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

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of AgTrust, ACA, including its wholly owned subsidiaries, AgTrust, PCA and AgTrust, FLCA (collectively referred to as the "Association") for the years ended December 31, 2024, 2023 and 2022, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

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

- political, legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income of borrowers;
- disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary, government and fiscal policy; and
- credit, interest rate, prepayment, and liquidity risk inherent in lending activities.

Merger Activity

Effective December 1, 2023, Ag New Mexico, Farm Credit Services, ACA and its PCA and FLCA subsidiaries (Ag New Mexico) merged with and into Lone Star, ACA (the continuing association) and its PCA and FLCA subsidiaries (Lone Star), whereupon all shareholders of Ag New Mexico became shareholders of Lone Star Ag Credit (the continuing association). Additionally, upon the effective date of the merger, the continuing association and its PCA and FLCA subsidiaries changed their name to AgTrust, ACA, AgTrust, PCA and AgTrust, FLCA, respectively (AgTrust). The Association is headquartered in Fort Worth, Texas.

Beginning in 2023, the Association's financial position, results of operations, equity and related metrics include the effects of the merger with Ag New Mexico. Results prior to 2023 do not reflect the impact of the merger.

The effects of the merger are included in the Association's financial position, results of operations, equity, and related metrics. Upon the execution of the merger, assets increased by $332,946,896, liabilities increased by $300,074,964, and members' equity increased by $32,871,932. These amounts include adjustments to fair value, as required by accounting standards for business combinations. For additional information, refer to Note 1 to the consolidated financial statements, "Organization, Merger(s) and Operations," included in this annual report.

Adoption of New Accounting Standard

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance-sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment at January 1, 2023, reflecting an increase in the Association's ACL of $132,373 on outstanding loans and unfunded commitments and a corresponding decrease in retained earnings.

Patronage Distributions by Association:

In December 2024, the Board declared a cash patronage in the amount of $32,187,196 to be paid in March 2025, based on 2024 patronage-sourced earnings. The patronage will be paid to eligible borrowers based on their net interest margin of all patronage transactions outstanding for the year ending December 31, 2024.

In December 2023, the Board declared a cash patronage in the amount of $26,756,494 paid in March 2024, based on 2023 patronage-sourced earnings. The patronage was paid to eligible borrowers based on their net interest margin of all patronage transactions outstanding for the year ending December 31, 2023.

In November 2023, prior to the effective date of the merger, the Board of Directors of Ag New Mexico declared a $825,000 cash patronage for the period commencing January 1, 2023, and ending on the day prior to the effective date of the merger (Stub Period). This cash patronage was paid by the Association in March 2024 to eligible Ag New Mexico borrowers based on their average outstanding loan balance for the Stub Period.

In December 2022, the Board declared a cash patronage in the amount of $25,897,526 paid in March 2023, based on 2022 patronage-sourced earnings. The patronage was paid to eligible borrowers based on their net interest margin of all patronage transactions outstanding for the year ending December 31, 2022.

Patronage Distributions Received from Farm Credit Bank of Texas (FCBT or Bank):

On a monthly basis, the Association accrues income for the direct loan earnings patronage it expects to receive in December of each year from the FCBT. The distribution of direct loan earnings patronage is at the discretion of the FCBT's Board of Directors. The Association's accrual rate is based on historical information and expectations set forth in the FCBT's annual strategic business plan.

Effective 2024, the FCBT has implemented a sustainable growth charge that reduces the direct loan earnings patronage by 25 basis points. In December 2024, the Association received a direct loan patronage of $8,864,362 from the FCBT, representing 34.47 basis points on the average daily balance of the Association's direct loan with the FCBT after the 25 basis point sustainable growth charge.

The FCBT requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. Historically, the FCBT has paid patronage on the Association's stock investment to offset effective opportunity cost with the investment requirement. Effective in 2024, the Bank is no longer paying patronage on this investment, effectively reducing their patronage distributions to the Associations.

The following table provides information on the patronage distributions received from the FCBT for the years ended December 31, 2024, 2023 and 2022, respectively:

	2024	2023	2022
Direct loan patronage	**$ 8,864,362**	$ 5,938,045	$ 13,464,849
Stock investment in the FCBT	**-**	1,327,293	785,113
Participation's patronage	**1,326,371**	1,171,798	709,454
Capitalized participation pool	**80,769**	61,190	-
Agricultural mortgage backed securities investment patronage	**44,904**	49,437	75,735
Total Patronage Received	**$ 10,316,406**	$ 8,547,763	$ 15,035,151

The direct loan patronage received in 2023 and 2022 represents 28 and 66 basis points, respectively, on the average daily balance of the Association's direct loan with the FCBT. The direct loan patronage in 2023 was split on a 70/30 basis between cash and allocated equities in the FCBT.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners, and certain farm-related businesses. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based, and prime-based interest rates. Commercial loans primarily consist of operating loans and short-term loans for working capital, equipment, and livestock. Mortgage loans primarily consist of 5- to 30-year maturities. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower. The Association's loan portfolio consists of long-term farm mortgage loans, production and intermediate term loans, farm-related business loans, and rural infrastructure loans through purchased participations.

The composition of the Association's loan portfolio, including principal less funds held of $3,057,183,145, $2,844,533,954 and $2,488,863,549 as of December 31, 2024, 2023 and 2022, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses on Loans," in this annual report.

Purchase and Sales of Loans:

The following table provides information on participations purchased and sold during the year ended December 31:

	2024	2023	2022
Participations purchased from:			
Entities in the district	**$ 381,897,694**	$ 470,363,820	$ 349,020,220
Entities outside the district	**13,330,652**	7,835,516	8,946,702
Total	**$ 395,228,346**	$ 478,199,336	$ 357,966,922
Entities in the district to total loans	**12.5%**	16.5%	14.0%
Entities outside the district to total loans	**0.4%**	0.3%	0.4%
Participations sold	**$ 276,177,915**	$ 302,705,745	$ 217,349,061

Effective January 26, 2012, the FCBT purchased AgTrust, ACA's securitized Farmer Mac Agricultural Mortgage-Backed Securities (AMBS) Investments. The purchase of $35,459,508 included outstanding principal and accrued interest as of that date. There was no gain or loss recognized by the Association on this transaction. The Association will continue to service the underlying loans that were included in this security. Also, there is intended to be no effect to AgTrust, ACA's income based on this transaction as it is expected that the FCBT will be able to pay the Association a patronage equivalent to the net interest that would have been earned on the AMBS investment. However, the FCBT's payment of patronage is at the discretion of the FCBT's Board of Directors. The remaining balance of the AMBS investment on December 31, 2024, was $1,814,371.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net. The following table illustrates the Association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

	Nonperforming Assets			
	2024		2023	
	Amount	**%**	Amount	%
Nonaccrual loans	**$ 1,483,442**	**46.8%**	$ 10,570,087	100.0%
Accruing loans 90 days or more past due	**109,204**	**3.4%**	-	0.0%
Nonperforming loans	**1,592,646**	**50.2%**	10,570,087	100.0%
Other property owned, net	**1,579,844**	**49.8%**	2,775	0.0%
Nonperforming assets	**$ 3,172,490**	**100.0%**	$ 10,572,862	100.0%

Prior to the adoption of CECL in 2023, nonperforming assets included nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net. CECL eliminated the accounting guidance for troubled debt restructurings by creditors.

	Nonperforming Assets	
	2022	
	Amount	%
Nonaccrual loans	$ 1,835,657	63.0%
Formally restructured loans	1,079,596	37.0%
Nonperforming loans	2,915,253	100.0%
Nonperforming assets	$ 2,915,253	100.0%

At December 31, 2024, 2023 and 2022, nonperforming loans were $1,592,646, $10,570,087 and $2,915,253, representing 0.1 percent, 0.4 percent and 0.1 percent of loan volume, respectively. During 2024, total nonperforming loans decreased by 84.9 percent compared to 2023 primarily attributed to an agricultural production relationship moving from nonaccrual status to other property owned during the year. There have been multiple distributions of proceeds the Association has received from the sale of other property owned, resulting in the reduced balance at year-end. At December 31, 2024, the Association held $1,579,844 classified as other property owned, net.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender. To help mitigate and diversify credit risk, the Association has employed practices including obtaining credit guarantees and engaging in loan participations.

Allowance for Credit Losses on Loans:

Effective January 1, 2023, the Association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $6,206,255, $8,163,183 and $5,746,994 at December 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. Management's process for the evaluation of allowance for credit losses includes a portfolio analysis, peer comparison with similar farm credit institutions and similar commercial banks and an analysis of historical loss experience and stress testing.

Management maintains an allowance for credit losses on unfunded commitments to address the need for allowance for loan commitments that have been established but are not yet drawn. This allowance for unfunded commitments is reflected in other liabilities and is not reflected in the allowance for credit losses on loans balance. Based on analyses completed, allowance for credit losses on unfunded commitment of $257,535, $311,626 and $114,594 on December 31, 2024, 2023 and 2022, respectively, is considered adequate by management.

Results of Operations:

The Association's net income for the year ended December 31, 2024, was $59,344,754 as compared to $40,149,754 for the year ended December 31, 2023, reflecting an increase of $19,195,000, or 47.8 percent. The Association's net income for the year ended December 31, 2022, was $51,088,095. Net income decreased $10,938,341, or 21.4 percent, in 2023 versus 2022.

Net interest income for 2024, 2023 and 2022 was $87,090,538, $69,536,688 and $68,355,871, respectively, reflecting increases of $17,553,850, or 25.2 percent, for 2024 versus 2023 and $1,180,817, or 1.7 percent, for 2023 versus 2022. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2024		2023		2022	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 2,959,526,034**	**$ 193,255,788**	$ 2,530,576,869	$ 139,084,121	$ 2,427,801,712	$ 115,508,775
Investments	-	-	-	-	-	-
Total interest-earning assets	**2,959,526,034**	**193,255,788**	2,530,576,869	139,084,121	2,427,801,712	115,508,775
Interest-bearing liabilities	**2,529,496,824**	**106,165,250**	2,133,413,889	69,547,433	2,047,049,964	47,152,904
Impact of capital	**$ 430,029,210**		$ 397,162,980		$ 380,751,748	
Net interest income		**$ 87,090,538**		$ 69,536,688		$ 68,355,871

	2024	2023	2022
	Average Yield	Average Yield	Average Yield
Yield on loans	**6.53%**	5.50%	4.76%
Total yield on interest-earning assets	**6.53%**	5.50%	4.76%
Cost of interest-bearing liabilities	**4.20%**	3.26%	2.30%
Interest rate spread	**2.33%**	2.24%	2.46%

	2024 vs. 2023			2023 vs. 2022		
	Increase due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income	**$ 23,575,475**	**$ 30,596,192**	**$ 54,171,667**	$ 4,889,836	$ 18,685,510	$ 23,575,346
Interest expense	**12,911,908**	**23,705,909**	**36,617,817**	1,989,393	20,405,136	22,394,529
Net interest income	**$ 10,663,567**	**$ 6,890,283**	**$ 17,553,850**	$ 2,900,443	$ (1,719,626)	$ 1,180,817

Interest income for 2024 increased by $54,171,667, or 38.9 percent, compared to 2023, primarily due to an increase in average interest-earning assets and an increase in yields on interest-earning assets. Interest expense for 2024 increased by $36,617,817, or 52.7 percent, compared to 2023 primarily due to an increase in interest-bearing liabilities and an increase in cost of interest-bearing liabilities. The interest rate spread increased by 9 basis points to 2.33 percent in 2024 from 2.24 percent in 2023, primarily due to a more significant increase in the yield of interest-earning assets compared to the cost of interest-bearing liabilities. The interest rate spread decreased by 22 basis points to 2.24 percent in 2023 from 2.46 percent in 2022, primarily due to a more significant increase in cost of interest-bearing liabilities compared to the increase in yields on interest-earning assets.

Provisions for loan losses decreased by $3,269,330, or 126.7 percent, compared to 2023. During the year ended December 31, 2024, an agricultural production relationship was transferred to other property owned. As part of this transfer, the specific allowance on this relationship, originally assessed during the year ended December 31, 2023, was reversed.

Noninterest income for 2024 increased by $2,776,376, or 28.6 percent, compared to 2023, due primarily to an increase in patronage income from the FCBT. Additionally, the Association received $809,571 of excess insured funds balances in the Allocated Insurance Reserve Accounts (AIRAs) from the Farm Credit System Insurance Corporation (FCSIC). Noninterest income for 2023 decreased by $6,763,121, or 41.0 percent, compared to 2022, due to a decrease in patronage income from the FCBT directly resulting from the FCBT's financial performance issues impacting its ability to generate sufficient earnings to distribute a patronage at planned levels.

Operating expenses consist primarily of salaries, employee benefits, purchased services, travel, occupancy and equipment expenses, advertising, public and member relations, and insurance fund premiums. Expenses for purchased services may include administrative services, marketing, information systems, accounting, and loan processing, among others. Net operating expenses for 2024, 2023 and 2022 were $40,918,495, $36,520,324 and $35,349,597 respectively, reflecting an increase of $4,398,171, or 12.0 percent, and $1,170,727, or 3.3 percent for 2024 and 2023, respectively. The increase in operating expenses for 2024 was expected as a result of the merger in December 2023.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $3,463,305, $2,353,842 and $3,981,933 for 2024, 2023 and 2022, respectively, in origination fees, and $3,084,152, $2,184,365 and $2,940,012 for 2024, 2023 and 2022, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income.

For the year ended December 31, 2024, the Association's return on average assets was 1.9 percent, as compared to 1.5 percent and 2.1 percent for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2024, the Association's return on average members' equity was 12.1 percent, as compared to 9.2 percent and 12.4 percent for the years ended December 31, 2023 and 2022, respectively. The increase in return on average assets and return on average members' equity was primarily related to the merger at the end of 2023.

Because the Association depends on the FCBT for funding, any significant positive or negative factors affecting the operations of the FCBT may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the FCBT. The FCBT manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the FCBT. The outstanding balance of $2,605,072,254, $2,411,172,178 and $2,081,970,432 as of December 31, 2024, 2023 and 2022, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.82 percent, 3.45 percent, and 2.79 percent at December 31, 2024, 2023 and 2022, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the FCBT and is governed by a General Financing Agreement (GFA). The increase in note payable to the FCBT and related accrued interest payable since December 31, 2023, is directly correlated with an increase in the Association's loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $455,504,581, $436,702,570 and $410,499,010 at December 31, 2024, 2023 and 2022, respectively. The maximum amount the Association may borrow from the FCBT as of December 31, 2024, was $3,128,715,733 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the FCBT upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the FCBT, upon giving the FCBT 30 calendar days' prior written notice, or in all other circumstances, upon giving the FCBT 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2025. As borrower payments are received, they are applied to the Association's note payable to the FCBT.

The Association will continue to fund its operations through direct borrowings from the FCBT, capital surplus from prior years, and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $484,841,625, $458,619,908 and $412,623,842 at December 31, 2024, 2023 and 2022, respectively.

Risk-weighted:	**Regulatory Minimums with Buffer**	**As of December 31, 2024**
Common equity tier 1 ratio	7.00%	14.37%
Tier 1 capital ratio	8.50%	14.37%
Total capital ratio	10.50%	14.56%
Permanent capital ratio	7.00%	14.39%
Non-risk-weighted:		
Tier 1 leverage ratio	5.00%	14.67%
UREE leverage ratio	1.50%	14.47%

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the Farm Credit Administration (FCA). The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2024, 2023 and 2022 was 14.4 percent, 15.5 percent and 15.3 percent, respectively.

The Association's members' equity includes accumulated other comprehensive income (AOCI) related to certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities. The AOCI includes net actuarial gains/losses and prior service credits that have been included in liabilities but have not yet been amortized into earnings.

In 2024, 2023 and 2022, the Association distributed patronage of $27,836,601, $26,282,626 and $24,080,342, respectively.

In December 2024, the Board approved a $32,187,196 patronage distribution to be paid in March 2025. See Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report for further information.

In January 2025, the Board of Directors of the FCBT approved a change to the FCBT's capitalization policy. Through 2024, associations were required to maintain a capital stock investment in the FCBT equal to 2.0 percent of the average outstanding balance of borrowings from the FCBT as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.5 percent and will be determined on a semi-annual basis. This change will result in an increase in the investment in and receivable from the FCBT and Note payable to the FCBT on the consolidated balance sheet. Additionally, this will result in an increase in the regulatory deductions from the amount of allocated investments in other System Banks, which effectively reduces the Association's risk-adjusted and non-risk adjusted capital.

Economic Conditions:

The Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of financial and macroeconomic volatility. Despite the challenging operating environment, credit quality at the Association has remained strong. Volatility in risk ratings remains a concern in the near future due to such factors as high production costs, elevated cost of debt and declining farm income over the last two years (19.1 percent decline in 2023 and 5.6 percent decline in 2024).

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI) increased by 3.0 percent for the 12-month period ending January 2025, persistently above the Federal Reserve's long-term target of approximately 2.0 percent. CPI has increased month-over-month from a low of 2.4 percent in September 2024 to 3.0 percent in January 2025, while decreasing year-over-year from 3.1 percent. From July 2023 to August 2024, the FOMC maintained the target federal funds rate within the 5.25 – 5.50 percent range. Starting at the September 2024 meeting, the FOMC decided to reduce the target federal funds rate by 50 bps and then by 25 bps in each of its subsequent November and December meetings to the 4.25 – 4.50 percent range. The target federal funds rate was unchanged at the January 2025 meeting. The FOMC stated that it is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

On January 30, 2025, the U.S. Bureau of Economic Analysis (BEA) released its advance estimate of real gross domestic product (GDP) for the fourth quarter of 2024. U.S. real GDP increased at an annual rate of 2.3 percent during the fourth quarter, down from 3.1 percent during the previous quarter and down from 3.2 percent during the same period a year earlier. The International Monetary Fund estimated in its World Economic Outlook projections released in January 2025 that the annual percentage change in real GDP growth in the United States was 2.8 percent in 2024 and would be 2.7 percent in 2025 and 2.1 percent in 2026. The increase in real GDP during the fourth quarter of 2024 primarily reflected increases in consumer and government spending that were partly offset by a decrease in investment. New Mexico and Texas real GDP grew at an annual rate of 2.3 and 3.9 percent, respectively, during the third quarter versus the national average of 3.1 percent.

Data from the BLS released on February 7, 2025, indicates that the U.S. unemployment rate decreased month-over-month by 0.1 percent to 4.0 percent in January 2025; however, the unemployment rate is up from 3.7 percent during the same period a year earlier. The December state unemployment rates in New Mexico and Texas were 4.4 and 4.2 percent, respectively, as compared to the national average of 4.2 percent. The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased from an average of about $75 per barrel in the third quarter to an average of about $70 per barrel during the fourth quarter of 2024. Similarly, the average front-month WTI price decreased by approximately 10.5 percent (about $8 per barrel) during the fourth quarter of 2024 compared to the same period a year ago. The front-month WTI price increased by less than $1.0 per barrel month-over-month to $72.5 per barrel in January 2025. In the February 2025 edition of the Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration (EIA) indicates that the monthly average WTI spot price was nearly $77 per barrel in 2024 and is expected to trend downward in 2025 and 2026, averaging about $71 per barrel and $63 per barrel, respectively. The front-month WTI futures price was volatile in January 2025, rising to a three-month high of about $80 per barrel in mid-January due to factors such as OPEC+ temporarily rolling over production cuts, extremely cold weather in the beginning of the year in Northern Europe and the Northeastern U.S. putting pressure on oil inventories, and a new set of U.S. sanctions targeting Russian oil that was unveiled on January 10, 2025.

On February 6, 2025, the U.S. Department of Agriculture (USDA) released its 2025 Farm Income Forecast. Net farm income (nominal), a broad measure of profits, is forecasted at $180.1 billion in 2025, up by $41.0 billion, or 29.5 percent, relative to 2024. This expected increase in net farm income in 2025 is mostly driven by an expected annual increase of $33.1 billion (+355 percent) in federal government direct farm program payments. The increase follows a record high in net farm income of $182.0 billion in calendar year 2022 and two years of consecutive declines of about $34.7 billion, or 19.1 percent, in 2023 and $8.2 billion, or 5.6 percent, in 2024. Total crop receipts are forecasted to decrease year-over-year by $5.6 billion, or 2.3 percent, to $239.6 billion in 2025, mostly due to lower receipts for corn and soybeans. However, total animal and animal product receipts are projected to continue increasing year-over-year by $3.8 billion, or 1.4 percent, to $275.4 billion in 2025. Receipts for hogs, milk and broilers are forecast to rise in 2025. Total production expenses are forecast to continue decreasing year-over-year by $2.5 billion, or 0.6 percent, to $450.4 billion in 2025. Farm sector assets and equity are forecast to increase by 4.2 and 4.3 percent, respectively. Farm sector debt is expected to increase by 3.7 percent in 2025, leading to a slight year-over-year improvement in the debt-to-asset ratio from 12.84 to 12.78 percent in 2025.

According to USDA's February 2025 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, soybeans, wheat and cotton are estimated to continue decreasing during the 2024/25 season from a range of 4.4 percent decline in corn to 20.3 percent decline in wheat. Steer, barrow/gilt and broiler prices are estimated to have increased year-over-year by 6.6 percent, 5.1 percent and 4.0 percent, respectively, in 2024. Turkey prices are estimated to have declined year-over-year by an average of 33.1 percent in 2024. Subsequently, steer, barrow/gilt, broiler and turkey prices are projected to increase year-over-year by about 7.4 percent, 4.0 percent, 2.0 percent, and 3.5 percent in 2025, respectively. USDA also estimates that after decreasing by nearly 20.0 percent in 2023, all-milk prices are estimated to have increased by about 11.2 percent in 2024 from an average of about $20.3 per hundredweight (/cwt.) in 2023 to $22.6/cwt. in 2024. Average all-milk prices are projected to remain relatively stable year-over-year in 2025. The front-month random length lumber futures price increased quarter-over-quarter by about 5.7 percent from a quarterly average of $521.0 per thousand board feet (/tbf) in the third quarter of 2024 to about $550.5/tbf in the fourth quarter of 2024 but decreased year-over-year by about 3.8 percent in December 2024. The front-month lumber futures price increased month-over-month by about 7.5 percent in January 2025 to $592.0/tbf.

According to the U.S. Monthly Drought Outlook released on January 31, 2025, by the U.S. Climate Prediction Center from the National Weather Service, periods of rainfall eased drought across parts of eastern Texas, but drought conditions worsened in areas that did not receive sufficient rainfall including parts of southern Texas. February is a drier time of the year for this region. Dry conditions are expected across much of Texas. The revised outlook for 2025 favors below-normal precipitation across central-western Texas and drought expansion is expected. Drought persistence and development is likely for portions of New Mexico. The seasonal temperature outlook indicates that above-normal temperatures are expected for most of Texas and New Mexico from February through April 2025. Similarly, the seasonal precipitation outlook indicates that below normal precipitation is in the forecast for most of Texas and New Mexico. Additionally, the national drought severity and coverage index was more severe by the end of January 2025 than the index of the same year-ago period.

Agricultural producers and processors are expected to face several risk factors in 2025, including volatile commodity prices, high input costs, trade disruptions, geopolitical challenges and adverse weather conditions. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

Significant Recent Accounting Pronouncements:

Refer to Note 2, "Summary of Significant Accounting Policies," in this annual report for disclosures of recent accounting pronouncements that may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2024, the Association was not under written agreements with the Farm Credit Administration (FCA).

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weighting and the federal banking regulators. 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. The effective date of the final rule has been extended to January 1, 2026, from the original effective date of January 1, 2025.

On July 9, 2024, the FCA issued a revised bookletter to provide instruction to System institutions regarding the capital treatment of certain rural water and wastewater (RWW) facility exposures. The revised bookletter, which supersedes the original version published on November 8, 2018, continues to assign a 50 percent or 75 percent risk weight to certain RWW exposures that meet specified criteria.

On July 11, 2024, the FCA issued a revised bookletter to provide guidance to System institutions on implementing effective processes for managing investments and related risks.

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.

On October 10, 2024, the FCA approved a proposed rule that would require System associations that meet certain asset thresholds/conditions as well as all System Banks to obtain an annual audit of their internal controls over financial reporting (ICFR), in conjunction with their financial statements, known as an integrated audit. All System Banks currently obtain an integrated audit, so this rule would merely formalize that requirement. System associations that fall within the requirements will generally have three fiscal years to obtain an audit. The proposed rule was published in the Federal Register on November 29, 2024. The rule is subject to a public comment period ending March 31, 2025.

Relationship With the FCBT:

The Association's statutory obligation to borrow only from the FCBT is discussed in Note 9 to the consolidated financial statements, "Note Payable to the FCBT," included in this annual report.

The FCBT's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Farm Credit Bank of Texas."

The FCBT's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the consolidated financial statements, "Note Payable to the FCBT," included in this annual report.

The FCBT provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the FCBT. As disclosed in Note 13 to the consolidated financial statements, "Related Party transactions," included in this annual report, the FCBT provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the FCBT bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 107 years, regardless of the state of the agricultural economy, your Association's Board and management have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of AgTrust, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Austin, Texas
March 10, 2025

AGTRUST, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2024	2023	2022
Assets			
Cash	**$ 7,092**	$ 22,095	$ 34,734
Loans	**3,057,183,145**	2,844,533,954	2,488,863,549
Less: allowance for credit losses on loans	**(6,206,255)**	(8,163,183)	(5,746,994)
Net loans	**3,050,976,890**	2,836,370,771	2,483,116,555
Accrued interest receivable	**26,335,028**	23,636,251	12,614,518
Investment in and receivable from the FCBT:			
Capital stock	**53,159,846**	53,269,671	40,638,710
Other	**11,832,183**	3,666,387	2,356,854
Deferred taxes, net	**-**	280,822	-
Other property owned, net	**1,579,844**	2,775	-
Premises and equipment	**6,388,761**	5,063,913	3,770,067
Other assets	**12,939,903**	4,764,030	4,122,189
Total assets	**$ 3,163,219,547**	$ 2,927,076,715	$ 2,546,653,627
Liabilities			
Note payable to the FCBT	**$ 2,605,072,254**	$ 2,411,172,178	$ 2,081,970,432
Advance conditional payments	**388,381**	942,822	358,711
Accrued interest payable	**8,702,836**	7,523,088	4,983,163
Drafts outstanding	**57,811**	57,773	257,815
Patronage dividends payable	**32,187,196**	27,581,494	25,897,526
Other liabilities	**31,969,444**	21,179,452	20,562,138
Total liabilities	**2,678,377,922**	2,468,456,807	2,134,029,785
Members' Equity			
Capital stock and participation certificates	**6,245,530**	6,213,280	5,816,750
Additional paid-in capital	**123,813,880**	124,213,961	91,343,553
Unallocated retained earnings	**355,059,993**	328,157,542	315,281,755
Accumulated other comprehensive (loss) income	**(277,778)**	35,125	181,784
Total members' equity	**484,841,625**	458,619,908	412,623,842
Total liabilities and members' equity	**$ 3,163,219,547**	$ 2,927,076,715	$ 2,546,653,627

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2024	2023	2022
Interest Income			
Loans	**$ 193,255,788**	$ 139,084,121	$ 115,508,775
Total interest income	**193,255,788**	139,084,121	115,508,775
Interest Expense			
Note payable to the FCBT	**106,152,083**	69,540,752	47,151,454
Advance conditional payments	**13,167**	6,681	1,450
Total interest expense	**106,165,250**	69,547,433	47,152,904
Net interest income	**87,090,538**	69,536,688	68,355,871
(Reversal of) provision for credit losses	**(688,121)**	2,581,209	(1,620,585)
Net interest income after (reversal of) provision for credit losses	**87,778,659**	66,955,479	69,976,456
Noninterest Income			
Income from the FCBT:			
Patronage income	**10,316,406**	8,547,763	15,035,151
Loan fees	**679,377**	514,373	481,332
Refunds from Farm Credit System Insurance Corporation	**809,576**	-	-
Financially related services income	**4,236**	3,408	4,129
Gain (loss) on other property owned, net	**4,586**	(98)	-
Gain on sale of premises and equipment, net	**205,813**	203,494	368,817
Other noninterest income	**474,077**	448,755	591,387
Total noninterest income	**12,494,071**	9,717,695	16,480,816
Noninterest Expenses			
Salaries and employee benefits	**24,182,232**	18,081,227	20,221,230
Directors' expense	**896,385**	592,841	529,741
Purchased services	**1,728,694**	1,820,367	2,298,599
Travel	**1,251,588**	752,281	968,340
Occupancy and equipment	**4,172,261**	2,887,469	2,727,388
Communications	**332,460**	278,782	263,356
Advertising	**903,442**	799,586	1,135,033
Public and member relations	**1,837,834**	1,302,098	1,310,146
Supervisory and exam expense	**934,893**	726,627	648,674
Insurance Fund premiums	**2,405,235**	3,623,861	3,853,813
Merger-implementation and restructuring costs	**-**	909,440	-
Other components of net periodic postretirement benefit cost	**300,058**	200,664	201,804
Other noninterest expense	**1,973,413**	4,545,081	1,191,473
Total noninterest expenses	**40,918,495**	36,520,324	35,349,597
Income before income taxes	**59,354,235**	40,152,850	51,107,675
Provision for income taxes	**9,481**	3,096	19,580
NET INCOME	**59,344,754**	40,149,754	51,088,095
Other comprehensive income:			
Change in postretirement benefit plans	**(312,903)**	(146,659)	1,136,131
Other comprehensive income, net of tax	**(312,903)**	(146,659)	1,136,131
COMPREHENSIVE INCOME	**$ 59,031,851**	$ 40,003,095	$ 52,224,226

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2021	$ 5,929,630	$ 91,343,553	$ -	$ 290,017,251	$ (954,347)	$ 386,336,087
Comprehensive income	-	-	-	51,088,095	1,136,131	52,224,226
Capital stock/participation certificates issued	673,985	-	-	-	-	673,985
Capital stock/participation certificates retired	(786,865)	-	-	-	-	(786,865)
Dividends declared	-	-	-	(25,823,591)	-	(25,823,591)
Balance at December 31, 2022	5,816,750	91,343,553	-	315,281,755	181,784	412,623,842
Cumulative impact of adoption of new accounting standard	-	-	-	(132,373)	-	(132,373)
Comprehensive income	-	-	-	40,149,754	(146,659)	40,003,095
Capital stock/participation certificates issued	512,700	-	-	-	-	512,700
Capital stock/participation certificates retired	(517,775)	-	-	-	-	(517,775)
Dividends declared	-	-	-	(27,141,594)	-	(27,141,594)
Equity issued in connection with merger	401,605	32,870,408	-	-	-	33,272,013
Balance at December 31, 2023	6,213,280	124,213,961	-	328,157,542	35,125	458,619,908
Comprehensive income	-	-	-	59,344,754	(312,903)	59,031,851
Capital stock/participation certificates issued	624,005	-	-	-	-	624,005
Capital stock/participation certificates retired	(591,755)	-	-	-	-	(591,755)
Dividends declared	-	-	-	(32,442,303)	-	(32,442,303)
Equity issued in connection with merger	-	(400,081)	-	-	-	(400,081)
Balance at December 31, 2024	**$ 6,245,530**	**$ 123,813,880**	**$ -**	**$ 355,059,993**	**$ (277,778)**	**$ 484,841,625**

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 59,344,754**	$ 40,149,754	$ 51,088,095
Adjustments to reconcile net income to net cash provided by operating activities:			
(Reversal of) provision for credit losses	**(688,121)**	2,581,209	(1,620,585)
Net change in fair value of concessions granted	**-**	-	4,168,372
(Gain) loss on other property owned, net	**(4,586)**	98	-
Depreciation	**797,247**	157,056	411,920
Accretion of yield related to loans and notes payable acquired in merger	**(3,129,014)**	(260,751)	-
Gain on sale of premises and equipment, net	**(205,813)**	(203,494)	(368,817)
Increase in accrued interest receivable	**(2,698,777)**	(2,960,144)	(1,935,327)
(Increase) decrease in other receivables from the FCBT	**(8,165,796)**	794,430	(1,534,440)
(Increase) decrease in deferred tax assets	**(119,259)**	37,275	-
(Increase) decrease in other assets	**(8,591,020)**	323,730	(442,375)
Increase in accrued interest payable	**1,179,747**	1,238,320	1,911,076
Increase (decrease) in other liabilities	**10,531,180**	(7,103,273)	2,187,342
Net cash provided by operating activities	**48,250,542**	34,754,210	53,865,261
Cash flows from investing activities:			
Increase in loans, net	**(204,919,356)**	(42,208,880)	(204,744,394)
Cash recoveries of loans previously charged off	**4,346**	27,100	-
Redemption (purchase) of investment in the FCBT	**108,825**	(4,111,431)	(6,123,735)
Purchases of premises and equipment	**(2,517,089)**	(1,050,087)	(1,169,699)
Proceeds from sales of premises and equipment	**550,837**	354,553	419,259
Proceeds from sales of other property owned	**6,428**	-	-
Net cash used in investing activities	**(206,766,009)**	(46,988,745)	(211,618,569)

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2024	**2023**	**2022**
Cash flows from financing activities:			
Net draws on note payable to the FCBT	**186,859,218**	38,149,639	181,819,951
Increase (decrease) in drafts outstanding	**38**	(224,153)	173,888
(Decrease) increase in advance conditional payments	**(554,441)**	584,111	(52,273)
Issuance of capital stock and participation certificates	**624,005**	512,700	673,985
Retirement of capital stock and participation certificates	**(591,755)**	(517,775)	(786,865)
Cash dividends paid	**(27,836,601)**	(26,282,626)	(24,080,342)
Net cash provided by financing activities	**158,500,464**	12,221,896	157,748,344
Net decrease in cash	**(15,003)**	(12,639)	(4,964)
Cash at the beginning of the year	**22,095**	34,734	39,698
Cash at the end of the year	**$ 7,092**	$ 22,095	$ 34,734
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	**$ 1,327,244**	$ 1,312,697	$ -
Dividends declared	**32,442,303**	27,141,594	25,823,591
Acquisition-related transactions			
Total assets acquired	**-**	333,264,993	-
Total liabilities assumed	**-**	299,992,980	-
Net assets acquired	**-**	33,272,013	-
Transfer of allowance for credit losses on loans from (into) reserve for credit losses on unfunded commitments	**54,091**	(197,032)	11,166
Cumulative impact of adoption of new accounting standard	**-**	132,373	-
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 104,985,502**	$ 68,309,113	$ 45,241,828

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION, MERGER(S) AND OPERATIONS:

A. Organization:

AgTrust, ACA, including its wholly owned subsidiaries, AgTrust, PCA and AgTrust, FLCA (collectively called the "Association"), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Bell, Borden, Bosque, Bowie, Burnet, Camp, Cass, Cochran, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Fisher, Freestone, Grayson, Hamilton, Hill, Hood, Johnson, Kent, Lamar, Lampasas, Limestone, McLennan, Milam, Mitchell, Morris, Navarro, Nolan, Palo Pinto, Parker, Red River, Scurry, Shackelford, Somervell, Stephens, Tarrant, Taylor, Throckmorton, Titus, Williamson, Wise and Young in the state of Texas, and all counties in the state of New Mexico with the exception of San Juan County and a portion of Rio Arriba County lying west of the Continental Divide.

In addition, the Association and American Ag Credit, ACA have entered into a "Territorial Concurrence Agreement" (the TCA) that allows, on a statewide basis, the Association to make mortgage loans and American Ag Credit, ACA to make production loans in New Mexico without obtaining territorial concurrence. The TCA has been in place since 2001 and was a result of Ag New Mexico, Farm Credit Services, ACA's unique bifurcated charter that authorized the Association to make production loans or mortgage loans, but not both, in certain counties.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2024, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (FCBT) and its related associations are collectively referred to as the "District." The FCBT provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2024, the District consisted of the FCBT, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, a FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

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

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers, and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Intra-District Mergers and Restructurings:

Effective December 1, 2023, Ag New Mexico, Farm Credit Services, ACA and its PCA and FLCA subsidiaries (Ag New Mexico) merged with and into Lone Star, ACA (the continuing association) and its PCA and FLCA subsidiaries (Lone Star), whereupon all shareholders of Ag New Mexico became shareholders of Lone Star Ag Credit (the continuing association). Additionally, upon the effective date of the merger, the continuing association and its PCA and FLCA subsidiaries changed their name to AgTrust, ACA, AgTrust, PCA and AgTrust, FLCA, respectively (AgTrust). The Association is headquartered in Fort Worth, Texas. The merger was accounted for under the acquisition method of accounting. The effects of the merger are included in the Association's financial position, results of operations, equity and related metrics.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheets reflects the merged balances as of December 31, 2023. The Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Members' Equity reflect the results of AgTrust after December 1, 2023, and Lone Star prior to that date. Information in the Notes to Consolidated Financial Statements for 2023 reflects balances of the merged Association.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their members and other customers and not for the benefit of equity investors. As such, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of Ag New Mexico were converted into shares of the continuing association, ultimately named AgTrust, as of the date of the merger, with identical rights and attributes. For this reason, the conversion of Ag New Mexico stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e. each Ag New Mexico share was converted into one share of AgTrust stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the AgTrust stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, AgTrust undertook a process to estimate the acquisition-date fair value of Ag New Mexico assets and liabilities instead of the acquisition-date fair value of AgTrust's equity interests transferred as consideration. The fair value of the assets acquired, and liabilities assumed from Ag New Mexico, were measured based on various estimates using assumptions that management believes are reasonable and using information available as of the merger date. Use of different estimates and judgments could yield materially different results.

The merger was accounted for as a business combination using the acquisition method of accounting as required under FASB ASC Topic 805, Business Combinations. Pursuant to these rules, AgTrust acquired the assets and assumed the liabilities of Ag New Mexico at their acquisition-date fair value. The fair value of the net identifiable assets acquired of $32,871,932 was substantially equal to the fair value of the equity interest exchanged in the merger. No intangible assets were acquired; therefore, no goodwill was recorded. A net increase of $32,871,932 was recorded in members' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Ag New Mexico net assets as of the acquisition date. There was an immaterial purchased accounting adjustment made during 2024. The updated condensed statement of net assets acquired is shown.

Assets:		
Loans	$	**312,185,981**
Accrued interest receivable		**8,061,589**
Investement in and receivable from the FCBT		**10,623,493**
Other property owned, net		**2,775**
Premises and equipment		**1,083,733**
Other		**989,325**
Total assets	$	**332,946,896**
Liabilities:		
Note payable to the FCBT	$	**290,465,368**
Accrued interest payable		**1,301,605**
Drafts outstanding		**24,111**
Patronage dividends payable		**825,000**
Other liabilities		**7,458,880**
Total liabilities	$	**300,074,964**
Fair value of net assets acquired	$	**32,871,932**

The assets acquired included gross loans at fair value of $312,185,981 with a contractual amount of $384,560,322. Business combination adjustments to Ag New Mexico's assets included a $72,374,341 net business combination discount to gross loans. With the adoption of CECL, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased with credit deterioration (PCD). At the acquisition date, an estimate of expected credit losses was made for PCD loans of $1,185,236. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial ACL is added to the purchase price, there is no provision for credit losses recognized upon acquisition of a PCD loan. For acquired loans not deemed PCD at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income over the lives of the related loans. Allowance for credit losses is estimated and $1,073,403 was recorded as a provision for credit losses as of December 1, 2023.

C. Operations:

The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes and secured long-term real estate mortgage loans, with funding from the FCBT.

The Association may act as an intermediary in offering credit life insurance.

The Association's financial condition may be affected by factors that affect the FCBT. The financial condition and results of operations of the FCBT may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the FCBT's Annual Report to Stockholders.

The lending and financial services offered by the FCBT are described in Note 1 to the consolidated financial statements, "Organization and Operations," of the district's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned, and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation.

A. Recently Issued or Adopted Accounting Pronouncements:

The Association recently adopted, effective January 1, 2023, the "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets carried at amortized cost and certain off-balance-sheet credit exposures. This framework requires management to consider in its estimate of the allowance for credit losses relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amended existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities.

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Institution's financial condition, results of operations or cash flows but will impact the income tax disclosures.

B. Cash:

Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. Loans and Allowance for Credit Losses on Loans:

Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans: Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable: The Association elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the balance sheet. The Association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty: Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans: Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

The adoption of CECL resulted in a change in the accounting for purchased credit impaired loans, which are considered PCD loans under CECL. PCD loans are loans that were acquired that as of the date of acquisition have experienced a more-than-insignificant deterioration in credit quality since origination. Purchased loans are recorded at their fair value at the acquisition date. An allowance for credit losses is recorded on the purchased loans at the purchase date through a provision for credit losses. Any loans that have experienced a more-than-insignificant deterioration in credit quality since origination are identified as PCD assets, and the entity is required to estimate and record an allowance for credit losses for these assets at the time of purchase. This allowance is then added to the purchase price to establish the initial amortized cost basis of the PCD assets, rather than being reported as a credit loss expense. The difference between the unpaid principal balance and the amortized cost basis is recorded into interest income over the life of the loan on a level-yield basis. Any subsequent changes in expected credit losses are recorded through the income statement with a provision for credit losses.

Allowance for Credit Losses: Effective January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance-sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities.

Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans: The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums and discounts. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default).

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the baseline, upside 10^{th} percentile and downside 90^{th} percentile from third party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The FCBT also considers loan and borrower characteristics, such as internal risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments: The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the consolidated balance sheet. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

D. Capital Stock Investment in the Farm Credit Bank of Texas:

The Association's investment in the FCBT is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the FCBT compared to other District associations. The FCBT requires a minimum stock investment of 2.0 percent of the Association's average borrowing from the FCBT. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the FCBT is not practical, because the stock is not traded.

If needed to meet regulatory capital adequacy requirements, the Board of Directors of the FCBT may increase the percentage of stock held by an association from 2.0 percent of the average outstanding balance of borrowings from the FCBT to a maximum of 5.0 percent.

In January 2025, the Board of Directors of the FCBT approved a change to its capitalization policy which; beginning in 2025, increased this investment requirement from 2.0 percent of the average outstanding balance of borrowings from the FCBT as determined annually to 2.5 percent determined on a semi-annual basis. The impact of this change on the Association is discussed in the section "Capital Resources" of Management's Discussion and Analysis, included in this annual report.

E. Other Property Owned, Net:

Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment:

Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Advance Conditional Payments:

The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the Board of Directors.

H. Employee Benefit Plans:

Substantially all employees of the Association may be eligible to participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2024, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $858,147, $874,893 and $818,769 for the years ended December 31, 2024, 2023 and 2022, respectively. For the DB plan, the Association recognized pension costs of $180,282, $237,044 and $520,571 for the years ended December 31, 2024, 2023 and 2022, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $647,853, $646,411 and $607,040 for the years ended December 31, 2024, 2023 and 2022, respectively.

In addition to the DB plan, the DC plan, and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $219,142, $187,140 and $90,994 for the years ended December 31, 2024, 2023 and 2022, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. Association employees hired after January 1, 2004, will be eligible for retiree medical benefits for themselves and their spouses but will be responsible for 100 percent of the related premiums.

In 2004, the District discontinued its multiemployer health and welfare plan, which provided substantially all employees with health care, life insurance and postretirement benefits during their working lives and after retirement if they reach a normal retirement age and met the years of service criteria while working for the Association. At that time, the Association adopted a new plan to provide the same benefits to its retirees and employees. Under the new plan, the Association no longer participates in the joint and several liability with any other entities, which was intrinsic to the multiemployer plan. For employers providing these benefits outside of a multiemployer plan, FASB guidance, "Employers Accounting for Postretirement Benefits Other than Pensions," requires the liability for the contractual obligation of these benefits to be recognized as employees render the services necessary to earn the benefits. Accordingly, in December 2004, the Association recognized as an expense the unfunded liability for these postretirement benefits. Since that time, the net periodic expense for these benefits has been accrued in accordance with this guidance.

I. Income Taxes:

The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

Deferred income taxes have not been provided by the Association on patronage stock distributions from the FCBT prior to January 1, 1993, the adoption date of the FASB guidance on income taxes. Management's intent is (1) to permanently invest these and other undistributed earnings in the FCBT, thereby indefinitely postponing their conversion to cash, or (2) to pass through any distribution related to pre-1993 earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association that relate to the FCBT's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the FCBT's post-1992 unallocated earnings. The FCBT currently has no plans to distribute unallocated FCBT earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

J. Patronage Refunds From the Farm Credit Bank of Texas:

The Association records patronage refunds from the FCBT on an accrual basis.

K. Fair Value Measurement:

The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14 to the consolidated financial statements, "Fair Value Measurements."

L. Off-balance-sheet credit exposures:

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness. The Association's exposure in off-balance-sheet credit exposures is further disclosed in Note 16 to the consolidated financial statements, "Commitments and Contingencies."

M. Merger Accounting:

The FASB guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date.

Because the stock in each association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring association will identify and estimate the acquisition date fair value of the equity interests (net assets) of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, are measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

	2024		2023		2022	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 2,422,443,376**	**79.3%**	$ 2,237,942,282	78.7%	$ 2,051,012,187	82.4%
Production and intermediate-term	**251,979,243**	**8.2%**	222,416,841	7.8%	142,928,419	5.7%
Agribusiness:						
Loans to cooperatives	**10,772,567**	**0.4%**	17,044,890	0.6%	14,324,718	0.6%
Processing and marketing	**198,526,087**	**6.5%**	192,769,838	6.7%	152,485,459	6.1%
Farm-related business	**53,547,454**	**1.8%**	55,955,011	2.0%	46,743,665	1.9%
Communication	**41,141,056**	**1.3%**	45,161,278	1.6%	42,348,853	1.7%
Energy	**38,966,911**	**1.3%**	35,789,645	1.3%	21,699,213	0.9%
Water and wastewater	**10,131,879**	**0.3%**	12,754,486	0.4%	982,235	0.1%
Rural residential real estate	**13,408,476**	**0.4%**	10,544,054	0.4%	7,940,684	0.3%
International Loans	**15,265,890**	**0.5%**	12,931,775	0.5%	8,398,116	0.3%
Lease receivables	**1,000,206**	**0.0%**	1,223,854	0.0%	-	0.0%
Total	**$ 3,057,183,145**	**100.0%**	$ 2,844,533,954	100.0%	$ 2,488,863,549	100.0%

The Association may purchase or sell 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 participations purchased and sold as of December 31, 2024:

	Other Farm Credit Institutions		**Non-Farm Credit Institutions**		**Total**	
	Participations Purchased	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Real estate mortgage	$ 36,856,615	$ 192,890,679	$ 3,898,123	$ -	$ 40,754,738	$ 192,890,679
Production and intermediate-term	63,066,354	71,112,068	-	-	63,066,354	71,112,068
Agribusiness	184,901,312	10,923,595	-	1,251,573	184,901,312	12,175,168
Communication	41,141,056	-	-	-	41,141,056	-
Energy	38,966,911	-	-	-	38,966,911	-
Water and wastewater	10,131,879	-	-	-	10,131,879	-
International	15,265,890	-	-	-	15,265,890	-
Lease receivables	1,000,206	-	-	-	1,000,206	-
Total	$ 391,330,223	$ 274,926,342	$ 3,898,123	$ 1,251,573	$ 395,228,346	$ 276,177,915

Loan volume by region of Association branch office as of December 31, follows:

Region	**2024**	2023	2022
Texas-Eastern Region	**26.0%**	25.4%	29.4%
Texas-Southern Region	**27.5%**	27.2%	31.7%
Texas-Western Region	**18.8%**	17.9%	20.6%
New Mexico Region	**11.5%**	10.2%	0.0%
Other	**16.2%**	19.3%	18.3%
Total	**100.0%**	100.0%	100.0%

Texas-Eastern region is composed of Denton, New Boston, Paris, and Sherman offices. Texas-Southern region is composed of Corsicana, Georgetown, Hillsboro, Lampasas, and Waco offices. Texas-Western region is composed of Abilene, Cleburne, Fort Worth, Stephenville, Sweetwater, and Weatherford offices. New Mexico region is composed of Clovis, Roswell, Albuquerque, and Las Cruces offices. Other is composed of agribusiness, capital markets, participations purchased and special assets. Agribusiness is a specialized branch created in 2019 dedicated to meeting the lending needs of large, complex commercial-type eligible borrowers. The loans made from this branch are most commonly eligible via processing and marketing or farm-related business.

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. Though the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for credit losses on loans.

	2024		**2023**		**2022**	
Operation/Commodity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Livestock, except dairy and poultry	**$ 1,762,738,819**	**57.7%**	$ 1,644,844,077	57.8%	$ 1,562,620,786	62.8%
Hunting, trapping and game propagation	**229,273,983**	**7.5%**	210,661,466	7.4%	196,349,048	7.9%
General farms, primarily crops	**155,547,011**	**5.1%**	139,907,155	4.9%	76,952,820	3.1%
Field crops except cash grains	**150,383,297**	**4.9%**	133,283,112	4.7%	113,861,776	4.6%
Animal specialties	**115,965,780**	**3.8%**	98,134,132	3.4%	82,494,590	3.3%
Food and kindred products	**95,492,469**	**3.1%**	103,880,400	3.7%	54,309,218	2.2%
Wholesale trade - nondurable goods	**87,286,363**	**2.9%**	78,110,715	2.7%	57,658,074	2.3%
Cash grains	**73,904,521**	**2.4%**	71,379,775	2.5%	76,530,806	3.1%
Dairy farms	**68,877,361**	**2.3%**	51,523,175	1.8%	11,763,804	0.5%
Agricultural services	**39,221,061**	**1.3%**	22,053,723	0.8%	2,265,628	0.1%
Timber	**37,706,627**	**1.2%**	38,379,062	1.3%	45,786,103	1.8%
Communication	**35,883,966**	**1.2%**	38,801,512	1.4%	34,160,767	1.4%
Paper and allied products	**34,086,894**	**1.1%**	40,410,153	1.4%	29,909,926	1.2%
Electric services	**28,781,156**	**0.9%**	32,230,238	1.1%	22,681,449	0.9%
Fruit and tree nuts	**21,306,510**	**0.7%**	25,701,860	0.9%	14,156,636	0.6%
Lumber and wood products, except furniture	**20,306,859**	**0.7%**	20,000,000	0.7%	20,000,000	0.8%
Chemical and allied products	**18,823,289**	**0.6%**	22,636,964	0.8%	15,003,774	0.6%
Rural home loans	**18,065,458**	**0.6%**	13,066,096	0.5%	8,406,105	0.3%
Horticultural specialties	**15,372,043**	**0.5%**	15,737,193	0.6%	24,752,907	1.0%
Farm and garden machinery equipment	**11,926,127**	**0.4%**	13,368,331	0.5%	13,188,349	0.5%
Vegetables and melons	**10,321,395**	**0.3%**	8,178,120	0.3%	-	0.0%
Other	**8,875,026**	**0.3%**	11,001,426	0.4%	16,577,288	0.7%
Real estate	**7,315,112**	**0.2%**	5,094,276	0.2%	5,133,318	0.2%
General farms, primarily livestock	**4,489,560**	**0.1%**	2,822,731	0.1%	1,854,085	0.0%
Public warehousing and storage	**3,318,883**	**0.1%**	528,930	0.0%	339,199	0.0%
Poultry and eggs	**1,913,575**	**0.1%**	2,799,332	0.1%	2,107,093	0.1%
Total	**$ 3,057,183,145**	**100.0%**	$ 2,844,533,954	100.0%	$ 2,488,863,549	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of long-term standby commitments to purchase agreements with Farmer Mac. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2024, 2023 and 2022, loans totaling $108,988,064, $131,866,824 and $62,496,385 respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $474,227, $250,584 and $243,440 in 2024, 2023 and 2022, respectively, and are included in “other noninterest expense.”

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 entity 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 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The entity 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 the probability of default category at least annually, or when a credit action is taken.

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, or collateral pledged on the loan.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31, 2024, 2023 and 2022:

	2024	2023	2022
Real estate mortgage			
Acceptable	**99%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**1%**	0%	0%
	100%	100%	100%
Production and intermediate term			
Acceptable	**97%**	95%	100%
OAEM	**2%**	1%	0%
Substandard/doubtful	**1%**	4%	0%
	100%	100%	100%
Loans to cooperatives			
Acceptable	**100%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	100%
Processing and marketing			
Acceptable	**93%**	95%	96%
OAEM	**5%**	5%	0%
Substandard/doubtful	**2%**	0%	4%
	100%	100%	100%
Farm-related business			
Acceptable	**100%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	100%
Communication			
Acceptable	**100%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	100%
Energy			
Acceptable	**100%**	99%	98%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	1%	2%
	100%	100%	100%
Water and wastewater			
Acceptable	**100%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	100%
Rural residential real estate			
Acceptable	**100%**	99%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	1%	0%
	100%	100%	100%
International			
Acceptable	**100%**	100%	100%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	100%
Lease receivables			
Acceptable	**100%**	100%	0%
OAEM	**0%**	0%	0%
Substandard/doubtful	**0%**	0%	0%
	100%	100%	0%
Total Loans			
Acceptable	**99%**	99%	99%
OAEM	**1%**	1%	0%
Substandard/doubtful	**0%**	0%	1%
	100%	100%	100%

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned:

	December 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 930,581**	$ 2,071,781
Production and intermediate-term	**512,812**	8,202,822
Energy	**-**	221,814
Rural residential real estate	**40,049**	73,670
Total nonaccrual loans	**1,483,442**	10,570,087
Accruing loans 90 days or more past due:		
Real estate mortgage	**109,204**	-
Total accruing loans 90 days or more past due	**109,204**	-
Other property owned	**1,579,844**	2,775
Total nonperforming assets	**$ 3,172,490**	$ 10,572,862
Nonaccrual loans as a percentage of total loans	**0.0%**	0.4%
Nonperforming assets as a percentage of total loans and other property owned	**0.1%**	0.4%
Nonperforming assets as a percentage of capital	**0.7%**	2.3%

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2022
Nonaccrual loans:	
Real estate mortgage	$ 1,461,521
Production and intermediate-term	32,878
Energy	334,090
Rural residential real estate	7,168
Total nonaccrual loans	1,835,657
Accruing restructured loans:	
Real estate mortgage	1,079,596
Total accruing restructured loans	1,079,596
Total nonperforming assets	$ 2,915,253
Nonaccrual loans as a percentage of total loans	0.1%
Nonperforming assets as a percentage of total loans and other property owned	0.1%
Nonperforming assets as a percentage of capital	0.7%

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

	December 31, 2024			**Interest Income Recognized**
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Year Ended December 31, 2024**
Nonaccrual loans:				
Real estate mortgage	$ -	$ 930,581	$ 930,581	$ 605,903
Production and intermediate-term	81,804	431,008	512,812	70,725
Energy	-	-	-	62,395
Rural residential real estate	-	40,049	40,049	5,840
Total nonaccrual loans	$ 81,804	$ 1,401,638	$ 1,483,442	$ 744,863

	December 31, 2023			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 2,071,781	$ 2,071,781	$ 62,580
Production and intermediate-term	8,178,719	24,103	8,202,822	42,684
Energy	221,814	-	221,814	-
Rural residential real estate	-	73,670	73,670	5,804
Total nonaccrual loans	$ 8,400,533	$ 2,169,554	$ 10,570,087	$ 111,068

Accrued interest receivable on loans of $26,335,028 and $23,636,251 at December 31, 2024 and December 31, 2023 have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheet. The Association did not write off any accrued interest receivable during 2024.

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2024:

December 31, 2024:	**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**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 15,035,360**	**$ 109,204**	**$ 15,144,564**	**$ 2,407,298,812**	**$ 2,422,443,376**	**$ 109,204**
Production and intermediate-term	**231,040**	**401,293**	**632,333**	**251,346,910**	**251,979,243**	**-**
Loans to cooperatives	**-**	**-**	**-**	**10,772,567**	**10,772,567**	**-**
Processing and marketing	**-**	**-**	**-**	**198,526,087**	**198,526,087**	**-**
Farm-related business	**-**	**-**	**-**	**53,547,454**	**53,547,454**	**-**
Communication	**-**	**-**	**-**	**41,141,056**	**41,141,056**	**-**
Energy	**-**	**-**	**-**	**38,966,911**	**38,966,911**	**-**
Water and wastewater	**-**	**-**	**-**	**10,131,879**	**10,131,879**	**-**
Rural residential real estate	**-**	**-**	**-**	**13,408,476**	**13,408,476**	**-**
International	**-**	**-**	**-**	**15,265,890**	**15,265,890**	**-**
Lease receivables	**-**	**-**	**-**	**1,000,206**	**1,000,206**	**-**
Total	**$ 15,266,400**	**$ 510,497**	**$ 15,776,897**	**$ 3,041,406,248**	**$ 3,057,183,145**	**$ 109,204**

December 31, 2023:	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
Real estate mortgage	$ 3,875,450	$ 640,906	$ 4,516,356	$ 2,233,425,926	$ 2,237,942,282
Production and intermediate-term	7,117,760	1,512,002	8,629,762	213,787,080	222,416,842
Loans to cooperatives	-	-	-	17,044,890	17,044,890
Processing and marketing	-	-	-	192,769,838	192,769,838
Farm-related business	-	-	-	55,955,011	55,955,011
Communication	-	-	-	45,161,278	45,161,278
Energy	-	-	-	35,789,645	35,789,645
Water and wastewater	-	-	-	12,754,486	12,754,486
Rural residential real estate	169,322	-	169,322	10,374,731	10,544,053
International	-	-	-	12,931,775	12,931,775
Lease receivables	-	-	-	1,223,854	1,223,854
Total	$ 11,162,532	$ 2,152,908	$ 13,315,440	$ 2,831,218,514	$ 2,844,533,954

Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

December 31, 2022:	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
Real estate mortgage	$ 508,353	$ 315,940	$ 824,293	$ 2,060,256,735	$ 2,061,081,028
Production and intermediate-term	4,289	-	4,289	144,082,025	144,086,314
Loans to cooperatives	-	-	-	14,346,406	14,346,406
Processing and marketing	-	-	-	153,254,734	153,254,734
Farm-related business	-	-	-	46,931,645	46,931,645
Communication	-	-	-	42,473,341	42,473,341
Energy	-	-	-	21,871,080	21,871,080
Water and wastewater	-	-	-	981,441	981,441
Rural residential real estate	3,569	-	3,569	7,958,806	7,962,375
International	-	-	-	8,489,703	8,489,703
Total	$ 516,211	$ 315,940	$ 832,151	$ 2,500,645,916	$ 2,501,478,067

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily agribusiness and energy loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties:

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2024 and 2023, disaggregated by loan type and type of modification granted.

For the Year Ended December 31, 2024	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	**$ 35,987**	**0%**	Provided three month payment deferral with delayed amounts added to loan maturity.
Total	**$ 35,987**		
	Production and intermediate-term		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	**$ 59,015**	**0%**	Provided three month payment deferral with delayed amounts added to loan maturity.
Total	**$ 59,015**		
	Agribusiness		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Term Extension	**$ 405,186**	**0%**	Provided three month extension.
Total	**$ 405,186**		

For the Year Ended December 31, 2023	Real estate mortgage		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	$ 982,059	0%	Provided four-month payment deferrals with delayed amounts added to loan maturity.
Total	$ 982,059		

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024, was $31,383. There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2023.

There were no loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of the guidance "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure," that defaulted during the year ended December 31, 2024, and 2023, respectively.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty as of December 31, 2024, and December 31, 2023, that were modified on or after January 1, 2023, the date of the adoption of the guidance noted above:

	Payment Status of Loans Modified in the Past 12 Months*		
December 31, 2024	**Current**	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$ 35,987	$ -	$ -
Production and intermediate-term	-	-	59,015
Agribusiness	405,186	-	-
Total	**$ 441,173**	**$ -**	**$ 59,015**

	Payment Status of Loans Modified in the Past 12 Months*		
December 31, 2023	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 982,059	-	-
Total	$ 982,059	$ -	$ -

*Excludes loans that were modified during the period but paid off or sold prior to period end.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $594,841 at December 31, 2024. There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2023.

Troubled Debt Restructurings

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

The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022:

	For the Year Ended December 31, 2022	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$ 29,704	$ 22,241
Total	$ 29,704	$ 22,241

*Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The Association did not have any loans that met the criteria as a troubled debt restructuring and that occurred within the previous 12 months of that year for which there was a payment default.

There are no additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2022.

The following table presents information on outstanding loans restructured in troubled debt restructuring at:

	Loans Modified as TDRs	TDRs in Nonaccrual Status*
	December 31, 2022	December 31, 2022
Troubled debt restructurings:		
Real estate mortgage	$ 1,162,258	$ 88,662
Total	$ 1,162,258	$ 88,662

Allowance for Credit Losses

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 percent of the Association's lending and leasing limit base, but the Association's Board of Directors has generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2024, and December 31, 2023, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	International	Leases Receivable	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2023	$ 4,757,449	$ 2,225,962	$ 942,233	$ 60,465	$ 120,123	$ 12,188	$ 32,316	$ 12,092	$ 355	$ 8,163,183
Charge-offs	-	(1,327,244)	-	-	-	-	-	-	-	(1,327,244)
Recoveries	-	3,300	1,046	-	-	-	-	-	-	4,346
(Reversal of) provision for credit losses on loans	71,911	(595,794)	(13,189)	11,426	(98,631)	(2,773)	(4,505)	(2,295)	(180)	(634,030)
Balance at December 31, 2024	**$ 4,829,360**	**$ 306,224**	**$ 930,090**	**$ 71,891**	**$ 21,492**	**$ 9,415**	**$ 27,811**	**$ 9,797**	**$ 175**	**$ 6,206,255**
Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2023	$ 23,994	$ 31,049	$ 241,357	$ 2,953	$ 475	$ 2,767	$ -	$ 9,031	$ -	$ 311,626
(Reversal of) provision for credit losses on unfunded commitments	49,758	18,055	(119,617)	274	517	(100)	-	(2,978)	-	(54,091)
Balance at December 31, 2024	**$ 73,752**	**$ 49,104**	**$ 121,740**	**$ 3,227**	**$ 992**	**$ 2,667**	**$ -**	**$ 6,053**	**$ -**	**$ 257,535**
Total allowance for credit losses:	**$ 4,903,112**	**$ 355,328**	**$ 1,051,830**	**$ 75,118**	**$ 22,484**	**$ 12,082**	**$ 27,811**	**$ 15,850**	**$ 175**	**$ 6,463,790**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	International	Leases Receivable	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2022	$ 4,342,114	$ 385,628	$ 769,541	$ 83,506	$ 130,241	$ 1,752	$ 17,835	$ 16,377	$ -	$ 5,746,994
Cumulative effect of a change in accounting principle	224,230	(244,862)	67,965	(45,873)	(21,401)	(1,429)	1,217	(9,925)	-	(30,078)
Balance at January 1, 2023	4,566,344	140,766	837,506	37,633	108,840	323	19,052	6,452	-	5,716,916
Charge-offs	-	(1,312,697)	-	-	-	-	-	-	-	(1,312,697)
Recoveries	-	25,930	1,170	-	-	-	-	-	-	27,100
Provision for credit losses on loans	191,105	2,186,727	103,557	22,832	11,283	11,865	13,264	5,640	355	2,546,628
Initial allowance for credit losses on PCD loans	-	1,185,236	-	-	-	-	-	-	-	1,185,236
Balance at December 31, 2023	$ 4,757,449	$ 2,225,962	$ 942,233	$ 60,465	$ 120,123	$ 12,188	$ 32,316	$ 12,092	$ 355	$ 8,163,183
Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2022	$ 45	$ 26,375	$ 83,273	$ 935	$ 707	$ -	$ -	$ 3,259	$ -	$ 114,594
Cumulative effect of a change in accounting principle	2	(7,263)	163,127	1,090	692	-	-	4,803	-	162,451
Balance at January 1, 2023	47	19,112	246,400	2,025	1,399	-	-	8,062	-	277,045
Provision for (reversal of) credit losses on unfunded commitments	23,947	11,937	(5,043)	928	(924)	2,767	-	969	-	34,581
Balance at December 31, 2023	$ 23,994	$ 31,049	$ 241,357	$ 2,953	$ 475	$ 2,767	$ -	$ 9,031	$ -	$ 311,626
Total allowance for credit losses:	**$ 4,781,443**	**$ 2,257,011**	**$ 1,183,590**	**$ 63,418**	**$ 120,598**	**$ 14,955**	**$ 32,316**	**$ 21,123**	**$ 355**	**$ 8,474,809**

The allowance for credit losses as of December 31, 2024, was $6,463,790, reflecting a decrease of $2,011,019 from December 31, 2023. During the year ended December 31, 2024, an agricultural production relationship was transferred to other property owned. As part of this transfer, the specific allowance on this relationship, originally assessed in 2023, was reversed.

The economic scenarios utilized in the December 31, 2024, estimate for the allowance for credit losses were based on the following: a baseline scenario that represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2025; and an upside scenario that considers the potential for economic improvement relative to the baseline.

Allowance for Credit Losses – Prior to CECL Adoption

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and Wastewater	Rural Residential Real Estate	International	Total
Allowance for Credit Losses:									
Balance at December 31, 2021	$ 5,552,628	$ 468,317	$ 970,569	$ 122,826	$ 151,869	$ 14,337	$ 29,682	$ 25,316	$ 7,335,544
Recoveries	-	17,345	3,524	-	-	-	-	-	20,869
Reversal of provision for credit losses	(1,210,518)	(111,785)	(205,187)	(39,149)	(21,171)	(12,720)	(11,847)	(8,208)	(1,620,585)
Transfer from reserve on unfunded commitments	4	11,751	635	(171)	(457)	135	-	(731)	11,166
Balance at December 31, 2022	$ 4,342,114	$ 385,628	$ 769,541	$ 83,506	$ 130,241	$ 1,752	$ 17,835	$ 16,377	$ 5,746,994

NOTE 4 — LEASES:

The Association entered into a 10-year operating lease of an administrative and branch lending office in Fort Worth, TX. The commencement date of the lease was July 24, 2024.

The components of lease expense were as follows:

	Classification	2024	2023
Operating lease cost		**$ 1,266,914**	$ 635,280
Net lease cost		**$ 1,266,914**	$ 635,280

Other information related to leases was as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 718,912**	$ 638,088
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**9,210,731**	179,089

Lease term and discount rate are as follows:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term in years		
Operating leases	**9.4**	2.5
Weighted average discount rate		
Operating leases	**3.9%**	2.8%

Future minimum lease payments under non-cancellable leases as of December 31, 2024, were as follows:

	Operating Leases
2025	$ 1,270,603
2026	1,453,732
2027	1,312,883
2028	1,301,348
2029	1,226,765
Thereafter	6,586,516
Total lease payments	$ 13,151,847

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The Association operates under a General Financing Agreement (GFA) with the FCBT. The current GFA is effective through September 30, 2026. The investment in the FCBT is a requirement of borrowing from the FCBT and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the FCBT is not practicable because the stock is not traded. The Association owned 9.8 percent, 10.3 percent and 8.6 percent of the issued stock of the FCBT as of December 31, 2024, 2023 and 2022, respectively. As of those dates, the FCBT's assets totaled $39.5 billion, $37.3 billion and $36.0 billion, and members' equity totaled $1.8 billion, $1.7 billion and $1.6 billion. The FCBT's earnings were $222.0 million, $199.9 million and $269.9 million during 2024, 2023 and 2022, respectively.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2024	2023	2022
Land and improvements	**$ 1,502,263**	$ 1,538,139	$ 564,498
Building and improvements	**3,679,066**	3,915,350	3,836,587
Furniture and equipment	**299,929**	398,194	285,682
Computer equipment and software	**530,650**	710,689	457,346
Automobiles	**3,302,151**	2,926,904	2,294,410
Construction in progress	**974,945**	-	-
	10,289,004	9,489,276	7,438,523
Accumulated depreciation	**(3,900,243)**	(4,425,363)	(3,668,456)
Total	**$ 6,388,761**	$ 5,063,913	$ 3,770,067

The Association leases office space in Abilene, Georgetown, Fort Worth, Sherman, and Weatherford, Texas. The Association also leases office space in Albuquerque, Clovis, Las Cruces, and Roswell, New Mexico. Lease expense was $1,266,914, $635,280 and $609,128 for 2024, 2023 and 2022, respectively. All of the Association's leases are considered operating leases.

NOTE 7 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2024	2023	2022
Gain on sale, net	**$ 3,653**	$ -	$ -
Operating income (expense), net	**933**	(98)	-
Net gain (loss) on other property owned	**$ 4,586**	$ (98)	$ -

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2024	2023	2022
Accounts receivable	**$ 1,033,323**	$ 1,397,424	$ 1,159,269
Right-of-use assets	**9,512,074**	1,172,221	1,089,405
Other assets	**2,394,506**	2,194,385	1,873,515
Total	**$ 12,939,903**	$ 4,764,030	$ 4,122,189

Other liabilities comprised the following at December 31:

	2024	2023	2022
Accounts payable	**$ 13,742,719**	$ 11,462,716	$ 13,735,240
Lease liability	**9,928,221**	1,195,977	1,137,439
Accumulated postretirement obligation	**6,511,415**	6,064,696	4,471,038
Other liabilities	**1,787,089**	2,456,063	1,218,421
Total	**$ 31,969,444**	$ 21,179,452	$ 20,562,138

NOTE 9 — NOTE PAYABLE TO THE FCBT:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the FCBT. The FCBT manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the FCBT represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a GFA. The interest rate on the direct loan is based upon the FCBT's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the

FCBT upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the FCBT, upon giving the FCBT 30 calendar days' prior written notice, or in all other circumstances, upon giving the FCBT 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the FCBT at December 31, 2024, 2023 and 2022, was $2,605,072,254 at 3.82 percent, $2,411,172,178 at 3.45 percent, and $2,081,970,432 at 2.79 percent, respectively.

Under the Act, the Association is obligated to borrow only from the FCBT unless the FCBT approves borrowing from other funding sources. The FCBT and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, 2023 and 2022, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the FCBT as of December 31, 2024, was $3,128,715,733, as defined by the GFA.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2024, 2023 and 2022, the Association was not subject to remedies associated with the covenants in the GFA.
Other than our funding relationship with the FCBT, we have no other uninsured or insured debt.

NOTE 10 — MEMBERS' EQUITY:

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class B capital stock (for farm loans) or participation certificates (for rural home loans) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.
Association bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with the Association's capitalization plans, provided prescribed capital standards have been met. At December 31, 2023, the Association exceeded the prescribed standards. The Association does not anticipate any significant changes in capital that would affect the normal retirement of stock.

All classes of stock are transferable to other customers who are eligible to hold such class of stock as long as the Association meets the regulatory minimum capital requirements.

If needed to meet regulatory capital adequacy requirements, the Board of Directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class B capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years after repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class A shares is made solely at the discretion of the Association's Board. At December 31, 2024, the Association had 1,200 shares of Class A stock. At December 31, 2023 and 2022, the Association had no shares of Class A stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A, Class B capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the FCBT would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2024, 2023 and 2022, respectively:

Date Declared	Date Paid (to be Paid)	Patronage
December 2024	**March 2025**	**$ 32,187,196**
December 2023	March 2024	$ 26,756,494
December 2022	March 2023	$ 25,897,526

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of December 31, 2024, the Association is not prohibited from retiring stock or distributing earnings. Furthermore, the Association is unaware of any such prohibitions that may apply during 2025.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2024:

Risk-weighted:	**Regulatory Minimums with Buffer**	**As of December 31, 2024**
Common equity tier 1 ratio	7.00%	14.37%
Tier 1 capital ratio	8.50%	14.37%
Total capital ratio	10.50%	14.56%
Permanent capital ratio	7.00%	14.39%
Non-risk-weighted:		
Tier 1 leverage ratio	5.00%	14.67%
UREE leverage ratio	1.50%	14.47%

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes that generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months.
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt, and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance, and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total 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.

The components of the Association's risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2024:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 308,040,534	$ 308,040,534	$ 308,040,534	$ 308,040,534
Paid-in capital	124,209,516	124,209,516	124,209,516	124,209,516
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,254,497	6,254,497	6,254,497	6,254,497
Nonqualified allocated equities not subject to retirement	65,733,966	65,733,966	65,733,966	65,733,966
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	6,110,747	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(51,080,795)	(51,080,795)	(51,080,795)	(51,080,795)
	$ 453,157,718	$ 453,157,718	$ 459,268,465	$ 453,157,718
Denominator:				
Risk-adjusted assets excluding allowance	$ 3,205,130,584	$ 3,205,130,584	$ 3,205,130,584	$ 3,205,130,584
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(51,080,795)	(51,080,795)	(51,080,795)	(51,080,795)
Allowance for loan losses	-	-	-	(5,882,471)
	$ 3,154,049,789	$ 3,154,049,789	$ 3,154,049,789	$ 3,148,167,318

*Capped at 1.25 percent of risk-adjusted assets

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2024:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 308,040,534	$ 308,040,534
Paid-in capital	124,209,516	124,209,516
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,254,497	-
Nonqualified allocated equities not subject to retirement	65,733,966	65,733,966
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(51,080,795)	(51,080,795)
	$ 453,157,718	$ 446,903,221
Denominator:		
Total Assets	$ 3,147,191,674	$ 3,147,191,674
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(58,126,954)	(58,126,954)
	$ 3,089,064,720	$ 3,089,064,720

The Association's Board has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standard. The Plan monitors projected dividends, patronage distribution equity retirements and other actions that may decrease the Association's permanent capital, in addition to factors that must be considered in meeting the operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for credit losses to absorb potential losses within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities and other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the Board.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A stock, Class B stock, and participation certificates outstanding at a par value of $5 per share:

	2024	2023	2022
Class A stock	**1,200**	-	-
Class B stock	**1,210,155**	1,206,342	1,138,008
Participation certificates	**37,751**	36,314	25,342
Total	**1,249,106**	1,242,656	1,163,350

The Association's accumulated other comprehensive (loss) income relates entirely to its non-pension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive (loss) income and the location on the income statement for the year ended December 31:

	2024	2023	2022
Accumulated other comprehensive income (loss) at January 1	**$ 35,125**	$ 181,784	$(954,347)
Actuarial (losses) gains	**(286,389)**	(120,145)	1,104,825
Amortization of prior service credits included in salaries and employee benefits	**(26,514)**	(26,514)	(26,514)
Amortization of actuarial loss included in salaries and employee benefits	**-**	-	57,820
Other comprehensive (loss) income, net of tax	**(312,903)**	(146,659)	1,136,131
Accumulated other comprehensive (loss) income at December 31	**$ (277,778)**	$ 35,125	$ 181,784

NOTE 11 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	2024	2023	2022
Deferred:			
Federal	**$ 8,031**	$ 3,096	$ 19,580
State	**1,450**	-	-
Total deferred	**9,481**	3,096	19,580
Total provision for income taxes	**$ 9,481**	$ 3,096	$ 19,580

The Association has a net operating loss carryforward of $49,818,570 available to offset against future taxable income. Net operating losses incurred prior to 2018 total $43,225,318 and began to expire in 2021. Net operating losses incurred after 2018 that total $6,593,252 have an indefinite carryforward period.

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2024	2023	2022
Federal tax at statutory rate	**$ 12,464,389**	$ 8,432,944	$ 10,732,612
State tax, net	**130,005**	-	-
Effect of nontaxable FLCA subsidiary	**(11,744,422)**	(8,462,458)	(10,342,878)
Business combination, net	**258,144**	-	-
Patronage deductions	**(858,417)**	(65,721)	(348,117)
Change in valuation allowance	**(263,282)**	10,709	(26,524)
Prior years NOL carryback expiration	**23,064**	-	4,487
Other	**-**	87,622	-
Provision for income taxes	**$ 9,481**	$ 3,096	$ 19,580

Deferred tax assets and liabilities comprise the following at December 31:

	2024	2023	2022
Deferred Tax Assets			
Allowance for credit losses	**$ 56,457**	$ 47,116	$ 61,808
Loss carryforwards	**10,463,152**	10,404,797	10,392,553
Postretirement benefits, other	**-**	302,852	-
Business combination, net	**1,527,351**	-	-
Gross deferred tax assets	**12,046,960**	10,754,765	10,454,361
Deferred tax asset valuation allowance	**(12,046,960)**	(10,754,765)	(10,454,361)
Deferred Tax Liabilities			
Other	**(128,624)**	(38,062)	(34,179)
Gross deferred tax liabilities	**(128,624)**	(38,062)	(34,179)
Net deferred liability	**$ (128,624)**	$ (38,062)	$ (34,179)

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The expected future tax rates are based upon enacted tax laws.

The ACA is required to maintain an investment in the FCBT of 2 percent of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the FCBT over that allocated to the 2 percent investment requirement. Upon formation of the ACA, additional amounts of excess investment previously held by the PCA were included in the calculation of the 2 percent requirement of the ACA. The PCA did not hold any excess investment as of December 31, 2024, 2023 and 2022, respectively.

The Association recorded valuation allowances of $12,046,960, $10,754,765 and $10,454,361 during 2024, 2023 and 2022, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (FCBT and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year.
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan.
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule.

The Association elected to participate in a supplemental 401(k) plan. Contributions of $219,142, $187,140 and $90,994 were made to this plan for the years ended December 31, 2024, 2023 and 2022. There were no payments made from the Supplemental 401(k) Plan to active employees during 2024, 2023 and 2022.

The DB Plan is non-contributory, and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the FCBT. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2024.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Funded status of plan	**75.7** %	73.3 %	70.9 %
Association's contribution	**$ 180,282**	$ 237,044	$ 520,571
Percentage of Association's contribution to total contributions	**4.9** %	3.6 %	5.0 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 76.2 percent, 74.1 percent and 71.8 percent at December 31, 2024, 2023 and 2022, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in the liability section of the Association's consolidated balance sheet. Association employees hired after January 1, 2004, will be eligible for retiree medical benefits for themselves and their spouses but will be responsible for 100 percent of the related premiums.

The following table reflects the benefit obligation, cost, and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2024**	2023	2022
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 6,064,696**	$ 5,818,280	$ 5,506,947
Service cost	**85,195**	84,063	82,609
Interest cost	**326,572**	295,867	170,498
Plan participants' contributions	**61,287**	78,533	60,610
Actuarial loss (gain)	**286,389**	120,145	(1,104,825)
Benefits paid	**(312,724)**	(332,192)	(244,801)
Accumulated postretirement benefit obligation, end of year	**$ 6,511,415**	$ 6,064,696	$ 4,471,038
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**251,437**	253,659	184,191
Plan participants' contributions	**61,287**	78,533	60,610
Benefits paid	**(312,724)**	(332,192)	(244,801)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (6,511,415)**	$ (6,064,696)	$ (4,471,038)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (6,511,415)**	$ (6,064,696)	$ (4,471,038)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 339,822**	$ 53,433	$ (66,712)
Prior service credit	**(62,044)**	(88,558)	(115,072)
Total	**$ 277,778**	$ (35,125)	$ (181,784)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2024**	12/31/2023	12/31/2022
Discount rate	**5.35%**	5.50%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**9.20% / 10.80%**	7.50% / 8.40%	7.20% / 7.70%
Health care cost trend rate assumed for next year - Rx	**10.80%**	8.40%	7.70%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034**	2034	2031

Total Cost	2024	2023	2022
Service cost	$ 85,195	$ 84,063	$ 82,609
Interest cost	326,572	295,867	170,498
Amortization of:			
Unrecognized prior service cost	(26,514)	(30,999)	(26,514)
Unrecognized net loss	-	-	57,820
Net postretirement benefit cost	$ 385,253	$ 348,931	$ 284,413
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	$ 286,389	$ 120,145	$ (1,104,825)
Amortization of net actuarial gain	-	-	(57,820)
Amortization of prior service cost	26,514	30,999	26,514
Merger AOCI Adjustments	-	(82,437)	-
Total recognized in other comprehensive income	$ 312,903	$ 68,707	$ (1,136,131)
AOCI Amounts Expected to be Amortized Into Expense in 2025			
Unrecognized prior service cost	$ (26,514)	$ (26,514)	$ (26,514)
Unrecognized net loss (gain)	-	-	-
Total	$ (26,514)	$ (26,514)	$ (26,514)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	12/31/2023	12/30/2022	12/31/2021
Discount rate	5.50%	5.20%	3.15%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.50% / 8.40%	7.20% / 7.70%	6.80% / 6.00%
Health care cost trend rate assumed for next year - Rx	8.40%	7.70%	6.00%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2033	2031	2030

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2025	$ 233,325	$ 263,600	$ 214,825
Fiscal 2026	253,672	281,439	224,688
Fiscal 2027	274,119	298,913	233,585
Fiscal 2028	275,997	298,203	-
Fiscal 2029	303,435	-	-
Fiscal 2030–2034	1,973,218	-	-
Expected Contributions			
Fiscal 2025	$ 233,325	$ 263,600	$ 214,825

NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2024, 2023 and 2022 for the Association amounted to $46,805,349 $32,752,017 and $14,984,424. During 2024, 2023 and 2022, $37,009,349, $20,758,855 and $5,444,903 of new loans were made, and repayments totaled $22,956,017, $2,991,261 and $2,965,413, respectively. In the opinion of management, no such loans outstanding at December 31, 2024, 2023 and 2022 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, information systems and accounting services and allocations of expenses incurred by the FCBT and passed through to the associations, such as FCSIC expenses. The FCBT charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $162,524, $123,652 and $90,517 in 2024, 2023 and 2022, respectively.

The Association received patronage payments from the FCBT totaling $10,316,406, $8,547,763 and $15,035,151 during 2024, 2023 and 2022, respectively.

NOTE 14 — 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 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," for additional information.

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Fair value of concessions granted	Discounted cash flow	Loan terms Market interest rates
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024, 2023 and 2022, only include nonqualified benefit trusts. This Level 1 asset was $974,997, $677,620 and $374,027 at December 31, 2024, 2023 and 2022, respectively.
Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 60,748**	**$ 60,748**
Other property owned	**-**	**-**	**1,579,844**	**1,579,844**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$6,169,167	$6,169,167
Other property owned	-	-	2,775	2,775

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 233,536	$ 233,536

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2024				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 7,092**	**$ 7,092**	**$ -**	**$ -**	**$ 7,092**
Net loans	**3,050,916,142**	**-**	**-**	**2,894,538,370**	**2,894,538,370**
Total assets	**$ 3,050,923,234**	**$ 7,092**	**$ -**	**$ 2,894,538,370**	**$ 2,894,545,462**
Liabilities:					
Note payable to the FCBT	**$ 2,605,072,254**	**$ -**	**$ -**	**$ 2,471,546,658**	**$ 2,471,546,658**
Total liabilities	**$ 2,605,072,254**	**$ -**	**$ -**	**$ 2,471,546,658**	**$ 2,471,546,658**

	December 31, 2023				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 22,095	$ 22,095	$ -	$ -	$ 22,095
Net loans	2,830,201,604	-	-	2,647,408,106	2,647,408,106
Total assets	$ 2,830,223,699	$ 22,095	$ -	$ 2,647,408,106	$ 2,647,430,201
Liabilities:					
Note payable to the FCBT	$ 2,411,172,178	$ -	$ -	$ 2,255,442,424	$ 2,255,442,424
Total liabilities	$ 2,411,172,178	$ -	$ -	$ 2,255,442,424	$ 2,255,442,424

	December 31, 2022				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 34,734	$ 34,734	$ -	$ -	$ 34,734
Net loans	2,482,883,019	-	-	2,255,594,957	2,255,594,957
Total assets	$ 2,482,917,753	$ 34,734	$ -	$ 2,255,594,957	$ 2,255,629,691
Liabilities:					
Note payable to the FCBT	$ 2,081,970,432	$ -	$ -	$ 1,891,382,708	$ 1,891,382,708
Total liabilities	$ 2,081,970,432	$ -	$ -	$ 1,891,382,708	$ 1,891,382,708

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," 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 represents a brief summary of the valuation techniques used by the Association for assets and liabilities:

Assets Held in Nonqualified 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.

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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 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 15 — COMMITMENTS AND CONTINGENCIES:

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2024, $368,215,999 of commitments and $841,115 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations, and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 21,139**	**$ 22,147**	**$ 21,647**	**$ 22,158**	**$ 87,091**
Reversal of (provision for) credit losses	**(470)**	**1,730**	**(220)**	**(352)**	**688**
Noninterest income (expense), net	**(6,692)**	**(5,846)**	**(8,032)**	**(7,864)**	**(28,434)**
Net income	**$ 13,977**	**$ 18,031**	**$ 13,395**	**$ 13,942**	**$ 59,345**

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 17,167	$ 17,041	$ 16,981	$ 18,348	$ 69,537
(Provision for) reversal of credit losses	307	(742)	(268)	(1,878)	(2,581)
Noninterest income (expense), net	(4,952)	(4,313)	(9,855)	(7,686)	(26,806)
Net income	$ 12,522	$ 11,986	$ 6,858	$ 8,784	$ 40,150

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 16,557	$ 16,761	$ 17,353	$ 17,685	$ 68,356
Reversal of (provision for) credit losses	402	737	(23)	505	1,621
Noninterest income (expense), net	(3,286)	(4,627)	(5,432)	(5,544)	(18,889)
Net income	$ 13,673	$ 12,871	$ 11,898	$ 12,646	$ 51,088

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 10, 2025, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure as of March 10, 2025.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section are incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization, Merger(s) and Operations," included in this annual report.
The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

AgTrust, ACA serves its 49-county Texas territory and statewide New Mexico territory through its main administrative office at 5600 Clearfork Main St., Ste 600, Fort Worth, TX 76109-3558.

The Texas territory is serviced by the Association's 15 branch lending offices located throughout the Texas territory. The Association owns the office buildings in Paris, New Boston, Denton, Cleburne, Stephenville, Sweetwater, Lampasas, Corsicana, Hillsboro and Waco. The Association leases office space in Abilene, Georgetown, Fort Worth, Sherman and Weatherford.

The Association serves its New Mexico territory through its regional administrative and lending office in Clovis and three branch lending offices throughout the New Mexico territory. The Association leases the office buildings in Albuquerque, Clovis, Las Cruces and Roswell.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, "Note Payable to the FCBT," Note 12, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 16 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the FCBT, as discussed in Note 1 to the consolidated financial statements, "Organization, Merger(s) and Operations," included in this annual report. The financial condition and results of operations of the FCBT may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the FCBT are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-

1881. Copies of the FCBT annual and quarterly stockholder reports can also be requested by emailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com.*

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The annual and quarterly stockholder reports are available approximately 75 days after year end and 40 days after quarter end and can be obtained by writing to AgTrust, ACA, 5600 Clearfork Main St., Ste 600, Fort Worth, TX 76109-3558 or calling (817) 332-6565. The annual and quarterly stockholder reports for the Association are also available on its website at *www.agtrustaca.com*. Copies of the reports can also be requested by emailing *ShareholderRelations@agtrustaca.com.*

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2024, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected Board of Directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Brent Neuhaus	Chairman	2016	2026
Asa G. Langford	Vice Chairman	2018	2028
Billy Rucker	Director	2020	2026
Chad Lee	Director-Elected Outside Director	2011	2028
Cody Hughes	Director	2018	2027
David W. Conrad	Director-Elected Outside Director	2014	2026
David Harris	Director	2001	2025
Jeff Nelson	Director	2022	2025
John Sisk	Director	2022	2025
Josh Drews	Director	2020	2026
Kendal Wilson	Director	2022	2026
Linda Miller Brown	Director	2013	2025
Matt Carter	Director	2020	2026
Stacey Schumacher	Director	2021	2027
Ted McCollum III	Director	2017	2027
Thomas J. Runyan	Director	2018	2028
Tina Murphy	Director	2019	2025
Joe H. Hayman	Chief Executive Officer	2020	-
Nicholas (Nick) Acosta	Chief Financial Officer	2011	-
Matt James	Chief Credit & Lending Officer	1998	-
Jeff Royal	Chief Collateral Risk Officer	1999	-
Hans C. Pettit	Chief Risk Officer	2021	-
Justin Renard	Chief Information Officer	2021	-

A brief statement of the business and employment background of each director and senior officer as of December 31, 2024, is provided for informational purposes. As part of normal course of business and in accordance with the Association's Standards of Conduct Policy, directors may do business with members and employees of the Association.

Brent Neuhaus was appointed to the Board in 2016 and elected in 2017. Mr. Neuhaus currently serves as the Association's Chairman and is a member of the Governance Committee and the FCBT SAC Committee. He is a native of Waco, Texas, and raises Angus cattle in McLennan County, Texas. Mr. Neuhaus is a Director and Corporate Inventory Manager at United Ag and Turf, which operates John Deere dealerships in Texas, Oklahoma, and Arkansas. He is president and manager of TGBTG Property, LLC and JORE, LLC. He is also a member of ERE Property, LLC and HILLRE, LLC, which are involved in real estate. Mr. Neuhaus has ownership interest and is the trustee of Neuhaus Trust Partnership, which owns farmland, commercial real estate, and other business interests. He is a director and shareholder of Alliance FCBT Central Texas, and past chairman of the board for the Heart O' Texas Fair & Rodeo. Mr. Neuhaus is married to Kim, and they attend First Woodway Baptist Church.

Asa G. Langford was elected to the Association's Board in 2018 and currently serves as the Association's Vice Chairman. He is also a member of the Audit Committee and is the alternate for the FCBT SAC Committee. Mr. Langford was born in Lampasas, Texas, where he currently resides. Mr. Langford is a self-employed rancher whose operation includes a cow-calf herd, stocker cattle, small grains, and hay. He and his brother own an order-buying company, and he also is part-owner of a feedlot. Ranching has been his principal occupation, and he has been involved in his family's ranch operation for 14 years. He is a graduate of Lampasas High School and earned a Bachelor of Science degree in agricultural economics from Texas A&M University. Mr. Langford is a member of the Lampasas County Farm Bureau and the Texas and Southwestern Cattle Raisers Association. He is a member and deacon of School Creek Baptist Church, and he and his wife, Jonna, have a son and a daughter.

Billy Rucker was elected to the Board in 2020 and serves on the Audit Committee. Mr. Rucker is blessed to be able to do the job he believes is God's plan for his life. He and his wife, Sherry, have been farming for 35 years. He partnered in a dairy operation for 16 years before realizing his true passion was farming. In 2015, Mr. Rucker converted all of his acreages to organic farming. They recently invited their two daughters and sons-in-law to partner in a new farming and ranching operation. He studied accounting and animal science at WTSU. Mr. Rucker has served on the Board of Directors for Parmer County Cotton Gin for over 10 years. He also was the director of the Finance Committee and is currently on the Missions Committee of his church, Central Baptist, in Clovis.

Chad Lee was elected to the Board in 2011 as a Director-Elected Director. He serves on the Governance Committee and is the Chairman of the Compensation Committee along with serving on the FCBT Nominating Committee and Texas District FCCS. Mr. Lee and his wife, Kasi, reside in Aledo, Texas. Mr. Lee is a private practice attorney with an emphasis on criminal defense, employment, and various agriculture issues, including contracts, oil and gas leasing, and real property disputes. Mr. Lee maintains an operation of commercial cattle, wheat, and hay, serves as a director on the Farm Credit Council, is a committee member for the Fort Worth Stock Show and Texas and Southwestern Cattle Raisers, and is a director at Operation Orphans, a nonprofit benefiting foster children.

Cody Hughes was elected to the Board in 2018 and serves on the Audit Committee. Mr. Hughes was raised on a family farm in Roscoe, Texas, and is a fifth-generation farmer who farms cotton and wheat in Nolan, Mitchell, and Fisher counties. Mr. Hughes farms individually and through a partnership with his father, CWH Farms. He and his wife, Amy, and two children reside on their farm south of Roscoe, where they also raise show steers and maintain a cow-calf operation, Box H Cattle. Before returning to the farm full time, Mr. Hughes graduated from Tarleton State University with a degree in agricultural services and development. After college, he was employed by the United States Department of Agriculture, Farm Service Agency for seven years. He served as county executive director of Victoria, Gaines and Jones counties during 2003-2005, 2005-2007 and 2007-2009. Mr. Hughes currently serves as a member of the National Cotton Council, Nolan County Farm Bureau, Plains Cotton Cooperative Association, Rolling Plains Cotton Growers, and Central Rolling Plains Co-op Gin. He is a supporter of the Highland FFA and Nolan County Junior Livestock Show.

David W. Conrad was elected to Texas Land FCBT's Board in 2005 as a Director-Elected Director and has served on the Association's Board since January 1, 2014, as a result of the merger. Mr. Conrad serves as the Chairman of the Audit Committee and resides in Round Rock, Texas, where he is a Certified Public Accountant. He is a member of the Texas Society of CPAs. Mr. Conrad was previously employed by the Farm Credit FCBT of Texas from 1982 to 1990, where he served as internal auditor and director of Association Financial Operations.

David Harris was elected to the Board in 2001 and serves as Chairman of the Governance Committee. Mr. Harris lives in Johnson County and owns property in Somervell, Johnson, and Bosque counties. Mr. Harris is president of Bob Harris Oil Company, which is involved in retail gasoline marketing, ranching (cow-calf), real estate development, and sand and gravel. He is also the president of Harris Riverbend Farms, a purebred and commercial cow-calf operation; a partner in Mansfield Joint Venture, which is involved in warehouse development; the managing partner of Alvarado Joint Venture, which is involved in real estate development; a partner in Deli Partners, a deli and fast-food operation; and the managing partner in Brazos Aggregates, a sand and gravel operation. Mr. Harris serves on the Somervell County Livestock and Forage Performance Committee. He has previously served as president of the Premier Santa Gertrudis Association and vice president of marketing for Santa Gertrudis Breeders International.

Jeff Nelson lives in Corsicana, Texas. Mr. Nelson was recently elected to the board in 2022 and serves on the Compensation and Governance Committee. Mr. Nelson is the president and CEO of Nelson Propane Gas, Inc. and has a cow/calf and stocker operation located primarily in Freestone and Navarro counties. Mr. Nelson attended Sam Houston State University and is an avid outdoorsman and hunter. He serves on area boards and community organizations including the Navarro County Youth Expo, Texas Propane Gas Association, and Freestone County Young Farmers. Mr. Nelson and his wife, Melissa, have two children.

John Sisk was elected to the Board in May 2022 and serves on the Governance Committee. Mr. Sisk is an avid cattleman and horseman, originally from Lovington. He currently resides in Corona, NM, on the Bonita Canyon Ranch, where he has been the manager for the last 38 years. In 1983, he graduated from Clarendon College Ranch & Feedlot Operations and has dedicated his life to agriculture and serving others. He prides himself on his program of commercial and registered Angus cattle that thrive in the rugged conditions of the high desert. He has served on the Chaves County Soil and Water Board for 20 years and is currently the vice chairman. A man of faith, Mr. Sisk is active in the Corona First Baptist Church and holds his conservative family values close to his heart in everything he does. He shares his love for ranching and western heritage with his wife of 39 years, Beth, and their three children and eight grandchildren.

Josh Drews was elected to the Board in 2020 and serves on the Compensation and Audit Committees. He was born in the Marlin, Texas area in Falls county, where he currently resides. Mr. Drews is a self-employed farmer and rancher whose operation includes a registered and commercial Brangus cow herd, a stocker operation, and a row crop farming operation that includes corn, and milo. Farming and ranching have been Mr. Drews' primary occupation. He is a 2001 graduate of Texas A&M University with a Bachelor of Science in agricultural economics. Mr. Drews serves on the Falls County Youth Fair Board of Directors. He serves on the Falls County Go-Texan Committee and holds the position of assistant district chairman within the Houston Livestock Show and Rodeo Go-Texan Committee. He serves on the board of directors for Producers Cooperative in Bryan, Texas. He and his wife, Lisa, have four kids who are involved in 4-H, FFA and the operation of the farm when they are not in school.

Kendal Wilson was elected to the Board in May 2022 and serves on the Compensation Committee. Mr. Wilson is a sixth-generation New Mexico cattle rancher raised in Lincoln County and resides in Carrizozo, NM, with his wife Chelsea, and four children. He has a Bachelor of Science degree from New Mexico State University with a major in agricultural business and minors in finance, marketing, and accounting; he also has a master's degree in agricultural business. In 2012, Mr. Wilson returned to Carrizozo to work on a ranch, and in 2019, he and his family had the opportunity to lease this ranch, primarily a commercial Red Angus cow/calf operation. Along with ranching, he owns a solar and water well service and supply company, and Wilson Beef, a vertically integrated farm-to-market retail beef business. In addition to AgTrust, Mr. Wilson currently serves on Carrizozo's Soil and Water Conservation District Board of Supervisors, the New Mexico Cattle Grower's Association board of directors, and the Lincoln County Commission. Mr. Wilson has been a customer of AgTrust Farm Credit since 2019 and will continue to serve his community and agriculture.

Linda Miller Brown was elected to the Board in 2013 and serves on the Governance Committee. She has been a stockholder since 1984. Mrs. Brown is a lifelong farmer/rancher and a second-generation stockholder. She and her husband, Wesley, farm and ranch in Roosevelt and Guadalupe counties, New Mexico, where they raise wheat, hay grazer and commercial Angus cattle. She is secretary and director of Traveling Water, Inc., a ranching/cattle operation, and Brown Farms, Inc., a farming operation. Both corporations are owned and operated by Mrs. Brown and her husband. She also partners with her husband in W L Brown JV, a farming joint venture. Mrs. Brown graduated from high school in Floyd, New Mexico, and has a bachelor's degree in computer science and a master's degree in mathematics. She currently serves as chairman of the Roosevelt County FSA County Committee, secretary of Floyd Community Church, and member of the Roosevelt County Pioneer Committee. Past board and committee memberships include Chairman of the Board of AgNewMexico, Chairman of the New Mexico Peanut Growers Association, Chairman of the New Mexico Peanut Commission, member of the National Peanut Growers Steering Committee, and member of the nominating committees of Roosevelt County FSA and AgNewMexico. The Browns have three grown children, two of whom are currently AgTrust stockholders.

Matt Carter was elected to the Board in 2020 and serves on the Compensation Committee. Mr. Carter was born in Dalhart, Texas, where he and his family continue to reside and operate the family ranching and farming interests. He graduated from Tascosa High School in Amarillo, Texas, earned a Bachelor of Science in finance from Texas Christian University, and holds an MBA from the University of Texas, Arlington. In 2021, Mr. Carter resigned from his post as vice president for Fine Line LP, his occupation since 2008, to join the Fort Worth Stock Show & Rodeo team as senior executive vice president. Prior to joining the Stock Show staff, he served in a volunteer capacity at FWSSR for many years and continues to serve on the Executive Committee. In addition to his interest in his family's operation in Dalhart, Mr. Carter owns and operates acreage in Jack County, where he and his family manage their cow-calf operation. Mr. Carter is also active in several other business interests, providing guidance through board and direct participation. He and his wife were married in 2002 at First United Methodist Church, where they remain members, and have two teenage sons. In addition to other philanthropic endeavors, he is the head coach for the 4-H Shooting Sports team, which he and his wife initiated, at their boys' school.

Stacey Schumacher was elected to the Board in 2021 and serves on the Governance and Compensation Committees. Mrs. Schumacher is a resident of Era, Texas. She and her husband Scott maintain a commercial Angus-influenced cow-calf operation as well as a registered Angus herd. Along with retaining ownership of their calves and selling them on the grid, they also sell cornfinished Angus beef directly to consumers. The Schumachers operate S&S Enterprises, a commercial fertilizer application company. The Schumachers run stocker calves on wheat pasture and farm corn, wheat, milo and sesame. Mrs. Schumacher also maintains a large herd of registered Texas Longhorn cattle and has served on the governing board as well as several committees for the Texas Longhorn Breeders Association. She also served as president of the Texas Longhorn Heritage Foundation and was a founding investor in the Texas Longhorn Marketing Association. She is the founder and executive director of the Texas Coalition for Animal Protection. Originally from Sulphur Springs, Mrs. Schumacher earned a bachelor's degree from Texas A&M University-Commerce and a master's degree in liberal arts from Southern Methodist University. Mrs. Schumacher and her husband have two children.

Ted McCollum III was appointed to the Board in January 2017, re-elected to the Board in May 2018, serves on the Audit Committee, and he is also an alternate on the FCBT Nominating Committee. Since the early 1990s, he has been co-owner of McCollum Cattle Co., along with his brother Mark and sister-in-law Kim McCollum. McCollum Cattle Co. manages cow-calf and stocker/backgrounder operations and feeds cattle. Dr. McCollum also owns interest in the ranching company 4McC Cattle Co., LLC. He is a partner in FCC McCollum LLC, which holds an interest in Frontera Cattle Co. II, LLC, a commercial cattle feeding operation in Muleshoe, Texas, where he serves on the Board and as a member of the management group. Raised in DeBaca County, New Mexico, Dr. McCollum earned a B.A. degree from Baylor University and graduate degrees in ruminant nutrition from New Mexico State University. He was on the faculty at Oklahoma State University and retired from Texas A&M AgriLife Extension Service in Amarillo, where he worked for many years as a beef cattle specialist. He now consults and oversees family business interests. The McCollums have been AgTrust Farm Credit stockholders since 1979.

Thomas J. Runyan was elected to the Board in 2018 and serves on the Compensation Committee. Mr. Runyan resides in Las Cruces, New Mexico, and is a lifelong New Mexico resident. Mr. Runyan has been involved in agriculture his entire life and is a produce marketer working with farmers across New Mexico and growers in Texas. His company, Mesilla Valley Produce, markets onions, watermelons, fresh green chilies, and pumpkins. He also has farm ground in Deming, New Mexico, and a small pecan farm. Mr. Runyan has served on several boards, including the National Onion Association and National Watermelon Association, and has also served as a president of the National Watermelon Promotion Board.

Tina Murphy was elected to the Board in July 2019 and serves on the Audit Committee. Mrs. Murphy lives and operates in DeKalb, Bowie County, Texas and has been involved in ranching most of her life. It has been her principal occupation for the past five years. Concurrently, she is also employed at a veterinary supply company in which her husband is part-owner. In addition, she is an independent contractor for a third-party verification company for beef operations. Mrs. Murphy is also an owner in two family-owned meat packing businesses in which she is responsible for payroll, payables, and receivables. Prior to working at the vet supply business, she was a cattle buyer for an all-natural branded beef company for 11 years. She earned a Bachelor of Science degree in biology from Ouachita Baptist University and a Master of Science degree in animal science from Texas A&M University. Mrs. Murphy is involved in community organizations such as DeKalb K.A.R.E.S., the Booster Club and her church. She is married to David Murphy, and they have a son and three daughters.

Joe H. Hayman has been with the Farm Credit System since 1994. He has worked in various capacities within the System, formerly serving as the Chief Operating Officer at Texas AgFinance, FCS, and most recently as Chief Executive Officer at Southern AgCredit, ACA, for 12 years, until joining the Association in February 2020. He is a graduate of Texas A&M University with a degree in agricultural economics and is a past member of the TAMU College of Agriculture and Life Sciences Development Council, the Farm Credit System President's Planning Committee (PPC) and the PPC's Business Practices Committee. He has previously served on the Dixie National Livestock Show & Rodeo Sale of Champions Committee, the Thad Cochran Agricultural Leadership Council Board, and the Mississippi 4-H Foundation Board.

Nicholas (Nick) Acosta joined the Association in January 2011 and has held various accounting roles within the Association. He became Controller in January 2018 and was promoted to Chief Financial Officer of the Association in 2020. Mr. Acosta, originally from El Paso, Texas, earned his Bachelor of Science degree in accounting from LeTourneau University. He is a Certified Public Accountant and has held this certification since 2013.

Matt James joined the Association in August 1998 and has held various roles within the lending and credit departments. He started his career with the Association as a loan officer in the Stephenville branch, later becoming the credit office president. In 2011, Mr. James transitioned into the role of regional president and later in 2018 became the senior vice president of Commercial Credit. In 2020, he was promoted to Chief Lending Officer. Effective January 1, 2023, Mr. James was named Chief Credit & Lending Officer. Originally from Wills Point, Texas, he grew up on a small farm where his family raised Brangus cattle, and he was active in the FFA. Mr. James earned his Bachelor of Science Degree in animal industries from Tarleton State University.

Jeff Royal has worked in the field of appraisal for over 35 years, first as an appraiser in Dallas, Texas, before joining the Farm Credit System in 1998. During his tenure at AgTrust Farm Credit, Mr. Royal has overseen all appraisal operations and assumed the role of Chief Collateral Risk Officer in 2020. A native of Menard, Texas, he grew up on his family's cattle, sheep, and goat ranch.

He earned both a Bachelor of Science degree in agricultural economics and Master of Agriculture in land economics and real estate from Texas A&M University. He enjoys being involved with the Fort Worth Stock Show as a superintendent of the junior lamb and breeding sheep shows.

Hans C. Pettit joined the Association in April 2021 as the Chief Risk Officer. Prior to joining the Association, Mr. Pettit served as a consultant to the Farm Credit Industry for 10-plus years, assisting associations with their risk management, growth strategies and board development. His previous career experience includes 13 years with HORNE LLP in Ridgeland, Mississippi, where he served as a partner in its assurance and advisory practice; six years with Colonial Bank in Montgomery, Alabama, where he served as their senior vice president, director of external reporting and accounting policy; and five years with Ernst & Young LLP in Birmingham, Alabama and San Antonio, Texas, where he served as a manager in their assurance and advisory practice. Mr. Pettit also serves on the board of Excel by 5, Inc., a Mississippi nonprofit focused on early childhood education. Originally from Montgomery, Alabama, Mr. Pettit earned his Bachelor of Science degree in accounting from Auburn University at Montgomery and his Master of Accountancy degree from the University of Alabama.

Justin Renard joined the Association in April 2021 as the Chief Information Officer. Mr. Renard has more than 24 years of experience in the Farm Credit System since starting his career at the FCBT and has overseen the IT areas of data, infrastructure, support, security, compliance, and development. He earned his Bachelor of Science degree in agricultural economics from Texas A&M University. He has previously served on various Farm Credit System workgroups and committees, and his family has been involved in production agriculture in South Texas for more than 75 years.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $500 per day for director and special meetings. The Board Chairman and Vice Chairman received an additional monthly honorarium at a rate of $1,000 and $500, respectively. The Audit Chairman received an additional honorarium of $1,000, while other committee Chairmen received $250 per month. All Directors received an annual retention fee of $1,250 per month. Additionally, Outside Directors received an additional honorarium of $750 per month. Committee meetings that are held in conjunction with another meeting are paid at the rate of $500 per meeting, and Directors are paid an honorarium for conference calls at $500, regardless of the length of the call. Directors are also compensated $125 for travel days that require more than half-day travel time. Directors were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2024 was paid at the IRS-approved rate of 67.0 cents per mile.

	Number of Days Served		
Director	**Board Meetings**	**Other Official Activities**	**2024**
Brent Neuhaus	14	15	41,625
Asa Langford	14	21	38,500
Billy Rucker	13	20	31,875
Chad Lee	13	14	40,625
Cody Hughes	13	15	29,125
David W. Conrad	14	20	53,375
David Harris	14	10	30,125
Jeff Nelson	14	14	29,125
John Sisk	14	11	28,875
Josh Drews	14	19	31,500
Kendal Wilson	14	10	27,750
Linda Miller Brown	14	15	30,250
Matt Carter	11	2	21,500
Stacey Schumacher	14	16	30,125
Ted McCollum III	13	22.5	33,625
Thomas J. Runyan	14	6	25,000
Tina Murphy	13	24	34,125
			$ 557,125

The aggregate compensation paid to directors in 2024, 2023 and 2022 was $557,125, $433,375 and $415,500, respectively.

Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

Committee

Director	Audit	Compensation	Governance	Other*	Total
Brent Neuhaus	2,000	-	3,500	2,125	7,625
Asa Langford	6,500	-	-	4,000	10,500
Billy Rucker	6,500	-	-	3,875	10,375
Chad Lee	-	1,000	2,500	3,625	7,125
Cody Hughes	6,000	-	-	1,625	7,625
David W. Conrad	6,500	-	-	3,875	10,375
David Harris	-	-	3,500	1,625	5,125
Jeff Nelson	-	1,000	3,500	2,625	7,125
John Sisk	-	-	3,000	3,875	6,875
Josh Drews	6,500	1,000	-	2,000	9,500
Kendal Wilson	-	1,000	-	4,750	5,750
Linda Miller Brown	-	-	3,500	4,750	8,250
Matt Carter	-	1,000	-	-	1,000
Stacey Schumacher	-	1,000	3,000	4,125	8,125
Ted McCollum III	6,000	-	-	6,125	12,125
Thomas J. Runyan	-	1,000	-	2,500	3,500
Tina Murphy	6,500	-	-	5,625	12,125
	$ 46,500	$ 7,000	$ 22,500	$ 57,125	$ 133,125

*Other includes the following meetings that were held: Advancement Program (DAP), FCBT annual stockholder meeting, Farm Credit Council (FCC), FCBT nominating committee, Risk 360, Stockholder Advisory Committee (SAC), and other Director trainings. Other also includes $125 compensation for travel days that require more than half-day travel time.

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $339,260, $162,428 and $106,960 in 2024, 2023 and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

The objective of the Association's salary administration program is to attract, develop, retain, and motivate staff members who are knowledgeable and efficient in their ability to support the Association in the execution of its strategic objectives and deliver Association results that maximize the value received by its membership. The Association operates utilizing a compensation program that focuses on the performance and contributions of its employees in achieving the Association's financial and operational objectives. The Association's Board of Directors, through its Compensation Committee, establishes annual salary and incentive programs utilizing the services of the Human Resources Compensation Team at the FCBT to compile "Compensation Market Data" annually that is used by the Board and management in establishing salary levels. Data sources used include the Federal Reserve Bank of Dallas 11th District survey, Texas Community Bank survey (Independent Bankers Association of Texas), Watson Wyatt Financial Institution surveys, Mercer Financial Services Commercial Lending survey and CompData surveys. The Compensation Market Data reveals salary and incentive levels for similar-sized institutions operating in our geographic area. Studies provided by third-party compensation specialists form the foundation for the Association's evaluation and establishment of annual salary plans used by the Association.

The Compensation Committee approves the Association's Performance Sharing Plan (PSP) annually. The PSP is based on the Association meeting certain financial objectives established in the Association's annual Strategic Business Plan approved by the Board of Directors. The PSP is based on the Association's fiscal year of operations. The PSP requires that the Association meet certain net earnings objectives and maintain adequate capital levels to support predetermined Board objectives. The PSP also requires that the branches meet performance objectives such as credit quality and net income. The PSP is structured so that a pool of dollars is paid if the performance objectives are met. There were no material amendments to the plan for 2024. All employees are eligible to participate in the PSP if they were employed on or before July 1 of the fiscal year of the plan year. Employees must receive a satisfactory performance evaluation to receive PSP payments for the plan year.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is established for the period January 1 through December 31 of each year and is set by the Board using the Compensation Market Data as a guideline to arrive at a fair and competitive salary. The CEO's bonus follows the Association's Annual Incentive Plan structure that is based upon the Association's financial performance, credit administration and quality goals and attainment of other goals and objectives specifically established in the Association's Business Plan. This incentive is based on the period from January through December of each year.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2024, 2023 and 2022, respectively. This may include other non-senior officers if their total compensation is within the top five highest-paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual	Year	Salary (a)	Bonus (b)	Change in Pension Value (c)	Deferred/ Perquisite (d)	Other (e)	Total
Joe H. Hayman	**2024**	**$ 699,600**	**$ 374,319**	**$ -**	**$ 84,857**	**$ -**	**$ 1,158,776**
Joe H. Hayman	2023	636,000	200,600	-	87,296	-	923,896
Joe H. Hayman	2022	530,000	299,643	-	82,034	-	911,677

(a) Gross Salary.
(b) Bonuses earned in 2024, 2023 and 2022.
(c) Change in pension value (noncash).
(d) Deferred Perquisite: 2024, 2023 and 2022 include contribution to 401(k) and defined contribution plans, automobile benefits and premiums paid for life insurance.
(e) Other includes severance, memberships to professional and social organizations, executive physicals, and travel allowance.

Name of Group	Year	Salary (a)	Bonus (b)	Change in Pension Value (c)	Deferred/ Perquisite (d)	Other (e)	Total
Aggregate No. of Senior Officers in Year Excluding CEO							
6	**2024**	**$ 1,628,597**	**$ 875,184**	**$ -**	**$ 271,267**	**$ -**	**$ 2,775,048**
5	2023	1,240,924	401,102	-	249,050	-	1,891,076
7	2022	1,620,328	916,467	-	272,011	264,533	3,073,339

(a) Gross Salary.
(b) Bonuses earned in 2024, 2023 and 2022.
(c) Change in pension value (noncash).
(d) Deferred Perquisite: 2024, 2023 and 2022 include contribution to 401(k) and defined contribution plans, automobile benefits and premiums paid
(e) Other includes severance, memberships to professional and social organizations, executive physicals, and travel allowance.

Disclosure of information on the total compensation paid and the arrangement of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate is available and will be disclosed to shareholders of the institution upon request.

<u>Defined Benefit Pension Plan:</u>

The Defined Benefit Pension Plan (Pension Plan) is a final average pay plan that was closed to new participants in 1996, and later fully closed to all participants, including rehires who had formerly participated in the plan. The Pension Plan benefits are based on the average monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 (FAC60). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) "Years of Benefit Service" (not to exceed 35).

The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the employee's retirement age is 65, that the employee is married on the date the annuity begins, that the spouse is exactly two years younger than the employee, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions is incorrect, the benefit is recalculated to be the actuarial equivalent benefit. The Pension Plan benefit is offset by the pension benefits any employee may have from another Farm Credit System institution.

<u>Other</u>

Employees who use their personal automobiles for business purposes were reimbursed during 2024 at the IRS-approved rate of 67.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2024, 2023 and 2022, respectively.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors has been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2024, or any time during the year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders, and no disagreements with auditors have occurred that the Association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing this disclosure.

Fees for professional services rendered for the Association by PricewaterhouseCoopers LLP for the year ending December 31, 2024, were $209,000 for audit services, $2,000 for non-audit services and $16,500 for tax services.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association is the sole owner of an unincorporated business entity, ANMFCS, LLC, a limited liability company. This company is used for the purpose of acquiring and managing unusual or complex collateral associated with loan workouts.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 10, 2025, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is obligated to establish programs that respond to the credit and related service needs of Young, Beginning and Small (YBS) farmers and ranchers. It is the Association's responsibility to fulfill its public policy role by extending credit and related services to this important sector of our customer base. YBS farmers and ranchers face continuing challenges in agriculture, including access to capital and credit needs, limited financial resources for land and equipment, urbanization demands, and increasing competition from larger and highly capitalized operations.

The Board of Directors and management are committed to providing programs that facilitate meeting the needs of this group of customers. These programs also address other issues, including the aging of agricultural landowners and customers, the need to transfer assets to another generation of potential landowners, and a recognition that many young, beginning, and small operators will need to supplement their farm income by seeking off-farm employment. Additionally, demographic trends indicate that agricultural landowners make decisions regarding land or agricultural endeavors based on lifestyle choices, recreational utility or as an alternative investment in a major financial asset.

Definitions for YBS Farmers and Ranchers

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

Beginning Farmer or Rancher – a farmer, rancher or producer/harvester of aquatic products who had 10 years or less of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan was originally made.

Small Farmer or Rancher – a farmer, rancher or producer/harvester of aquatic products who normally generates less than $350,000 in annual gross cash farm income of agricultural or aquatic products at the date the loan was originally made.

(A loan to a borrower may meet the definition of a YBS borrower if any one of the categories is achieved.)

In order to address the specific needs of these customers and to be responsive to the credit needs of young, beginning, and small farmers, the Association utilizes all existing loan programs to maximize the benefit to young, beginning, and small farmers. The Association has also developed specific loan programs to meet the credit needs of this group. Qualifying young, beginning and small farmers who are involved or are becoming more involved in agriculture may be eligible for loans with more flexible rates and fees.

The following table summarizes information regarding loan counts and current commitment volume outstanding to young, beginning, and small farmers and ranchers:

Loan Commitment and Counts

	At December 31, 2024			
(dollars in thousands)	**Loan Counts***	**Loan Volume**	**Percentage of Total Loan**	**Percentage of Total Loan Volume**
Young only	**53**	**$ 34,387**	**0.6%**	**1.1%**
Young & beginning	**157**	**110,693**	**1.9%**	**3.4%**
Young & small	**88**	**12,439**	**1.0%**	**0.4%**
Beginning only	**143**	**153,800**	**1.7%**	**4.8%**
Beginning & small	**4,272**	**1,250,442**	**50.4%**	**38.9%**
Small only	**1,662**	**462,846**	**19.6%**	**14.4%**
Young, beginning & small (YBS)	**1,296**	**244,681**	**15.3%**	**7.6%**
Non-YBS	**801**	**943,426**	**9.5%**	**29.4%**
Total	**8,472**	**$ 3,212,715**	**100.0%**	**100.0%**

*Loan Counts is defined as the count of outstanding and paid-off loans at year end. Only loans originated by the institution or sourced from outside the System should be counted. For those loans participated 100% to another System institution, the loan counts should be reflected on the institution's report where the pool is held in the portfolio. The overarching goal of the count methodology is to ensure that when aggregated at a System level, loans are only counted a single time.

The following table summarizes information regarding new loans to young, beginning, and small farmers and ranchers:

New Loans

	At December 31, 2024			
	Loan Counts	**Loan Volume**	**Percentage of Total Loan Counts**	**Percentage of Total Loan Volume**
(dollars in thousands)				
Young only	**9**	**$ 16,850**	**0.1%**	**0.5%**
Young & beginning	**46**	**41,764**	**0.6%**	**1.3%**
Young & small	**8**	**859**	**0.1%**	**0.1%**
Beginning only	**18**	**52,012**	**0.2%**	**1.6%**
Beginning & small	**460**	**222,111**	**6.0%**	**6.9%**
Small only	**163**	**64,468**	**2.1%**	**2.0%**
Young, beginning & small (YBS)	**161**	**38,487**	**2.1%**	**1.2%**
Non-YBS	**158**	**228,379**	**2.0%**	**7.1%**
Total	**1,023**	**$ 664,930**	**13.2%**	**20.7%**

The Board established quantitative targets within the 2024 operational and strategic business plan to measure and evaluate progress toward serving young, beginning, and small customers. These volume-based targets for performance included new credit to young farmers at 11 percent, to beginning farmers at 47.5 percent, and to small farmers at 52 percent. The Association met all its YBS lending goals for fiscal year 2024.

The United States Department of Agriculture's NASS 2022 Census of Agriculture provides data regarding the actual market for YBS farmers and ranchers within the territory served by AgTrust. This census data indicated 6.2 percent of farm operators are "young," 34.6 percent of operators are "beginning", and 96.7 percent of farm units are categorized as "small." There are differences in the methods by which Association YBS data and demographic census data are collected. For instance, census data is based on the number of farms, whereas Association data is based on the number of customers. Additionally, census dates do not coincide with an annual analysis of Association data, and calculations for young and beginning farmers are slightly different. Annual performance data and goals established also include lending activity outside the Association's territory. However, the comparison does offer a quantitative measure of the Association's performance in fulfilling its mission of service to young, beginning, and small farmers.

The Association coordinates its young, beginning, and small farmer loan program activities with other lenders. This includes the purchase and sale of loan participations, loan guarantees and joint lending. Related services including appraisal, credit life insurance, life and disability products, and leasing programs are available to assist YBS borrowers in their credit and related service needs.

Important components of the Association's YBS efforts include the emphasis placed on outreach programs. The Association has a long-standing belief that an investment in agricultural students and youth activities is important to the long-term success of the cooperative. The Association develops a comprehensive array of marketing efforts to include youth activities and events including livestock shows, 4-H and FFA events, young professional groups, two endowments with major universities in its territory, and agricultural leadership opportunities. Search engine marketing through digital and keyword advertising is also an important means of educating and serving this demographic.

The Association offers a scholarship program for area seniors, and six scholarships are awarded in the lending area. The Association also sponsors youth activities in the local area and at the state level through support of 4-H and FFA activities and conventions.

A YBS advisory committee was formed to generate ideas and methods on how the Association can better serve the YBS demographic in our area.

In summary, the Association fulfills its mission of providing agricultural credit and meeting the specific credit and related service needs of young, beginning, and small farmers, ranchers, and producers/harvesters of aquatic products through specific lending programs, quantitative performance measures and broad-based objectives.