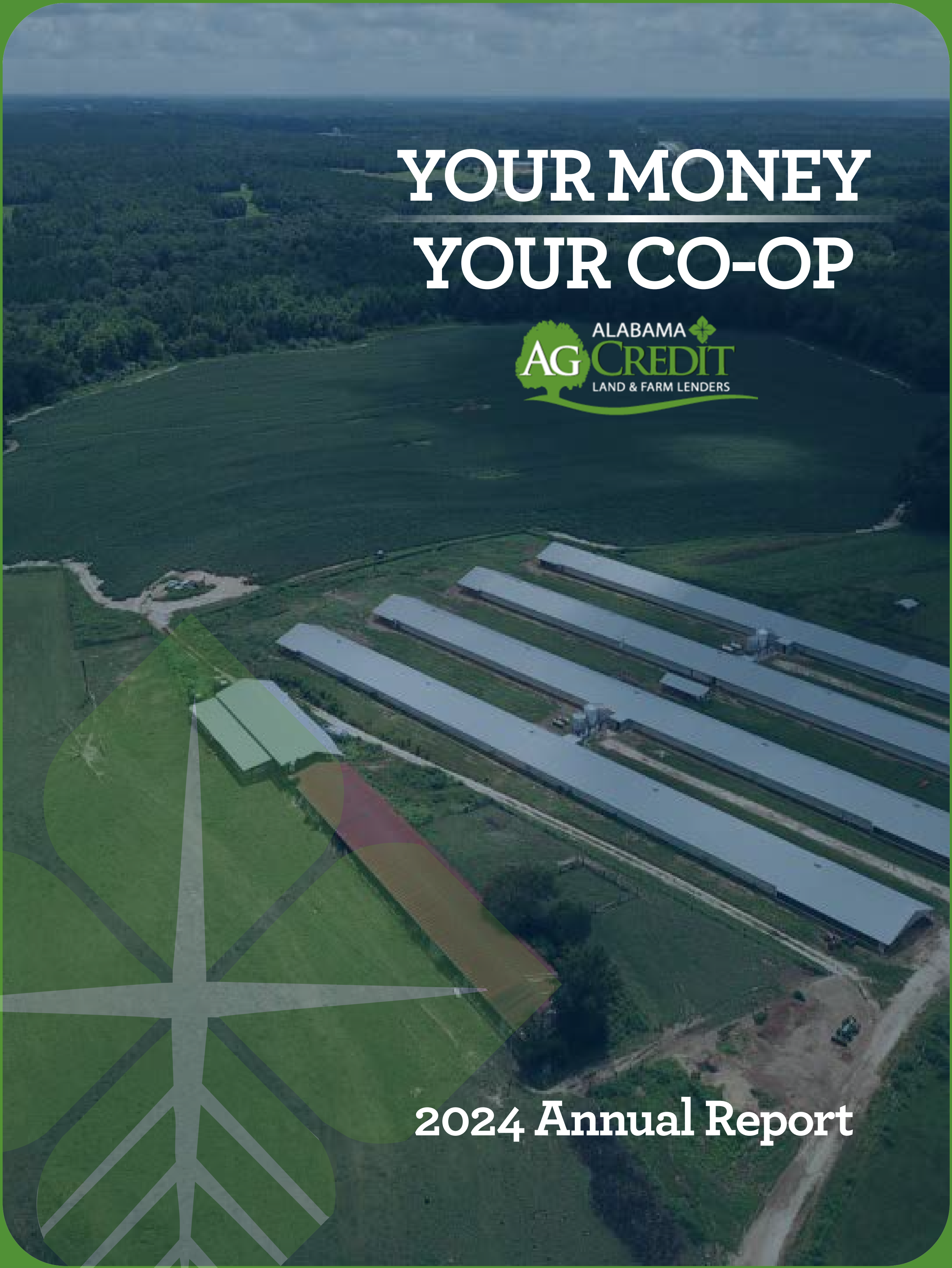

YOUR MONEY
YOUR CO-OP

ALABAMA AG CREDIT
LAND & FARM LENDERS

2024 Annual Report

CONTENTS

A NEW CHAPTER OF GROWTH

It is an honor to address you as the new CEO of Alabama Ag Credit. As I step into this role, I do so with deep respect for the legacy of service, commitment, and strength that has defined our institution for more than a century. This annual report reflects a year of dedication from our team – work that was completed before I arrived, but serves as a launching point for our future.

The year 2024 was a difficult one for the agriculture industry. High input costs and low commodity prices brought uncertainty across the industry. This stress is only exacerbated by the continued Farm Bill incertitude. While we saw several reductions in the federal funds rate, which brought down the cost of your operating lines of credit, we also saw continued investor concerns for the worldwide economy and bond market, leaving no room for beneficial impact to our long-term interest rates. In short, we continued to see a compression in our profitability – just as you have seen in your own operations.

That's why this year's patronage distribution is more significant than ever. In March, Alabama Ag Credit will be returning over $12.3 million to our members. These funds represent nearly 60% of our profits for 2024. We take pride in delivering these funds at a time when you need it most.

As we look ahead, my focus is on ensuring that we not only continue our mission but also grow in ways that make an even greater impact – from the dusty fields of southern Alabama to the marble floors of Washington, D.C. Doing business with Alabama Ag Credit not only means keeping your own plow in the dirt – it means supporting the mission to advance agriculture as a vocation for many generations to come. It also means supporting our national security – to stand resolute in our ability to finance the production of our own food and fiber.

Our strength comes from our people – our member-borrowers and employees. It also comes from the leadership and guidance of our board of directors, who are elected by you, our stockholders, to represent your interests and help guide our future. I look forward to working closely with them to build upon the strong foundation that has made Alabama Ag Credit a leader in rural financing. Together, we will ensure that we remain strong, resilient, and ready for the future.

Thank you for your continued trust and support. I look forward to working alongside you as we grow and move forward together.

Nick Hartley
President/Chief Executive Officer

ENVIRONMENT AND SUSTAINABILITY

With 95% of Alabama farms being family-owned, sustainability is essential to preserving the land for future generations. Alabama Ag Credit collaborates with national, state, and local organizations to promote sustainable practices that Alabama's farmers, ranchers, and forest landowners have voluntarily implemented for generations. Through these partnerships, we support our members as they invest in innovative approaches to enhance climate-smart agriculture and sustainability on their operations.

Some initiatives include:

- Financing Climate-Smart Agriculture: Aligned with Farm Credit's commitment to supporting conservation and sustainability, we provide financing for practices that improve soil health, reduce inputs, and implement renewable energy sources.
- Supporting the Alabama Tree Farm Program: This program assists woodland owners dedicated to sustainability by managing their properties for wood, water, wildlife, and recreation.
- Partnering with the Alabama Wildlife Federation Conservation Society: We collaborate with this organization to promote the conservation and wise use of wildlife and natural resources throughout Alabama.

Participating in the Alabama Wildlife Federations Conservation Society achievement awards program


Proud sponsor of the Alabama Association of Conservation Districts Annual Meeting, Pictured: Past presidents


Sponsored the Ag Festival, where students learned how conservation practices can increase soil health


Supported the Careers in Conservation & Agriculture Expo at The University of West Alabama

YOUNG, BEGINNING, AND SMALL FARMERS

We understand the unique challenges that come with financing beginning and small farming operations and are committed to supporting them as they grow. A core part of our mission is helping young, beginning, and small farmers succeed by providing the resources, education, and financial solutions they need to thrive.

Young farmers are defined as those 35 years of age or younger, beginning farmers are defined as having 10 years or less of experience, and small farmers are defined as those having less than $350,000 in gross cash farm income.

- Young AgVisory Council – A select group of young producers from across Alabama, our Young AgVisory Council provides members with leadership development, industry education, and networking opportunities. Members participate in workshops, connect with industry professionals, and gain firsthand insight into the Farm Credit System, helping them strengthen their operations and become advocates for agriculture.
- Leadership and Development Programs – We proudly support the Alabama Farmers Federation Young Farmers Program, Young Cattlemen's Leadership Program, FFA, 4-H Youth Programs, and Alabama Forestry Young Leaders, among many others.
- AgBiz Basics Program – To strengthen financial literacy among young and beginning farmers, we offer free registration to the AgBiz Basics program, helping participants understand the fundamentals of business planning, credit, and financial management.

By investing in young agricultural professionals, we're helping ensure the long-term success of Alabama's farming and rural communities.

$8,568 | AWARDED TO FARMERS through our Vendor Voucher Program that helps small farmers sell directly to consumers

Beginning farmers being awarded $10,000 each in JumpStart Grants

Sent young producers to the Alabama Council of Cooperatives Young Couples Conference

Introduced Young AgVisory Council members to commodity leadership

BROADENING OUR REACH

Recognizing the unique challenges faced by underserved and minority farming communities, we are committed to enhancing outreach and support to these vital sectors. Our dedication to broadening our reach and reaching all communities is evident through various initiatives aimed at fostering sustainable agriculture and empowering non-traditional farmers.

We actively engage in educational opportunities that promote idea-sharing among minority and non-traditional farmers, as well as the broader public. Beyond financial support, we offer educational resources on our financing programs through public speaking engagements and staffed exhibits, ensuring participants have access to the tools and knowledge necessary for success.

- Distributed Tuskegee University Scholarship of $5,000 to students pursuing an education in the College of Agriculture (CAENS)
- Participated in a VIP scholarship through Farm Credit and MANRRS to bring interns to our Association
- Sponsored and participated in the 2024 Farmers Conference whose theme was “The Future is Today”

Through these initiatives, we strive to create an inclusive agricultural community that values diverse perspectives and contributions, ensuring the growth and sustainability of farming for all.


Partnered with the Alabama Farmers Federation at the 2024 Women’s Leadership Conference


Speaking and advising at a MANRRS club meetings to talk about the opportunities in agriculture and cooperative finance

Continued to support HBCU students through the Launching Leaders Intern Program, which fosters a more equitable and inclusive agricultural workforce


Partnered with the National Black Growers Council to provide Tuskegee University students with an immersive tour of diverse farming operations, offering firsthand insights into modern agricultural practices and career opportunities

SUPPORTING OUR RURAL COMMUNITIES

We are deeply committed to the rural communities where our customers and employees live and work. Whether it's volunteering at a food bank, supporting disaster relief efforts, or lending a hand in times of need, we are here to make a difference.

Community engagement is at the heart of our mission. We are passionate about strengthening rural Alabama and fostering the future of agriculture. Across the state, you'll find us actively involved in local initiatives — working alongside our neighbors to support farmers, encourage agricultural involvement, and build a stronger, more resilient future for Alabama's producers.

- Participated and sponsored events such as Smile-A-Mile, which provides programs to children who are diagnosed with cancer
- Supported local mental health programs and promoted training materials focused on mental health and stress
- Provided 8 hours of paid time to employees to volunteer in their communities

$5,300 | DONATED BY EMPLOYEES during our annual giving campaign for the Cystic Fibrosis Foundation

Employees supported the Cystic Fibrosis Foundation during our 2024 Annual Giving Campaign, a cause close to our hearts as it directly affects the family of one of our own team members.

Supported local farmers markets across the state during National Farmers Market Week

Several employees used their 8-hours of company paid volunteer hours to volunteer in their local community schools

Stood with our partners in contributing $315,000 to help communities affected by Hurricane Helene

OUR FINANCIAL RESULTS REMAIN STRONG

LOAN VOLUME
$1.4 BILLION

NET INCOME
$21.5 MILLION

TOTAL CAPITAL
$238.7 MILLION

CREDIT QUALITY
99.4 PERCENT

PATRONAGE DECLARED
$12.3 MILLION

LOAN VOLUME
The total loan volume outstanding

NET INCOME
The amount that remains after all costs are deducted from total income

TOTAL CAPITAL
The difference between our total assets and total liabilities, which is used to protect the Association from potential losses and keep your money secure

CREDIT QUALITY
The measurement of loan portfolio risk. The higher the number, the less likely the Association is to incur losses related to outstanding loans

PATRONAGE PAYMENT
The amount of earnings we shared to our member-borrowers this year. It effectively lowers your borrowing costs

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, 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' 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 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/ Nicolas Hartley
President, Chief Executive Officer
March 7, 2025

/s/ Larry H. Gibson, Jr.
Chairman, Board of Directors
March 7, 2025

/s/ Heather Smith
Sr. VP, Chief Financial Officer
March 7, 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 boards 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/ Nicolas Hartley
President, Chief Executive Officer
March 7, 2025

/s/ Heather Smith
Sr. VP, Chief Financial Officer
March 7, 2025

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the entire board of directors of Alabama Ag Credit, ACA (Association). In 2024, seven committee meetings were held. The committee oversees the scope of the Association'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 the Association's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) 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 the Association'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 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 nonaudit 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

Richard M. Stabler, CPA (Retired), Chairman
Larry H. Gibson, Jr.
John Carl Sanders
Annie Dee
Richard H. Meadows
Mark D. Platt
Roman McLeod
Bradfield Evans

March 7, 2025

ALABAMA AG CREDIT, ACA

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

	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Cash	**$ 12**	$ 11	$ 10	$ 9	$ 10
Loans	**1,393,862**	1,344,189	1,292,527	1,229,614	1,160,465
Less: allowance for credit losses on loans	**10,100**	8,797	8,412	8,804	8,141
Net loans	**1,383,762**	1,335,392	1,284,115	1,220,810	1,152,324
Investment in and receivable from the Farm Credit Bank of Texas	**29,847**	24,556	24,058	22,469	20,502
Other property owned, net	**-**	-	-	-	100
Other assets	**21,783**	21,475	19,346	15,658	16,756
Total assets	**$1,435,404**	$1,381,434	$1,327,529	$1,258,946	$1,189,692
Liabilities					
Obligations with maturities of one year or less	**$ 21,546**	$ 20,821	$ 22,373	$ 21,351	$ 19,603
Obligations with maturities greater than one year	**1,175,176**	1,131,321	1,084,114	1,027,316	970,073
Total liabilities	**1,196,722**	1,152,142	1,106,487	1,048,667	989,676
Members' Equity					
Capital stock and participation certificates	**4,580**	4,467	4,485	4,438	4,289
Unallocated retained earnings	**233,622**	224,466	216,119	206,271	196,386
Accumulated other comprehensive income (loss)	**480**	359	438	(430)	(659)
Total members' equity	**238,682**	229,292	221,042	210,279	200,016
Total liabilities and members' equity	**$1,435,404**	$1,381,434	$1,327,529	$1,258,946	$1,189,692
Statement of Income Data					
Net interest income	**$ 36,506**	$ 35,378	$ 32,676	$ 31,271	$ 29,207
(Provision for credit losses) credit loss reversal	**(1,300)**	(303)	260	(614)	(813)
Income from the Farm Credit Bank of Texas	**4,403**	4,268	7,991	7,356	6,123
Other noninterest income	**1,535**	621	517	603	1,266
Noninterest expense	**(19,648)**	(19,497)	(18,508)	(16,598)	(15,261)
Net income (loss)	**$ 21,496**	$ 20,467	$ 22,936	$ 22,018	$ 20,522
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.5%	1.8%	1.8%	1.8%
Return on average members' equity	**9.0%**	8.8%	10.4%	10.6%	10.3%
Net interest income as a percentage of average earning assets	**2.7%**	2.7%	2.6%	2.6%	2.6%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

ALABAMA AG CREDIT, 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	**16.7%**	16.3%	16.7%	16.7%	16.8%
Debt as a percentage of					
members' equity	**501.4%**	509.5%	500.6%	498.7%	494.8%
Allowance for credit losses on loans as					
a percentage of loans	**0.7%**	0.7%	0.7%	0.7%	0.7%
Common equity tier 1 ratio	**15.5%**	15.5%	15.4%	15.6%	16.0%
Tier 1 capital ratio	**15.5%**	15.5%	15.4%	15.6%	16.0%
Total capital ratio	**16.2%**	16.2%	16.0%	16.3%	16.7%
Permanent capital ratio	**15.6%**	15.6%	15.5%	15.7%	16.1%
Tier 1 leverage ratio	**16.0%**	15.9%	15.6%	15.9%	16.3%
UREE leverage ratio	**15.7%**	15.6%	15.3%	17.0%	17.4%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 12,118**	$ 13,068	$ 12,132	$ 11,201	$ 9,767

The Association’s ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2024. For more information, see Note 9, “Members Equity,” in the accompanying consolidated financial statements.

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 Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called 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.

Conditions in Central and South Alabama:

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 for the last four consecutive months 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 Federal Open Market Committee (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.

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 ago. The seasonally adjusted rate for the 12 months ending December 31, 2024, for the state of Alabama was 3.3 percent.

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 forecasted 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 forecasted to rise in 2025. Total production expenses are forecasted 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 forecasted 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. 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, rain brought drought improvement to parts of Alabama, but drought persistence is in the forecast for parts of this area. The seasonal temperature outlook indicates that above-normal temperatures are expected for most of the Texas District (includes Alabama) from February through April 2025. Similarly, the seasonal precipitation outlook indicates that below-normal precipitation is in the forecast for most of the Texas District. 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 Texas District's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Texas District's borrowers primarily rely on non-farm sources of income to repay their loans.

Commodity Review and Outlook:

The Association's portfolio is diversified across approximately 45 commodities, with regions of the territory supported by various commodity types. Timber is the largest commodity type, representing approximately 48.5 percent of the portfolio. Cattle, with 12.9 percent of the portfolio, is the second-largest concentration and has a strong presence in all regions. Crop loans for commodities such as soybean, corn and other row crops have the third-largest concentration, with 7.7 percent. Poultry, primarily in the Wiregrass Region, represents the fourth-largest concentration, at 7.5 percent.

The Association's territory is divided into four geographic regions. The Central Alabama Region's primary commodities include timber, cattle, cotton and some poultry and eggs. The Wiregrass Region is led by poultry and eggs, with agricultural enterprises such as peanuts, cotton, timber and cattle also present. The Gulf Coast Region is diverse within its territory. The area along the Gulf Coast features many greenhouse, nursery and floriculture operations. The northern part of the region is heavily supported by timber, lumber mills and pulp/paper manufacturing and row crop operations. The central part of this region has multiple peanut buying points and cotton gins. The area also includes a concentration of peanut and cattle production. The West Alabama Region features large recreational land tracts. Additionally, timber and cattle, along with some cotton, soybeans and peanuts, are major agricultural enterprises.

Management analyzes each commodity segment quarterly as part of the Asset/Liability Committee. Additionally, the cattle and poultry segments are analyzed more in depth annually by the Association's Credit department.

Description of Business:

Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, 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 Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington, and Wilcox in the state of Alabama.

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.

Note 1 – "Organization and Operations" in the accompanying consolidated financial statements provides more detailed information.

Significant Events:

In June 2024, Douglas Thiessen, president and chief executive officer of the Association, announced his decision to retire on December 31, 2024. In November 2024, the board of directors announced that Nicholas Hartley had been named as the Association's new president and chief executive officer effective January 1, 2025. He comes to the Association with over 16 years of farm credit experience.

In January 2025, the Farm Credit Bank of Texas' (the Bank) board approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.0 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis. Based on the increase in average borrowings from the Bank, the policy change required an additional $6.5 million investment by the Association.

Patronage Refunds Received from Farm Credit Bank of Texas:

In December 2024, the Association received a direct loan patronage of $3,849,929 from the Bank, representing 33.9 basis points on the average daily balance of the Association's direct loan with the Bank. Also, the Association received a capital markets patronage of $562,495 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2023, the Association received a direct loan patronage of $3,030,038 from the Bank, representing 27.3 basis points on the average daily balance of the Association's direct loan with the Bank. This was a significant decline from previous years. As the Bank evaluated economic conditions and portfolio performance throughout the year, its earnings and capital position were markedly behind its business plan forecasts. The Bank notified the District associations that the business plan was being modified to reflect these deficits. Notably, the amount of direct loan patronage would be significantly reduced and would be partially distributed as equity allocations. During 2023, the Association received $702,556 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $394,487 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2022, the Association received a direct loan patronage of $6,899,848 from the Bank, representing approximately 64 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $472,649 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, during 2022, the Association received a capital markets patronage of $452,662 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

The Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Patronage Refunds by Association:

In March 2024, the Association paid a patronage of $12,118,389 in cash from 2023 earnings to the Association's stockholders and in December 2024 declared another patronage of $12,342,672 from 2024 earnings to be paid in March 2025.

In March 2023, the Association paid a patronage of $13,068,058 in cash from 2022 earnings to the Association's stockholders and in December 2023 declared another patronage of $12,118,389 from 2023 earnings to be paid in March 2024.

In March 2022, the Association paid a patronage of $12,152,884 in cash from 2021 earnings to the Association's stockholders and in December 2022 declared another patronage of $13,068,058 from 2022 earnings to be paid in March 2023.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. 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 composition of the Association's loan portfolio, including principal less funds held of $1,393,862,228, $1,344,188,480 and $1,292,527,515 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," in the accompanying consolidated financial statements.

Purchase and Sales of Loans:

During 2024, 2023 and 2022, the Association was participating in loans with other lenders. As of December 31, 2024, 2023 and 2022, these participations totaled $182,004,377, $138,886,258 and $95,319,878, or 13.1 percent, 10.3 percent and 7.4 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $5,882,495, $0 and $0, or 0.4 percent, 0.0 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $136,600,447, $79,426,111 and $66,479,334 as of December 31, 2024, 2023 and 2022, respectively. Included in these amounts are participations sold to entities outside the District of $1,336,615, $3,654,067 and $0 as of December 31 2024, 2023 and 2022, respectively.

Risk Exposure:

Nonpeforming 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		
	December 31, 2024	**December 31, 2023**	**December 31, 2022**
Nonaccrual loans	**$ 4,837,342**	$ 870,502	$ 6,845,092
Accruing loans 90 days or more past due	**21,250**	-	
Total nonperforming assets	**$ 4,858,592**	$ 870,502	$ 6,845,092

At December 31, 2024, 2023 and 2022, nonperforming loans were $4,858,592, $870,502 and $6,845,092, representing 0.3 percent, 0.1 percent and 0.5 percent of loan volume, respectively.

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. The Association also has the option of securitizing loans if considered prudent to manage risk.

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 $10,100,143, $8,796,563 and $8,412,353 at December 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2024, was $21,496,335 as compared to $20,467,837 for the year ended December 31, 2023, reflecting an increase of $1,028,498, or 5.0 percent. The Association's net income for the year ended December 31, 2022, was $22,935,721. Net income decreased $2,467,884, or 10.8 percent, in 2023 versus 2022.

Net interest income for 2024, 2023 and 2022 was $36,506,027, $35,377,935 and $32,676,251, respectively, reflecting increases of $1,128,092, or 3.2 percent, for 2024 versus 2023 and $2,701,684, or 8.3 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	**$ 1,351,374,844**	**$ 79,787,999**	$ 1,316,840,735	$ 71,749,699	$ 1,271,848,212	$ 58,144,679
Interest-bearing liabilities	**1,137,087,259**	**43,281,972**	1,108,823,850	36,371,764	1,071,600,517	25,468,428
Impact of capital	**$ 214,287,585**		$ 208,016,885		$ 200,247,695	
Net interest income		**$ 36,506,027**		$ 35,377,935		$ 32,676,251

	2024 Average Yield	**2023 Average Yield**	**2022 Average Yield**
Yield on loans	**5.9%**	5.4%	4.6%
Cost of interest-bearing liabilities	**3.8%**	3.3%	2.4%
Interest rate spread	**2.1%**	2.2%	2.2%
Impact of capital	**0.6%**	0.5%	0.4%
Net Interest Income/average earning assets	**2.7%**	2.7%	2.6%

	2024 vs. 2023			**2023 vs. 2022**		
	Increase (decrease) due to			**Increase (decrease) due to**		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 1,885,700**	**$ 6,152,600**	**$ 8,038,300**	$ 2,057,042	$11,547,978	$13,605,020
Interest expense	**927,098**	**5,983,150**	**6,910,248**	884,687	10,018,649	10,903,336
Net interest income	**$ 958,602**	**$ 169,450**	**$ 1,128,052**	$ 1,172,355	$ 1,529,329	$ 2,701,684

Interest income for 2024 increased by $8,038,300, or 11.2 percent, compared to 2023, primarily due to increased loan volumes and higher interest rates. Interest expense for 2024 increased by $6,910,208, or 19.0 percent, compared to 2023 due to higher cost of funds and higher loan volumes. The interest rate spread decreased by 7 basis points to 2.10 percent in 2024 from 2.17 percent in 2023, primarily because the high interest rate environment created a less favorable lending environment. The interest rate spread decreased by 3 basis points to 2.17 percent in 2023 from 2.20 percent in 2022, primarily because rising interest rates due to inflationary pressures created a difficult lending environment.

Noninterest income for 2024 increased by $1,049,460, or 21.5 percent, compared to 2023, due primarily to an increase in patronage income received from the Bank of $819,891. Other increases were a refund from Farm Credit Services Insurance Corporation, and increased loan fees. These increases were partially offset by a reduction in gain on sales of equipment. Noninterest income for 2023 decreased by $3,618,021, or 42.5 percent, compared to 2022, due primarily to the reduction in patronage income received from the Bank. The Bank reduced the amount of direct loan patronage percentage from approximately 64 basis points of the average daily balance of the Association's direct note with the Bank in 2022 to approximately 27 basis points in 2023. This reduction was enacted to bolster the Bank's capital position as the rising interest rates created financial challenges.

Provisions for loan losses increased by $997,610, or 429.6 percent, compared to 2023, due primarily to the addition of one large credit to nonaccrual status. Collateral-based loans with a risk rating of 11 were individually evaluated to determine if the CECL model captured sufficient exposure in the allowance calculations. This additional exposure was reflected through a qualitative adjustment in the allowance calculation. A significant reduction in the qualitative adjustment partially offset the increase from the specific allowance for the nonaccrual loans.

Operating expenses consist primarily of salaries and employee benefits, insurance fund premiums, advertising, public and member relations, and occupancy and equipment. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by $151,444, or 0.8 percent, from 2023 to 2024. Increases included an increase in salaries and benefits of $483,554, and $488,193 in occupancy and equipment. The increases were offset by a decrease in premiums to the Insurance Fund of $775,719 with premium rates decreasing from 18 basis points to 10 basis points in 2024. Operating expenses increased by $988,961, or 5.3 percent, from 2022 to 2023. The increase in operating expenses included an increase of $1,051,905 in salaries and benefits. Additionally, increases in advertising of $104,033 contributed to the total operating expense increase. The increases were offset by a decrease in premiums to the Insurance Fund, resulting from a decrease in the premium rates from 20 basis points in 2022 to 18 basis points in 2023.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $744,931, $644,846 and $1,353,009 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. The capitalized costs consisted of salaries and benefits totaling $636,396, $638,145 and $1,398,418 for 2024, 2023 and 2022, respectively, related to the origination of loans.

For the year ended December 31, 2024, the Association's return on average assets was 1.5 percent, as compared to 1.5 percent and 1.8 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 9.0 percent, as compared to 8.8 percent and 10.4 percent for the years ended December 31, 2023 and 2022, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank 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 Bank. The Bank 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 Bank. The outstanding balance of $1,171,471,511, $1,127,940,073 and $1,081,493,220 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 3.87 percent, 3.63 percent and 2.86 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 Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to increased loan volume and associated interest rate increases. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $223,755,630, $217,484,275 and $211,993,843 at December 31, 2024, 2023 and 2022, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2024, was $1,405,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 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 Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, 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 $238,681,765, $229,292,006 and $221,041,770 at December 31, 2024, 2023 and 2022, respectively.

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, tier 1 capital, total capital and permanent capital risk-based ratios. The non-risk adjusted ratios include a tier 1 leverage ratio and unallocated retained earnings (URE) and URE equivalent (UREE) leverage ratio. The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder's loan or otherwise at the option of the holder or is otherwise not at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance-sheet commitments adjusted by various percentages ranging from 0 to 1,250 percent, depending on the level of risk inherent in the various types of assets.

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 7 years, allocated equities held for a minimum of 7 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus noncumulative 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and allowance for credit losses on unfunded commitments 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 stock 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 minimum regulatory requirements, capital distributions and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

Regulatory ratios remain well above regulatory minimums. The following table reflects the Association's capital ratios at December 31:

	2024	2023	2022	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	15.6%	15.6%	15.5%	7.0%
Common equity tier 1 ratio	15.5%	15.5%	15.4%	7.0%
Tier 1 capital ratio	15.5%	15.5%	15.4%	8.5%
Total capital ratio	16.2%	16.2%	16.0%	10.5%
Tier 1 leverage ratio	16.0%	15.9%	15.6%	5.0%
UREE leerage ratio	15.7%	15.6%	15.3%	1.5%

Significant Accounting Pronouncements:

Refer to Note 2 – "Summary of Significant Accounting Policies" in this annual report for disclosures of recent accounting pronouncements which 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.

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 that of 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 60-day public comment period that has been extended to March 31, 2025.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank's ability to access capital of the Association is discussed in Note 2, "Summary of Significant Accounting Policies," in the accompanying consolidated financial statements within the section "Capital Stock Investment in the Bank."

The Bank'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 8, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank 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 Bank. As disclosed in Note 12, "Related Party transactions," in the accompanying consolidated financial statements, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, 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 Alabama Ag Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Austin, Texas
March 7, 2025

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2024	**2023**	**2022**
Assets			
Cash	**$ 11,967**	$ 10,995	$ 10,074
Loans	**1,393,862,228**	1,344,188,480	1,292,527,515
Less: allowance for credit losses on loans	**10,100,143**	8,796,563	8,412,353
Net loans	**1,383,762,085**	1,335,391,917	1,284,115,162
Accrued interest receivable	**13,467,459**	13,050,872	10,874,358
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**22,709,260**	22,137,880	21,327,170
Allocated equities	**909,011**	909,011	-
Accrued patronage receivable	**4,412,424**	394,487	167,975
Other	**1,816,512**	1,115,018	2,562,575
Premises and equipment	**6,611,319**	6,664,139	6,551,637
Other assets	**1,703,731**	1,760,138	1,920,291
Total assets	**$ 1,435,403,768**	$ 1,381,434,457	$ 1,327,529,242
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 1,171,471,511**	$ 1,127,940,073	$ 1,081,493,220
Accrued interest payable	**3,704,360**	3,380,799	2,621,259
Drafts outstanding	**514,463**	170,052	-
Patronage distributions payable	**12,349,651**	12,125,139	13,092,453
Other liabilities	**8,682,018**	8,526,388	9,280,540
Total liabilities	**1,196,722,003**	1,152,142,451	1,106,487,472
Members' Equity			
Capital stock and participation certificates	**4,580,405**	4,467,215	4,484,775
Unallocated retained earnings	**233,621,719**	224,465,834	216,118,555
Accumulated other comprehensive income	**479,641**	358,957	438,440
Total members' equity	**238,681,765**	229,292,006	221,041,770
Total liabilities and members' equity	**$ 1,435,403,768**	$ 1,381,434,457	$ 1,327,529,242

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2024	**2023**	**2022**
Interest Income			
Loans	**$ 79,787,999**	$ 71,749,699	$ 58,144,679
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**43,281,972**	36,371,764	25,468,428
Net interest income	**36,506,027**	35,377,935	32,676,251
Provision for credit losses (credit loss reversal)	**1,300,282**	302,672	(259,914)
Net interest income after provision for credit losses (credit loss reversal)	**35,205,745**	35,075,263	32,936,165
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**4,403,498**	4,268,210	7,990,540
Loan fees	**423,983**	236,770	193,788
Refunds from Farm Credit System Insurance Corporation	**365,070**	-	-
Financially related services income	**782**	1,915	1,939
Gain on sale of premises and equipment, net	**141,706**	229,462	209,468
Other noninterest income	**603,908**	**153,130**	**111,773**
Total noninterest income	**5,938,947**	**4,889,487**	**8,507,508**
Noninterest Expenses			
Salaries and employee benefits	**12,172,717**	11,689,163	10,637,258
Directors' expense	**385,603**	447,796	392,438
Purchased services	**764,321**	621,727	568,824
Travel	**931,016**	932,596	932,090
Occupancy and equipment	**1,721,959**	1,233,766	1,377,722
Communications	**280,202**	302,572	356,863
Advertising	**389,338**	489,458	385,425
Public and member relations	**726,705**	744,205	715,461
Supervisory and exam expense	**484,537**	450,659	422,514
Insurance Fund premiums	**1,339,785**	2,115,504	2,249,540
Other components of net periodic postretirement benefit cost	**114,318**	90,034	174,176
Other noninterest expense	**337,856**	379,433	295,641
Total noninterest expenses	**19,648,357**	19,496,913	18,507,952
NET INCOME	**21,496,335**	20,467,837	22,935,721
Other comprehensive income:			
Change in postretirement benefit plans	**120,684**	(79,483)	868,515
COMPREHENSIVE INCOME	**$ 21,617,019**	$ 20,388,354	$ 23,804,236

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 4,437,945	$ 206,271,466	$ (430,075)	$ 210,279,336
Net income	-	22,935,721	-	22,935,721
Other comprehensive income	-	-	868,515	868,515
Capital stock/participation certificates issued	695,845	-	-	695,845
Capital stock/participation certificates retired	(649,015)	-	-	(649,015)
Patronage dividends:				
Cash	-	(13,068,058)	-	(13,068,058)
Change in patronage declared and paid	-	(20,574)	-	(20,574)
Balance at December 31, 2022	4,484,775	216,118,555	438,440	221,041,770
Cumulative effect of a change in accounting principle	-	(2,169)	-	(2,169)
Balance at January 1, 2023	4,484,775	216,116,386	438,440	221,039,601
Net income	-	20,467,837	-	20,467,837
Other comprehensive income	-	-	(79,483)	(79,483)
Capital stock/participation certificates issued	521,525	-	-	521,525
Capital stock/participation certificates retired	(539,085)	-	-	(539,085)
Patronage dividends:				
Cash	-	(12,118,389)	-	(12,118,389)
Balance at December 31, 2023	4,467,215	224,465,834	358,957	229,292,006
Net income	-	21,496,335	-	21,496,335
Other comprehensive income	-	-	120,684	120,684
Capital stock/participation certificates issued	629,015	-	-	629,015
Capital stock/participation certificates retired	(515,825)	-	-	(515,825)
Patronage dividends:				
Cash	-	(12,342,672)	-	(12,342,672)
Change in patronage declared and paid	-	2,222	-	2,222
Balance at December 31, 2024	**$ 4,580,405**	**$ 233,621,719**	**$ 479,641**	**$ 238,681,765**

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2024	**2023**	**2022**
Cash flows from operating activities:			
Net income	**$ 21,496,335**	$ 20,467,837	$ 22,935,721
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**1,300,282**	**302,672**	**(259,914)**
Depreciation	**948,428**	**650,178**	**657,996**
Gain on sale of premises and equipment, net	**(142,053)**	**(228,608)**	**(209,468)**
Increase in accrued interest receivable	**(416,587)**	**(2,176,514)**	**(2,416,370)**
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(4,719,431)**	**312,034**	**(416,989)**
Decrease (increase) in other assets	**286,456**	**1,002,921**	**(186,170)**
Increase in accrued interest payable	**323,561**	**759,540**	**823,181**
Increase (decrease) in other liabilities	**21,518**	**(1,622,556)**	**240,821**
Net cash provided by operating activities	**19,098,509**	19,467,504	21,168,808
Cash flows from investing activities:			
Increase in loans, net	**(50,009,209)**	**(51,745,720)**	**(63,204,501)**
Cash recoveries of loans previously charged off	**28,045**	**29,860**	**35,268**
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(571,380)**	**(810,710)**	**(1,172,160)**
Purchases of premises and equipment	**(752,048)**	**(813,679)**	**(879,671)**
Proceeds from sales of premises and equipment	**333,954**	**364,362**	**313,808**
Net cash used in investing activities	**(50,970,638)**	(52,975,887)	(64,907,256)

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

ALABAMA AG CREDIT, 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 Farm Credit Bank of Texas	**43,531,438**	46,446,853	55,975,639
Increase (decrease) in drafts outstanding	**344,411**	170,052	(146,759)
Issuance of capital stock and participation certificates	**629,015**	521,525	670,205
Retirement of capital stock and participation certificates	**(515,825)**	(539,085)	(623,375)
Patronage distributions paid	**(12,115,938)**	(13,090,041)	(12,135,874)
Net cash provided by financing activities	**31,873,101**	33,509,304	43,739,836
Net increase in cash	**972**	921	1,388
Cash at the beginning of the year	**10,995**	10,074	8,686
Cash at the end of the year	**$ 11,967**	$ 10,995	$ 10,074
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	**$ -**	-	$ 165,832
Patronage distributions declared	**12,342,672**	12,120,558	13,068,058
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 43,076,150**	$ 35,612,186	$ 24,645,247

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, 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 Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washinton, and Wilcox in the state of Alabama.

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 (Bank) and its related associations are collectively referred to as the "District." The Bank 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 Bank, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, an 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 associations, 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% 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% 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. Operations: The Farm Credit 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 Bank.
The Association also serves as an intermediary in offering credit life and term life insurance to its borrowers.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. The Bank's Annual Report to Stockholders discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the Bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank'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. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements include the accounts of Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

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 40 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 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 repayments 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.

Allowance for Credit Losses (ACL) 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, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Balance Sheet.

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, discounts and fair value hedge accounting adjustments. 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 components 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 10th percentile and downside 90th 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 Bank 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 that 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 sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the 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 Bank 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 Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank. In January 2025, the Bank board approved a change to the Bank's capitalization policy. Beginning in 2025, this investment requirement will increase to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

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. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

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. The Association had advance conditional payments of $10,174,638, $9,815,769 and $20,107,767 at December 31, 2024, 2023 and 2022, respectively, all of which was restricted and therefore was all netted against the related loan balances in the consolidated balance sheet.

H. Employee Benefit Plans: Employees of the Association 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 $451,665, $205,822 and $666,633 for the years ended December 31, 2024, 2023 and 2022 respectively. For the DB plan, the Association recognized pension costs of $217,392, $348,799 and $629,369 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 $291,470, $353,447 and $208,920 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 $16,635, $21,119 and $21,920 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 multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans."

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. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. 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.

J. Patronage Refunds from the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank 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 13, "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.

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	**$ 1,000,832,985**	**71.7%**	$ 992,052,287	73.8%	$ 1,013,944,826	78.4%
Production and intermediate-term	**155,858,822**	**11.2%**	160,374,838	12.0%	126,122,570	9.8%
Agribusiness:						
Loans to cooperatives	**8,902,927**	**0.6%**	9,234,189	0.7%	9,583,687	0.7%
Processing and marketing	**97,992,108**	**7.0%**	57,485,304	4.3%	50,185,010	3.9%
Farm-related business	**21,787,590**	**1.6%**	34,079,473	2.5%	22,718,221	1.8%
Communication	**12,014,400**	**0.9%**	4,162,940	0.3%	-	0.0%
Energy	**13,409,807**	**1.0%**	5,788,110	0.4%	1,008,908	0.1%
Water and waste-water	**13,359,815**	**1.0%**	13,331,425	1.0%	8,012,493	0.6%
Rural residential real estate	**61,269,467**	**4.4%**	60,352,910	4.5%	58,435,280	4.5%
Agricultural export finance	**8,434,307**	**0.6%**	7,327,004	0.5%	2,516,520	0.2%
Total	**$ 1,393,862,228**	**100.0%**	$ 1,344,188,480	100.0%	$ 1,292,527,515	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	$ 11,321,333	$ 67,731,704	$ -	$ -	$ 11,321,333	$ 67,731,704
Production and intermediate-term	29,596,425	6,239,709	-	-	29,596,425	6,239,709
Agribusiness	93,868,290	62,629,033	-	-	93,868,290	62,629,033
Communication	12,014,400	-	-	-	12,014,400	-
Energy	13,409,807	-	-	-	13,409,807	-
Water and waste-water	13,359,815	-	-	-	13,359,815	-
Agricultural export finance	8,434,307	-	-	-	8,434,307	-
Total	$182,004,377	$136,600,446	$ -	$ -	$182,004,377	$136,600,446

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

The 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, at least on an annual basis, or when a credit action is taken the probability of default category.

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

- acceptable — assets are expected to be fully collectible and represent the highest quality,
- other assets especially mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness,
- substandard — assets exhibit some serious weakness in repayment capacity, equity, or collateral pledged on the loan,
- doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- loss — assets are considered uncollectible.

The following table shows loans 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	**98.3** %	98.4 %	98.4 %
OAEM	**1.0**	1.0	1.0
Substandard/doubtful	**0.7**	0.6	0.6
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**98.7**	99.1	98.8
OAEM	**1.2**	0.1	1.1
Substandard/doubtful	**0.1**	0.8	0.1
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**91.6**	84.4	100.0
OAEM	**8.4**	15.6	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**91.4**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**8.6**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	-
Energy			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Water and waste-water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.3**	99.8	99.7
OAEM	**0.3**	0.1	0.1
Substandard/doubtful	**0.4**	0.1	0.2
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**97.9**	98.0	98.6
OAEM	**1.1**	1.4	0.9
Substandard/doubtful	**1.0**	0.6	0.5
	100.0 %	100.0 %	100.0 %

In the table above, accrued interest receivable on loans of $13,467,459 and $13,050,872 at December 31, 2024 and 2023, respectively, has been excluded from the amortized cost of loans and is reported separately in the consolidated balance sheets while accrued interest receivable of $10,874,358 as of December 31, 2022, has been included above. The Association did not reverse any accrued interest receivable from interest income during the years ending December 31, 2024 and 2023.

The following percentages are based on the borrower's physical location, the borrower's headquarters location, or the physical location of the underlying collateral where applicable:

County	2024	2023	2022
Mobile	**7.2%**	7.0%	2.7%
Baldwin	**7.1%**	10.6%	5.7%
Montgomery	**5.6%**	6.6%	3.8%
Lee	**4.7%**	4.3%	1.9%
Tuscaloosa	**4.5%**	4.0%	2.5%
Houston	**3.6%**	3.7%	2.7%
Monroe	**3.1%**	3.0%	2.4%
Dale	**3.0%**	3.3%	3.8%
Elmore	**3.0%**	4.2%	2.0%
Marengo	**2.8%**	5.0%	3.5%
Coffee	**2.7%**	2.5%	3.1%
Jefferson	**2.6%**	3.0%	3.2%
Hale	**2.2%**	2.2%	2.6%
Geneva	**2.2%**	2.3%	2.5%
Pickens	**1.8%**	1.5%	1.5%
Pike	**1.7%**	1.7%	2.4%
Henry	**1.7%**	1.9%	3.6%
Clarke	**1.7%**	1.7%	1.3%
Dallas	**1.6%**	1.9%	3.7%
Autauga	**1.5%**	1.5%	2.0%
Russell	**1.4%**	0.6%	1.4%
Barbour	**1.4%**	1.5%	2.1%
Escambia	**1.4%**	1.4%	2.3%
Other Counties	**13.6%**	13.8%	26.1%
Other States	**17.9%**	10.8%	11.2%
	100.0%	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While 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 loan losses.

	2024		2023		2022	
Operation/Commodity	Amount	%	Amount	%	Amount	%
Timber	**$ 676,142,026**	**48.5%**	$ 674,033,799	50.1%	$ 668,827,933	51.7%
Livestock, except dairy and poultry	**186,447,277**	**13.4%**	189,939,595	14.1%	168,452,208	13.0%
General farms, primarily crops	**98,939,945**	**7.1%**	101,903,332	7.6%	21,568,406	1.7%
Poultry and eggs	**96,017,845**	**6.9%**	109,634,323	8.2%	116,733,521	9.0%
Rural home loans	**66,966,802**	**4.8%**	66,310,577	4.9%	64,383,598	5.0%
Lumber and wood products, except furniture	**46,205,700**	**3.3%**	33,071,689	2.5%	24,475,452	1.9%
Food and kindred products	**26,292,922**	**1.9%**	29,353,952	2.2%	32,645,927	2.5%
Paper and allied products	**23,565,219**	**1.7%**	19,235,318	1.4%	9,554,051	0.8%
Field crops except cash grains	**22,515,205**	**1.6%**	11,820,826	0.9%	94,138,607	7.3%
Wholesale trade - nondurable goods	**20,408,327**	**1.5%**	19,170,854	1.4%	15,558,577	1.2%
Other	**130,360,960**	**9.3%**	89,714,215	6.7%	76,189,235	5.9%
Total	**$ 1,393,862,228**	**100.0%**	$ 1,344,188,480	100.0%	$ 1,292,527,515	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% (or 97% 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.

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	December 31, 2022
Nonaccrual loans:			
Real estate mortgage	**$ 2,966,082**	$ 870,502	$ 5,635,556
Production and intermediate-term	**-**	-	1,173,417
Agribusiness	**1,871,260**	-	-
Rural residential real estate	**-**	-	36,119
Total nonaccrual loans	**4,837,342**	870,502	6,845,092
Accruing loans 90 days or more past due:			
Production and intermediate-term	**21,250**	-	-
Total nonperforming assets	**$ 4,858,592**	$ 870,502	$ 6,845,092
Nonaccrual loans as a percentage of total loans	**0.3%**	0.1%	0.5%
Nonperforming assets as a percentage of total loans and other property owned	**0.3%**	0.1%	0.5%
Nonperforming assets as a percentage of capital	**2.0%**	0.4%	3.1%

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 loans during the period:

	December 31, 2024			Interest Income Recognized For the Year Ended December 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	$ 474,447	$ 2,491,635	$ 2,966,082	$ 231,949
Agribusiness	1,871,260	-	1,871,260	-
Total nonaccrual loans	$ 2,345,707	$ 2,491,635	$ 4,837,342	$ 231,949

	December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	$ 570,767	$ 299,735	$ 870,502	$ 143,624

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	**$ 7,248,912**	**$ 2,290,822**	**$ 9,539,734**	**$ 991,293,251**	**$ 1,000,832,985**	**$ -**
Production and intermediate-term	**266,412**	**21,250**	**287,662**	**155,571,160**	**155,858,822**	**21,250**
Loans to cooperatives	**-**	**-**	**-**	**8,902,927**	**8,902,927**	**-**
Processing and marketing	**-**	**-**	**-**	**97,992,108**	**97,992,108**	**-**
Farm-related business	**1,871,260**	**-**	**1,871,260**	**19,916,330**	**21,787,590**	**-**
Communication	**-**	**-**	**-**	**12,014,400**	**12,014,400**	**-**
Energy	**-**	**-**	**-**	**13,409,807**	**13,409,807**	**-**
Water and waste-water	**-**	**-**	**-**	**13,359,815**	**13,359,815**	**-**
Rural residential real estate	**1,209,666**	**-**	**1,209,666**	**60,059,801**	**61,269,467**	**-**
Agricultural export finance	**-**	**-**	**-**	**8,434,307**	**8,434,307**	**-**
Total	**$ 10,596,250**	**$ 2,312,072**	**$ 12,908,322**	**$ 1,380,953,906**	**$ 1,393,862,228**	**$ 21,250**

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,374,124	$ -	$ 3,374,124	$ 988,678,163	$ 992,052,287	$ -
Production and intermediate-term	3,805,109	-	3,805,109	156,569,729	160,374,838	-
Loans to cooperatives	-	-	-	9,234,189	9,234,189	-
Processing and marketing	-	-	-	57,485,304	57,485,304	-
Farm-related business	-	-	-	34,079,473	34,079,473	-
Communication	-	-	-	4,162,940	4,162,940	-
Energy	-	-	-	5,788,110	5,788,110	-
Water and waste-water	-	-	-	13,331,425	13,331,425	-
Rural residential real estate	16,155	-	16,155	60,336,755	60,352,910	-
Agricultural export finance	-	-	-	7,327,004	7,327,004	-
Total	$ 7,195,388	$ -	$ 7,195,388	$ 1,336,993,092	$ 1,344,188,480	$ -

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,806,127	$ 276,680	$ 3,082,807	$ 1,019,318,707	$ 1,022,401,514	$ -
Production and intermediate-term	50,777	-	50,777	127,795,525	127,846,302	-
Loans to cooperatives	-	-	-	9,605,579	9,605,579	-
Processing and marketing	-	-	-	50,428,252	50,428,252	-
Farm-related business	-	-	-	22,908,124	22,908,124	-
Energy	-	-	-	1,014,137	1,014,137	-
Water and waste-water	-	-	-	8,014,810	8,014,810	-
Rural residential real estate	86,713	36,119	122,832	58,503,862	58,626,694	-
Agricultural export finance	-	-	-	2,556,461	2,556,461	-
Total	$ 2,943,617	$ 312,799	$ 3,256,416	$ 1,300,145,457	$ 1,303,401,873	$ -

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.

	Year Ended December 31, 2024		
	Payment Deferral	Total	Percentage of Total by Loan Type
Agribusiness	$ 1,960,403	$ 1,960,403	100.00%

	Year Ended December 31, 2023		
	Payment Deferral	Total	Percentage of Total by Loan Type
Production and intermediate-term	$ 117,921	$ 117,921	100.0%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2024 and December 31, 2023 was $925 and $1,084, respectively.

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2024 and 2023:

	Term Extension Financial Effect	
	December 31, 2024	December 31, 2023
Production and intermediate-term	-	Term extended one year
Agribusiness	Term extended three months	-

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification during 2024 and that defaulted in the period presented:

	Modified Loans that Subsequently Defaulted
	Term
Agribusiness	$1,871,260

Loan modified in 2023 has not defaulted.

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
Agribusiness	$ 89,143	$ 1,871,260	$ -

	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
Production and intermediate-term	$ 117,921	$ -	$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and 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	$ 1,559,017	$ 1,563,937

* 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.

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

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

	Loans Modified as TDRs	TDRs in Nonaccrual Status*
	December 31, 2022	December 31, 2022
Troubled debt restructurings:		
Real estate mortgage	$ 5,190,834	$ 822,994
Production and intermediate-term	1,137,127	-
Total	$ 6,327,961	$ 822,994

* represents the portion of loans modified as TDRs that are in nonaccrual status

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	Agri-business	Communi-cations	Energy/ Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:								
Balance at December 31, 2023	$ 8,125,651	$ 218,034	$ 176,780	$ 4,764	$ 17,694	$ 248,319	$ 5,321	$ 8,796,563
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	28,045	-	-	-	-	-	-	28,045
Provision for credit losses (credit loss reversal)	(1,739,536)	1,019,867	1,934,345	21,541	8,363	32,184	(1,229)	1,275,535
Balance at December 31, 2024	**$ 6,414,160**	**$ 1,237,901**	**$ 2,111,125**	**$ 26,305**	**$ 26,057**	**$ 280,503**	**$ 4,092**	**$ 10,100,143**
Allowance for Credit Losses on Unfunded Commitments:								
Balance at December 31, 2023	$ 5,911	$ 27,869	$ 13,750	$ -	$ 1,021	$ 886	$ 3,467	$ 52,904
Provision for credit losses (credit loss reversal)	4,922	5,412	5,373	1,835	8,189	214	(1,196)	24,749
Balance at December 31, 2024	**$ 10,833**	**$ 33,281**	**$ 19,123**	**$ 1,835**	**$ 9,210**	**$ 1,100**	**$ 2,271**	**$ 77,653**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy / Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:								
Balance at December 31, 2022	$ 7,744,133	$ 443,269	$ 130,793	$ -	$ 7,173	$ 84,321	$ 2,664	$ 8,412,353
Cumulative effect of a change in accounting principle	(570,293)	337,591	108,787	-	5,909	174,622	4,520	$ 61,136
Balance at January 1, 2023	7,173,840	780,860	239,580	-	13,082	258,943	7,184	8,473,489
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	29,860	-	-	-	-	-	-	29,860
Provision for loan losses (loan loss reversal)	921,951	(562,826)	(62,800)	4,764	4,612	(10,624)	(1,863)	293,214
Balance at December 31, 2023	**$ 8,125,651**	**$ 218,034**	**$ 176,780**	**$ 4,764**	**$ 17,694**	**$ 248,319**	**$ 5,321**	**$ 8,796,563**
Allowance for Credit Losses on Unfunded Commitments:								
Balance at December 31, 2022	$ 8,643	$ 67,822	$ 23,380	$ -	$ -	$ 117	$ 2,451	$ 102,413
Cumulative effect of a change in accounting principle	(2,330)	(50,674)	(6,493)	-	-	8	522	(58,967)
Balance at January 1, 2023	6,313	17,148	16,887	-	-	125	2,973	43,446
Provision for unfunded commitments	(402)	10,721	(3,137)	-	1,021	761	494	9,458
Balance at December 31, 2023	**$ 5,911**	**$ 27,869**	**$ 13,750**	**$ -**	**$ 1,021**	**$ 886**	**$ 3,467**	**$ 52,904**

The allowance for credit losses as of December 31, 2024 was $10.1 million, reflecting an increase of $1.3 million from December 31, 2023. The increase was driven by the addition of a large credit to specific reserves partially offset by a reduction in the qualitative reserve for collateral-based loans with a high risk rating (11).

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	Agri-business	Energy and Water / Waste-water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:							
Balance at December 31, 2021	$8,000,301	$ 617,395	$104,326	$ 7,692	$ 73,156	$ 1,256	$ 8,804,126
Charge-offs	-	(165,832)	-	-	-	-	(165,832)
Recoveries	34,591	677	-	-	-	-	35,268
Provision for loan losses	(283,392)	(11,348)	23,058	(1,302)	10,227	2,843	(259,914)
Other	(7,367)	2,377	3,409	783	938	(1,435)	(1,295)
Balance at December31, 2022	$7,744,133	$ 443,269	$130,793	$ 7,173	$ 84,321	$ 2,664	$ 8,412,353

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank 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 Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 4.3 percent, 4.5 percent and 4.5 percent of the issued stock of the Bank as of December 31, 2024, 2023 and 2022. As of those dates, the Bank'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 Bank's earnings were $222.0 million, $199.9 million and $269.9 million during 2024, 2023 and 2022.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2024	2023	2022
Land and improvements	**$ 1,500,108**	$ 1,500,108	$ 1,500,108
Building and improvements	**4,783,856**	4,761,398	4,750,998
Furniture and equipment	**768,903**	767,523	734,325
Computer equipment and software	**522,212**	479,752	439,121
Automobiles	**2,182,315**	2,039,711	1,900,980
Construction in progress	**418**	67,980	39,866
	9,757,812	9,616,472	9,365,398
Accumulated depreciation	**(3,146,493)**	(2,952,333)	(2,813,761)
Total	**$ 6,611,319**	$ 6,664,139	$ 6,551,637

The Association owns its office space in Montgomery (Branch), Dothan, Enterprise, Opelika, Monroeville, and Spanish Fort. The Association leases office space in Montgomery (Administration), Demopolis, Selma, and Tuscaloosa, all in Alabama. Lease expenses were $347,986, $329,965 and $286,506 for 2024, 2023 and 2022, respectively. Minimum annual lease payments for the next four years are as follows:

	Year ended December 31,
2025	$ 351,713
2026	330,982
2027	117,901
2028	30,381
Total lease payments	$ 830,977

NOTE 6 — OTHER PROPERTY OWNED, NET:

The Association did not have any other property owned for the years ended December 31, 2024, 2023 and 2022.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2024	2023	2022
Captive insurance savings	**$ 515,659**	$ 548,858	$ 558,050
Right to use asset	**682,819**	912,868	1,048,265
Other assets	**505,253**	298,412	313,976
Total	**$ 1,703,731**	$ 1,760,138	$ 1,920,291

Other liabilities comprised the following at December 31:

	2024	2023	2022
Accumulated postretirement benefit obligation	**$ 2,613,183**	$ 2,669,614	$ 2,533,599
Accrued incentive bonus and related benefits	**2,290,492**	1,706,391	2,073,120
FCS insurance premiums payable	**1,063,320**	1,862,189	2,002,311
Lease liability	**682,819**	912,868	1,048,265
Other liabilites	**2,032,204**	1,375,326	1,623,245
Total	**$ 8,682,018**	$ 8,526,388	$ 9,280,540

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank 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 general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2024, 2023 and 2022, was $1,171,471,511 at 3.87 percent, $1,127,940,073 at 3.66 percent and $1,081,493,220 at 2.86 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank 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 Bank as of December 31, 2024, was $1,405,000,000, as defined by the general financing agreement.

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 general financing agreement 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 general financing agreement.

NOTE 9 — MEMBERS' EQUITY:

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

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

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 or participation certificate is equal to 2 percent of the aggregate of all the borrower's loans, up to a maximum amount of $1,000. If needed to meet regulatory capital adequacy requirements, the maximum amount to which the board of directors may increase the stock requirement is 5 percent of the individual loan amounts.

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.

The Association's bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2024, the Association exceeded the prescribed standards. Further, neither management nor the board of directors anticipates any significant changes in capital that would affect the normal retirement of stock.

Each owner of Class B capital stock (for farm loans) is entitled to a single vote, while participation certificates (for rural home and farm-related business loans) provide no voting rights to their owners.

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

	2024	2023	2022
Class B stock	**793,019**	772,715	779,582
Participation certificates	**123,062**	120,728	117,373
Total	**916,081**	893,443	896,955

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B stock to Class C stock. Class C 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. Ownership of Class C stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2024, 2023 and 2022, the Association had no Class C capital stock.

Class P stock may be issued only for allocated surplus distributions, stock dividends, and patronage distributions to borrowers eligible to hold Class B stock. Class P 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. Ownership of Class P stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class P shares is made solely at the discretion of the Association's board of directors. At December 31, 2023, 2022, and 2021, the Association had no Class P capital 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 B, Class C stock, Class P 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 Bank 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 of directors 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	Patronage	
December 2024	**March 2024**	**$**	**12,342,672**
December 2023	March 2023	$	12,118,389
December 2022	March 2022	$	13,068,058

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, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

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

	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2024
Risk-weighted:			
Common equity tier 1 ratio	4.5%	7.0%	15.5%
Tier 1 capital ratio	6.0%	8.5%	15.5%
Total capital ratio	8.0%	10.5%	16.2%
Permanent capital ratio	7.0%	7.0%	15.6%
Non-risk-weighted:			
Tier 1 leverage ratio	4.0%	5.0%	16.0%
UREE leverage ratio	1.5%	1.5%	15.7%

Risk-weighted 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, which generally have the impact of increasing risk-weighted 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-weighted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-weighted 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 7 years, allocated equities held for a minimum of 7 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, 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-weighted 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-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5% must be URE and URE equivalents), 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-weighted capital, based on 90-day average balances, were as follows at December 31, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 239,810,214	$ 239,810,214	$ 239,810,214	$ 239,810,214
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,562,373	4,562,373	4,562,373	4,562,373
Allowance for loan losses and reserve for credit losses subject to certain limitations*			10,624,881	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(23,059,588)	(23,059,588)	(23,059,588)	(23,059,588)
	$ 221,312,999	$ 221,312,999	$ 231,937,880	$ 221,312,999
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,453,027,298	$ 1,453,027,298	$ 1,453,027,298	$ 1,453,027,298
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(23,059,589)	(23,059,589)	(23,059,589)	(23,059,589)
Allowance for loan losses				(10,546,572)
	$ 1,429,967,709	$ 1,429,967,709	$ 1,429,967,709	$ 1,419,421,137

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

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

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 239,810,214	$ 239,810,214
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,562,373	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(23,059,588)	(23,059,589)
	$ 221,312,999	$ 216,750,625
Denominator:		
Total Assets	$ 1,406,249,541	$ 1,406,249,541
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(26,206,407)	(26,206,407)
	$ 1,380,043,134	$ 1,380,043,134

The Association's board of directors has established a Capital Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association's capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; 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 or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

As mentioned in Note 2, "Summary of Significant Accounting Policies," the Association is required to purchase stock in the Bank. The level of stock required is calculated annually based on the average borrowings of the Association from the Bank. The required level is currently 2 percent of the average borrowing from the previous 12 months. This stock investment in the Bank reduces the amount of Association capital available for inclusion in the Association's capital adequacy calculations.

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.

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Accumulated Other Comprehensive Income			
December 31, 2024	**Before Tax**	**Deferred Tax**	**Net of tax**
Nonpension postretirement benefits	$ 479,641	$ -	$ 479,641
December 31, 2023	Before Tax	Deferred Tax	Net of tax
Nonpension postretirement benefits	$ 358,957	$ -	$ 358,957
December 31, 2022	Before Tax	Deferred Tax	Net of tax
Nonpension postretirement benefits	$ 438,440	$ -	$ 438,440

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

	2024	2023	2022
Accumulated other comprehensive income (loss) at January 1	**$ 358,957**	$ 438,440	$ (430,075)
Actuarial gains (losses)	**140,917**	(39,870)	867,002
Amortization of prior service (credit) costs included in salaries and employee benefits	**(20,233)**	(20,233)	(20,233)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**-**	(19,380)	21,746
Other comprehensive income (loss), net of tax	**120,684**	(79,483)	868,515
Accumulated other comprehensive income at December 31	**$ 479,641**	$ 358,957	$ 438,440

NOTE 10 — INCOME TAXES:

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

	2024	2023	2022
Federal tax at statutory rate	**$ 4,514,230**	$ 4,298,246	$ 4,816,501
State tax, net	**1,397,262**	1,330,409	1,490,822
Effect of nontaxable FLCA subsidiary	**(6,238,233)**	(5,807,495)	(6,157,425)
Change in valuation allowance	**513,912**	(99,812)	(14,691)
Other	**(187,171)**	278,652	(135,207)
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

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

	2024	2023	2022
Deferred Tax Assets			
Allowance for loan losses	**$ 578,947**	$ 22,034	$ 94,541
Loss carryforwards	**977,217**	977,217	977,217
Other	**(50,058)**	(7,057)	(23,261)
Gross deferred tax assets	**1,506,106**	992,194	1,048,497
Deferred tax asset valuation allowance	**(1,506,106)**	(992,194)	(1,048,497)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded valuation allowances of $1,506,106, $992,194 and $1,141,719 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 11 — 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 (Bank 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. For the DB plan, the Association recognized pension costs of $217,392, $348,799 and $629,369 for the years ended December 31, 2024, 2023 and 2022, respectively. The Association recognized pension costs for the DC plan of $291,470, $353,446 and $666,633 for the years ended December 31, 2024, 2023 and 2022, respectively.

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 Restored Employer and Elective Deferrals programs of the Supplemental 401(k) Plan. For the Restored Employer Contributions program, the Association contributed $16,635, $21,119 and $21,920 for 2024, 2023, and 2022, respectively. To date, no employees have made contributions to the Elective Deferrals program. There were no payments made from the Supplemental 401(k) Plan to active employees during 2023, 2022 and 2021.

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 Farm Credit Bank of Texas. 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	**$ 217,392**	$ 348,799	$ 629,369
Percentage of Association's contribution to total	**5.9** %	5.4 %	6.0 %

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 75.7 percent, 73.3 percent and 70.9 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 multi-employer and, consequently, the liability for these benefits is included in other liabilities. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost-sharing basis, predicated on length of employment service. Employees hired before this date who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

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	**$ 2,669,614**	$ 2,533,599	$ 3,297,898
Service cost	**34,809**	42,006	69,805
Interest cost	**144,384**	129,647	102,857
Plan participants' contributions	**50,394**	47,682	46,549
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**(150,750)**	39,870	(867,002)
Benefits paid	**(135,268)**	(123,190)	(116,508)
Accumulated postretirement benefit obligation, end of year	**$ 2,613,183**	$ 2,669,614	$ 2,533,599
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**84,874**	75,508	69,959
Plan participants' contributions	**50,394**	47,682	46,549
Benefits paid	**(135,268)**	(123,190)	(116,508)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (2,613,183)**	$ (2,669,614)	$ (2,533,599)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (2,613,183)**	$ (2,669,614)	$ (2,533,599)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (475,394)**	$ (334,487)	$ (393,747)
Prior service cost (credit)	**(4,247)**	(24,470)	(44,693)
Net transition obligation (asset)	**-**	-	-
Total	**$ (479,641)**	$ (358,957)	$ (438,440)
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%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034/2034**	2034/2034	2031/2031

Total Cost	2024	2023	2022
Service cost	**$ 34,809**	$ 42,006	$ 69,805
Interest cost	**144,384**	129,647	102,857
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(20,223)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**(9,843)**	(19,390)	21,737
Net postretirement benefit cost	**$ 149,127**	$ 132,040	$ 174,176
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ (140,907)**	$ 39,870	$ (867,002)
Amortization of net actuarial loss (gain)	**-**	19,390	(21,737)
Prior service cost (credit)	**20,223**	20,223	20,223
Amortization of prior service cost	**-**	-	-
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ (120,684)**	$ 79,483	$ (868,516)
AOCI Amounts Expected to be Amortized Into Expense in 2025			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**(40,854)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**(4,247)**	(9,843)	(19,390)
Total	**$ (45,101)**	$ (30,066)	$ (39,613)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2023**	**12/31/2022**	**12/30/2021**
Discount rate	**5.50%**	5.20%	3.15%
Interest crediting rate			
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			
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2033/2033**	2031/2031	2030/2030

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2025	**$ 91,498**	$ -	$ -
Fiscal 2026	**109,918**	-	-
Fiscal 2027	**120,007**	-	-
Fiscal 2028	**132,649**	-	-
Fiscal 2029	**153,087**	-	-
Fiscal 2030–2034	**837,360**	-	-
Expected Contributions			
Fiscal 2025	**$ 91,498**	$ -	$ -

NOTE 12 — 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 $8,240,395, $8,382,907 and $8,460,951. During 2024, 2023 and 2022, $6,459,438, $6,095,369 and $11,793,998 of new loans were made, and repayments totaled $6,601,950, $6,173,414 and $8,635,517, 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, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled $1,500,885, $1,961,324 and $2,315,836 in 2024, 2023 and 2022, respectively.

The Association received patronage payments from the Bank totaling $4,403,498, $4,127,081 and $7,990,540 during 2024, 2023 and 2022, respectively.

NOTE 13 — 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.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024, 2023 and 2022 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:				
Assets held in nonqualified benefit trusts	**$261,836**	**$ -**	**$ -**	**$ 261,836**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$201,325	$ -	$ -	$ 201,325

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$165,430	$ -	$ -	$ 165,430

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	**$ -**	**$ -**	**$ 365,071**	**$ 365,071**

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ 356,405	$ 356,405

December 31, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$6,720,193	$6,720,193

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	**$ 11,967**	**$ 11,967**	**$ -**	**$ -**	**$ 11,967**
Net loans	**1,383,397,014**	**-**	**-**	**1,287,791,283**	**1,287,791,283**
Total Assets	**$ 1,383,408,981**	**$ 11,967**	**$ -**	**$ 1,287,791,283**	**$ 1,287,803,250**
Liabilities:					
Note payable to Bank	**$ 1,171,471,511**	**$ -**	**$ -**	**$ 1,090,984,224**	**$ 1,090,984,224**
Total Liabilities	**$ 1,171,471,511**	**$ -**	**$ -**	**$ 1,090,984,224**	**$ 1,090,984,224**

	December 31, 2023 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,995	$ 10,995	$ -	$ -	$ 10,995
Net loans	1,335,035,512	-	-	1,229,674,953	1,229,674,953
Total Assets	$ 1,335,046,507	$ 10,995	$ -	$ 1,229,674,953	$ 1,229,685,948
Liabilities:					
Note payable to Bank	$ 1,127,940,073	$ -	$ -	$ 1,039,492,001	$ 1,039,492,001
Total Liabilities	$ 1,127,940,073	$ -	$ -	$ 1,039,492,001	$ 1,039,492,001

	December 31, 2022				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,074	$ 10,074	$ -	$ -	$ 10,074
Net loans	1,277,394,969	-	-	1,146,306,254	1,146,306,254
Total Assets	$ 1,277,405,043	$ 10,074	$ -	$ 1,146,306,254	$ 1,146,316,328
Liabilities:					
Note payable to Bank	$ 1,081,493,220	$ -	$ -	$ 971,031,459	$ 971,031,459
Total Liabilities	$ 1,081,493,220	$ -	$ -	$ 971,031,459	$ 971,031,459

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

About nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

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.

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.

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 14 — 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, the Association had outstanding unfunded commitments totaling $187,032,650. Included in that total were, through participations, letters of credit of $440,248.

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 15 — 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	**$ 9,266**	**$ 8,932**	**$ 9,000**	**$ 9,308**	**$ 36,506**
(Provision for) reversal of loan losses	**(183)**	**(2,079)**	**137**	**824**	**(1,300)**
Noninterest income (expense), net	**(3,754)**	**(2,840)**	**(3,146)**	**(3,969)**	**(13,710)**
Net income	**$ 5,329**	**$ 4,013**	**$ 5,991**	**$ 6,163**	**$ 21,496**

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 8,692	$ 8,653	$ 8,924	$ 9,109	$ 35,378
(Provision for) reversal of loan losses	(251)	16	12	(80)	(303)
Noninterest income (expense), net	(3,389)	(2,810)	(4,040)	(4,369)	(14,608)
Net income	$ 5,052	$ 5,859	$ 4,896	$ 4,660	$ 20,467

	2022				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 7,900	$ 7,955	$ 8,253	$ 8,567	$ 32,675
(Provision for) reversal of loan losses	216	(41)	138	(53)	260
Noninterest income (expense), net	(2,703)	(2,772)	(2,824)	(1,700)	(9,999)
Net income	$ 5,413	$ 5,142	$ 5,567	$ 6,814	$ 22,936

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 7, 2025, which is the date the financial statements were issued or available to be issued and has determined that the following events required disclosure:

New President/Chief Executive Officer: Douglas Thiessen retired from the role of President/CEO effective December 31, 2024. Nicolas Hartley was appointed by the board of directors to succeed Mr. Thiessen effective January 1, 2025.

In January 2025, the FCBT approved a change to the Bank's capitalization policy. Through 2024, associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis. Based upon the increase in average borrowings from the Bank, the policy change required an additional $6.5 million investment by the Association.

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 is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization 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

The Alabama Ag Credit, ACA (Association) serves its 40-county territory through its main administrative and lending office at 7480 Halcyon Pointe Drive, Suite 201 Montgomery, Alabama 36117. Additionally, there are nine branch lending offices located throughout the territory. The Association owns the office buildings in Montgomery (branch), Opelika, Enterprise, Dothan, Monroeville and Spanish Fort, free of debt. The Association leases the office buildings in Montgomery (administrative), Demopolis, Selma, and Tuscaloosa.

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 9 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 8, "Note Payable to the Bank," Note 11, "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 14 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 Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) 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 Bank's 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 quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end, and the Association's annual stockholder report will be available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end. Copies of the reports can also be obtained by writing to Alabama Ag Credit, ACA, 7480 Halcyon Pointe Dr., Suite 201, Montgomery, Alabama 36117 or calling (334) 270-8687. In addition, copies of the reports can also be requested by emailing *info@alabamaagcredit.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	TIME IN POSITION
Larry H. Gibson, Jr.	Chairman	April 2010	2025	
John Carl Sanders	Vice Chairman	April 2015	2028	
Annie Dee	Director	June 2019	2025	
Richard H. Meadows	Director	July 2020	2026	
Ray Petty**	Director-Elected Director	January 2007	2025	
Mark D. Platt	Director	April 2016	2026	
Richard M. Stabler	Director-Elected Director	August 2020	2026	
Roman L. McLeod	Director-Elected Director	June 2021	2028	
Bradfield Evans	Director	June 2021	2027	
Douglas Thiessen*	President/Chief Executive Officer			18 years
Nicolas Hartley*	President/Chief Executive Officer			0 years
Chris Higbe	Sr. VP/Chief Credit Officer			13 years
Heather Smith	Sr. VP/Chief Financial Officer			3 years
Keith McKinley	Sr. VP/Chief Relationship Officer			1 year

* Douglas Thiessen retired from the Association on December 31, 2024, and Nicolas Hartley was appointed as President/Chief Executive Officer, effective January 2025.

** Ray Petty retired from the board of directors on January 31, 2025.

The Association's board of directors has two committees that allow it to operate in an effective and efficient manner. A summary of the duties and responsibilities of each committee is as follows:

- Audit Committee – The primary function is to assist the board in fulfilling its oversight responsibilities relating to the quality of financial reporting, the system of internal controls, the audit process, and the Association's process for monitoring compliance with laws and regulations and the code of conduct.
- Compensation Committee – The primary function is to assist the board in fulfilling its responsibilities with respect to matters involving the compensation of the board and the chief executive officer, to review the compensation

policies and plans for senior officers and employees and to approve the overall compensation program for senior officers.

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Larry H. Gibson, **Jr**. – Mr. Gibson resides in Aliceville, Alabama, and is president and owner of Gibson Forest Management, Inc., a forestry consulting firm established in 1994, and Gibson Timberlands, LLC, a land and timber company. He manages approximately 60,000 acres of timberland for clients in West Alabama and East Mississippi, where he provides complete forest management services, and he owns approximately 2,000 acres of timberland, where timber and wildlife are the primary commodities. Mr. Gibson is a member of the Alabama Forestry Association, the Society of American Foresters (past state chair), the Association of Consulting Foresters (past state chair), and Alabama Farmers Federation of Pickens County, having served on the boards of each organization. He currently serves as a member of the Pickens County Industrial Board (industrial development). Mr. Gibson earned a bachelor's degree in Forest Management from Mississippi State University. He is a trustee at Hebron United Methodist Church. Mr. Gibson serves as chairman of the Association's board of directors and previously served as vice chairman of the board.

John Carl Sanders – Mr. Sanders resides in Roeton, Alabama, and has been farming full time all of his adult life. He farms in partnership with his son on 1,000 acres, where the primary commodities produced are peanuts, cotton and corn. In addition, Mr. Sanders has a 100-head brood cow operation. Mr. Sanders serves as president of the Alabama Peanut Producers Association (peanut promotion), a director of the American Peanut Council (peanut promotion), a member of the Peanut Standards Board (peanut promotion), president of the Coffee County Farmers Federation (agricultural federation), and a director of the Alabama 4-H Club Foundation (resources for promotion of youth in agriculture). Mr. Sanders earned a bachelor's degree in Agricultural Science from Auburn University. Mr. Sanders serves as vice chairman of the Association's board of directors and formerly served as chairman of the board.

Annie Dee – Ms. Dee resides in Aliceville, Alabama, and has been farming all of her adult life. She is president and part owner of Dee River Ranch, a family-operated 10,000-acre farm where the principal commodities produced are corn and soybeans. In addition, Dee River Ranch has pine and hardwoods planted on part of the farm. Ms. Dee is part-owner and manager of Dee Farm, a general partnership that runs the farming operations located at Dee River Ranch, and Dee Farm Equipment, LLC. The farm also engages in collaborations with several universities in irrigation research projects, and crop variety and fungicide trials. In addition to her work on the farm, Ms. Dee's affiliations and board service include the Alabama Soybean and Corn Association (agricultural commodity promotion), the Pickens County Farmers Federation (agricultural federation), the West Alabama Food Bank (storing and distributing food for hunger relief), the Advisory Board for the Soybean Innovation Lab administered through University of Illinois, and the USDA Cover Crop Advisory Board. Ms. Dee is a Soil Health Partner for the National Association of Conservation Districts and also serves as a lead farmer for the Farm Journal Foundation. In addition, she serves on the NRCS State Advisory Board, the Simplot Grower Solutions Grower Council, and the Agriculture Advisory Council of the Birmingham branch of the Federal Reserve Bank of Atlanta. Formerly, Ms. Dee was a member of Pickens County Cattlewomen (past president), New Era Arts Club (past president), and Corpus Christi Parish Council (past president). She also served on the advisory committee for Auburn University Forestry Department and Auburn University Integrated Pest Management. Additionally, she served on the boards of the United Soybean Board and the Alabama Soybean Producers and has worked with the Howard G. Buffett Foundation on "Invest an Acre" and "Harvesting the Potential" programs. Ms. Dee earned a bachelor's degree in Animal Industries from Clemson University, attends Corpus Christi Church, and serves as the chair of the Association's compensation committee.

Richard H. Meadows – Mr. Meadows resides in Columbia, Alabama, with his wife, Kathy, and they have three sons. He has been involved in the farming business most of his life. Mr. Meadows is an area sales manager for WB Fleming Mineral Company, where he has worked for 18 years. The company is a producer of livestock minerals and is based in Tifton, Georgia, with Mr. Meadows' sales territory covering central and south Alabama and the Florida panhandle. Mr. Meadows is a partner with his brother and other family members in Meadows Creek Farm, LLC, a cattle operation partnership formed in 1985 and based in Houston County, Alabama, focusing on seedstock production of Charolais, Angus and SimAngus cattle. He also raises commercial cattle and market feeder calves through SAFE feeder calf sale. Meadows Creek Farm also grows corn silage, grain sorghum and small grains for cattle feed. Mr. Meadows is past president and current board member of Houston County Cattlemen's Association (treasurer) and Alabama Charolais Association. He is also a past president and now treasurer of Alabama Cattlemen's Association (cattle promotion). Mr. Meadows earned a Bachelor of Science degree in Animal and Dairy Science from Auburn University and a Master of Business Administration degree with concentration in Agricultural Economics from Auburn University. Mr. Meadows is a deacon at Watermark Church in Ashford, Alabama.

Ray Petty – Mr. Petty resides in Birmingham, Alabama, and serves on the Montgomery Advisory Board for an independent commercial bank, ServisFirst Bank, based in Birmingham, Alabama. Mr. Petty was serving on the board of directors of ServisFirst at the time of his appointment as chief development officer in July 2008, a position he held until 2019. Previously, Mr. Petty was retired after a 34-year career in commercial banking with SouthTrust Bank. Mr. Petty served for 27 years in Montgomery, the last 20 as the Montgomery area president. During the last nine years of his Montgomery tenure, Mr. Petty also served as South Alabama/Mississippi regional president. In addition, he taught commercial lending for 15 years at University of South Alabama's banking school. Mr. Petty earned a bachelor's degree in history from Auburn University. He previously served as the chair of the compensation committee. Mr. Petty retired from the board on January 31, 2025.

Mark D. Platt – Mr. Platt resides in Fruitdale, Alabama, and has been farming full time for the past 24 years. He is co-owner of Platt Farms, a Washington County-based operation that includes 950 acres where principal commodities produced are poultry, soybeans, hay, peanuts, feed grains, cattle and timber. Mr. Platt serves on the boards of Washington County Soil and Water Conservation District (soil and water conservation), Washington County Farmers Federation (agricultural federation) and the Clark-Washington Farm Service Agency (USDA programs). Mr. Platt is a member of Alabama Farmers Federation, Alabama Cattlemen's Association, and Alabama Peanut Producers Association. Mr. Platt attended Alabama Southern, where he earned an associate degree in Industrial and Business Technology.

Richard M. Stabler – Mr. Stabler resides in Fairhope, Alabama, and is a retired CPA. Mr. Stabler has over 42 years of experience in public accounting and is retired from service as a member/partner with the accounting firm Warren Averett, LLC. He served on the firm's Executive Committee and was chair of the firm's Office Managing Member Council for nine years and served as the office managing member of the Montgomery office of the firm for 10 years. Mr. Stabler also serves on the board of directors of Montgomery-based Broughton, Inc, a company specializing in packaging of beverage, retail syrup and other food products, and on the board of CDG Inc., a southeast regional engineering and consulting firm based in Andalusia. Mr. Stabler also serves on the board of Leadership Alabama, an Alabama-focused leaders educational organization, and the Alabama Shakespeare Festival, a Montgomery-based nonprofit organization that provides a variety of theatrical performances and educational and community programs. Mr. Stabler earned a bachelor's degree in accounting from Troy University and serves as the chairman of the Association's audit committee.

Roman L. McLeod – Mr. McLeod resides in Pike Road, Alabama, and has 26 years of experience in the financial industry. He currently serves as the director of the Office of Cash Management at Auburn University, a position he has held for 10 years. Previously he served in leadership positions with the State of Alabama, Office of State Treasurer for 11 years. Mr. McLeod has also served in various roles in commercial banking for six years. He is a certified public manager and is a graduate of Leadership Montgomery. Mr. McLeod earned a Bachelor of Science degree in Business at the University of North Alabama. Mr. McLeod also serves on the board of trustees for Beulah Baptist Church.

Bradfield Evans – Mr. Evans resides in Hope Hull, Alabama, and has been raising cattle since 2010 and doing so full time for the past 10 years. He and his family operate CK Cattle, a Lowndes County-based farming operation that encompasses 3,100 acres of owned and leased pastureland. The cattle operation includes a base herd of approximately 700 registered Angus, Chiangus and SimAngus cows. The farm markets over 250 bulls each year. They also grow 200 acres of corn silage and 400 acres of Bermuda hay. Mr. Evans is the immediate past president of the Lowndes County Cattlemen's Association (beef promotion), chairman of the Dallas/Lowndes FSA County Committee (USDA programs), and he also serves on the board of the Alabama Farmers Federation for Lowndes County (agricultural federation). Mr. Evans formerly served as state chair of Alabama Cattlemen's Association Young Cattlemen's Leadership Program Council (developing leadership qualities in young farmers) and has participated as Alabama's delegate to NCBA's Young Cattlemen's Conference (2018). Mr. Evans is chairman of the deacons at Hayneville Baptist Church and teaches a third- through sixth-grade boys Sunday school class.

Douglas Thiessen, President/Chief Executive Officer – Mr. Thiessen has been with the Association since February 2007. Prior to joining the Association, Mr. Thiessen served for four years as Senior Vice President/Chief Financial Officer of First Ag Credit, FCS, based in Lubbock, Texas. In addition, he held various financial positions with computer manufacturer Dell Computer and the Farm Credit Bank of Texas, and also served as a commissioned examiner with the Farm Credit Administration. He has a total of 26 years of service within the Farm Credit System. Mr. Thiessen serves as president of the board of the Alabama Future Farmers of America Foundation (youth in agriculture) and is a director on the board of the Alabama Future Farmers of America Association (youth in agriculture). Mr. Thiessen also serve on the boards of the Alabama Poultry and Egg Association (poultry promotion) and Goodwill Industries of Central Alabama Inc. (nonprofit charity). Additionally, he serves on the steering committee of the Montgomery Area Chamber Chamber of Commerce's Wright Flyers (military support). He was previously a member of the Presidents Planning Committee for the Farm Credit System and the AgFirst/FCBT Plan Fiduciary Committee, and served on the Montgomery Chamber's board (industrial development). Mr. Thiessen is a graduate of the LSU Graduate School of Banking, and he also has a Bachelor of Science degree in Agricultural Economics from Texas Tech University and an executive Master of Business Administration degree from Troy University. Mr. Thiessen retired from his position of President/Chief Executive Officer on December 31, 2024.

Nicolas Hartley, President/Chief Executive Office – Mr. Hartley joined the Association as President/Chief Executive Officer in January 2025 upon the retirement of Douglas Thiessen. Prior to joining the Association, Mr. Hartley was Chief Lending Officer at AgGeorgia Farm Credit. Mr. Hartley holds a bachelor's degree from the University of Georgia, a Masters of Business Administration degree from Mercer University, and is a graduate of the LSU School of Banking.

Chris Higbe, Senior Vice President/Chief Credit Officer – Mr. Higbe joined the Association in May 2011 as the Association's VP-Credit, and in May 2012 was named Chief Credit Officer. Prior to joining the Association, Mr. Higbe was employed in various credit-related positions in the commercial banking industry for approximately 19 years, most recently serving for two years as credit manager of a de-novo bank in Prattville, Alabama. Mr. Higbe serves on the board of the Alabama Agribusiness Council (agriculture and forestry promotion). Mr. Higbe is a graduate of Auburn University Montgomery with a Bachelor of Science degree in General Business and a Bachelor of Science degree in accounting.

Heather Smith, Senior Vice President/Chief Financial Officer – Ms. Smith joined the Association in January 2022 as the Chief Financial Officer. Previously she served as Vice President/Controller for another Farm Credit association for eight years, and before that held various positions in public accounting, government and private businesses. Altogether, Ms. Smith has 27 years of accounting and finance experience. Ms. Smith is a graduate of Athens State University with a Bachelor of Business Administration degree in accounting.

Keith McKinley, Senior Vice President/Chief Relationship Officer – Mr. McKinley joined the Association in May of 2017. He was named Vice President/Relationship Manager for the Gulf Coast branch, effective January 2022. In January 2024, Mr. McKinley was named Sr. VP/Chief Relationship Officer. Prior to joining the Association, Mr. McKinley served in other management roles in other commercial lending institutions and has 18 years' experience in the finance industry. He is a 2004 graduate of Auburn University with a Bachelor of Arts degree in Political Science.

COMPENSATION OF DIRECTORS

The directors' compensation program includes a monthly retainer and a per-day honorarium. A retainer of $1,750 per month was paid to the board chairman and audit committee chairman, and $1,250 per month to all other directors. The honorarium rate of $500 was paid for each day served in any official capacity as an Association board member. An additional travel-related honorarium of $200 is paid to directors traveling over 100 miles but less than 200 miles to a board or committee meeting, and an additional honorarium of $400 is paid to directors traveling over 200 miles. For multi-day meetings, the increased travel honorarium applies to the first day only. In addition, if multiple meetings are held on the same day (for example, audit committee and board meeting held on the same day), the directors receive an honorarium of $150 for the additional meeting. The directors are also compensated for scheduled conference calls at the rate of $200 per day. Additionally, they are reimbursed for certain expenses incurred while representing the Association in an official capacity. There were no changes to the compensation program during 2022, 2023, or 2024.

Mileage for attending official meetings during 2024, 2023, and 2022 was paid at the IRS-approved rate prevailing at the time. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	Board Meetings	Other Official Activities	Total Compensation in 2023
Larry H. Gibson, Jr.	11	35	$ 39,950
John Carl Sanders	11	25	28,600
Annie Dee	10	24	28,750
Richard H. Meadows	11	25	29,350
Ray Petty	10	25	29,500
Mark D. Platt	12	21	29,650
Richard M. Stabler	11	24	36,850
Roman McLeod	12	29	30,750
Bradfield Evans	10	22	26,900
			$ 280,300

The aggregate compensation paid to directors in 2024, 2023 and 2022 was $280,300, $304,200 and $276,450, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2024:

	Committee	
Director	Audit	Compensation
Larry H. Gibson, Jr.	$ 1,550	$ 400
John Carl Sanders	1,400	900
Annie Dee	1,550	900
Richard H. Meadows	1,550	900
Ray Petty	1,400	900
Mark D. Platt	1,550	700
Richard M. Stabler	1,350	700
Roman McLeod	1,550	900
Bradfield Evans	1,400	900
	$ 13,300	**$ 7,200**

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $105,303, $143,596, and $115,988 in 2024, 2023 and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

Information regarding senior officer compensation is included in the Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at the Association offices pursuant to §620.2(b).

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 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in §620.6(f) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees paid during 2024 for professional services rendered for the Association by PwC were $119,556 for audit services, $12,500 for tax return preparation services and $2,000 for an automated disclosure checklist license. No other services were performed by PwC during the reporting period. All audit and non-audit services performed by PwC during the reporting period were approved by the audit committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has formed an unincorporated business entity for the purpose of acquiring and managing unusual or complex collateral associated with loans. The entity is a single-member limited liability company (LLC), with the Association being the sole member. SA Alabama Properties III, LLC was organized for the purpose of holding and managing a foreclosed property. This entity will be dissolved in early 2025.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PwC dated March 7, 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 committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: Ten years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $350,000 in annual gross sales of agricultural products

The 2017 USDA Census of Agriculture for Alabama (Census) indicates that in the Association's territory, 4.9 percent of farm operators are "young," 28.4 percent are "beginning" and 92.5 percent of the farms are "small."

Slight differences noted between the Census and our YBS information are as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm in a class up to nine years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- USDA data is based on the number of farms, whereas the Association's data is based on the number of loans.

The Association's YBS loans, as a percentage of total loans outstanding on December 31, are reflected in the table below for the past three years.

	Young	Beginning	Small
2022	17.28 percent	55.36 percent	73.03 percent
2023	17.55 percent	56.38 percent	73.35 percent
2024	18.52 percent	52.59 percent	66.48 percent

The Association's goals over the succeeding three-year period are to reach the percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	Beginning	Small
2025	18.75 percent	53.00 percent	66.75 percent
2026	19.25 percent	53.50 percent	67.00 percent
2027	19.75 percent	54.00 percent	67.25 percent

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

	At December 31, 2024			
	Loan Counts	**Loan Volume**	**Percentage of Total Loan Counts**	**Percentage of Total Loan Volume**
Young only	**46**	**$ 16,016,387**	**0.8%**	**1.4%**
Young & beginning	**108**	**45,855,471**	**2.0%**	**3.9%**
Young & small	**70**	**14,644,643**	**1.3%**	**1.3%**
Beginning only	**122**	**68,036,498**	**2.2%**	**5.8%**
Beginning & small	**2,485**	**444,793,673**	**45.0%**	**38.1%**
Small only	**1,238**	**216,471,356**	**22.4%**	**18.6%**
Young, beginning & small (YBS)	**932**	**103,583,886**	**16.9%**	**8.9%**
Non-YBS	**520**	**256,904,714**	**9.4%**	**22.0%**
Total	**5,521**	**$ 1,166,306,628**	**100.0%**	**100.0%**

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

	At December 31, 2024			
	Loan Counts	**Loan Volume**	**Percentage of Total Loan Counts**	**Percentage of Total Loan Volume**
Young only	**8**	**$ 1,920,169**	**0.1%**	**0.2%**
Young & beginning	**20**	**9,204,730**	**0.4%**	**0.8%**
Young & small	**7**	**396,154**	**0.1%**	**0.0%**
Beginning only	**19**	**7,530,390**	**0.3%**	**0.6%**
Beginning & small	**322**	**68,565,927**	**5.8%**	**5.9%**
Small only	**169**	**72,658,624**	**3.1%**	**6.2%**
Young, beginning & small (YBS)	**143**	**20,589,476**	**2.6%**	**1.8%**
Non-YBS	**110**	**152,880,822**	**2.0%**	**13.1%**
Total	**798**	**$ 333,746,292**	**14.5%**	**28.6%**

The Association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.

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