ALABAMA AG CREDIT, ACA

2025
Quarterly Report

ALABAMA
AG CREDIT
LAND & FARM LENDERS

For the Quarter Ended March 31, 2025

REPORT OF MANAGEMENT

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

/s/ Nicolas Hartley	/s/ Larry H. Gibson, Jr.
Nicolas Hartley, Chief Executive Officer	Larry H. Gibson, Jr., Chairman, Board of Directors
May 8, 2025	*May 8, 2025*
/s/ Heather Smith	/s/ Richard M. Stabler
Heather Smith, Sr. VP/Chief Financial Officer	Richard M. Stabler, CPA, retired, Chairman, Audit Committee
May 8, 2025	*May 8, 2025*

First Quarter 2025 Financial Report

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ALABAMA AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Alabama Ag Credit, ACA, referred to as the Association, for the quarter ended March 31, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

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 Nicolas 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 that was contributed on March 1, 2025.

Loan Portfolio

Total loans outstanding at March 31, 2025, including nonaccrual loans and sales contracts, were $1,455,243,077 compared to $1,393,862,228 at December 31, 2024, reflecting an increase of 4.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.3 percent at March 31, 2025, compared to 0.3 percent at December 31, 2024.

The Association recorded no charge offs and $1,069 in recoveries for the quarter ended March 31, 2025, no charge offs and $24,665 in recoveries for the same period in 2024. The Association's allowance for loan losses was 0.7 percent and 0.7 percent of total loans outstanding as of March 31, 2025, and December 31, 2024, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	March 31, 2025		December 31, 2024	
	Amount	**%**	**Amount**	**%**
Nonaccrual	$ 4,687,935	95.0%	$ 4,837,342	99.6%
90 days past due and still accruing interest	240,387	5.0%	21,250	0.4%
Total	**$ 4,928,322**	**100.0%**	**$ 4,858,592**	**100.0%**

Results of Operations

The Association had net income of $5,986,631 for the three months ended March 31, 2025, as compared to net income of $5,328,963 for the same period in 2024, reflecting an increase of 12.3 percent. Net interest income was $9,629,688 for the three months ended March 31, 2025, compared to $9,265,509 for the same period in 2024.

	Three Months Ended			
	March 31, 2025		March 31, 2024	
	Average Balance	**Interest**	**Average Balance**	**Interest**
Loans	**$ 1,416,300,178**	**$ 21,257,010**	$ 1,346,851,708	$ 19,649,851
Interest-bearing liabilities	**1,193,881,496**	**11,627,322**	1,130,501,990	10,384,342
Impact of capital	**$ 222,418,682**		$ 216,349,718	
Net interest income		**$ 9,629,688**		$ 9,265,509

	2025 Average Yield	2024 Average Yield
Yield on loans	**6.1%**	5.9%
Cost of interest-bearing liabilities	**3.9%**	3.7%
Interest rate spread	**2.1%**	2.2%
Net interest income as a percentage of average earning assets	**2.8%**	2.8%

	Three Months Ended March 31, 2025 vs. March 31, 2024		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,005,069**	**$ 602,090**	**$ 1,607,159**
Interest expense	**577,354**	**665,626**	**1,242,980**
Net interest income	**$ 427,715**	**$ (63,536)**	**$ 364,179**

Interest income for the three months ended March 31, 2025, increased by $1,607,159, or 8.2 percent, from the same period of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three months ended March 31, 2025, increased by $1,242,980, 5.6 percent, from the same period of 2024 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the first quarter of 2025 was $1,416,300,178, compared to $1,346,851,708 in the first quarter of 2024. The average net interest rate spread on the loan portfolio for the first quarter of 2025 was 2.1 percent, compared to 2.2 percent in the first quarter of 2024.

Noninterest expenses for the three months ended March 31, 2025, increased by $278,857, or 5.7 percent, as compared to the same period in 2024. The increase is primarily due to increased salaries and benefits, directors expense and purchases services offset by a decrease in occupancy and equipment expense and public and member relations. Salaries increased with annual increases and additional staff. Directors expense increased primarily due to one additional meeting in the current year compared to the prior year. Purchased services increased primarily due to the timing of expenses incurred. Occupancy and equipment decreased primarily due to computer and software licenses that were incurred in the previous year but not in the current year due to timing of payments. Public and member relations decreased primarily due to the timing of events compared to prior year.

The Association's return on average assets for the three months ended March 31, 2025, was 1.7 percent compared to 1.6 percent for the same period in 2024. The Association's return on average equity for the three months ended March 31, 2025, was 10.1 percent, compared to 9.2 percent for the same period in 2024.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2025	December 31, 2024
Note payable to the Bank	$ 1,239,833,610	$ 1,171,471,511
Accrued interest on note payable	4,080,657	3,704,360
Total	**$ 1,243,914,267**	$ 1,175,175,871

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,239,833,610 as of March 31, 2025, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.97 percent at March 31, 2025. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $216,066,640 at March 31, 2025. The maximum amount the Association may borrow from the Bank as of March 31, 2025, was $1,405,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the 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 Association is required to maintain an investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the Association was 2.00 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Association increased to 2.50 percent of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase investment in the Bank of $6,472,480 in March 2025.

Capital Resources

The Association's capital position increased by $6,003,982 at March 31, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 5.0:1 as of March 31, 2025, compared to 5.0:1 as of December 31, 2024.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2025, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly 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.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2024 Annual Report of Association more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the 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, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Alabama Ag Credit, ACA, 7480 Halcyon Pointe Drive, Ste 201, Montgomery, AL 36117 or calling (334)270-8687. The quarterly stockholder reports will be available on the Association's website at www.AlabamaAgCredit.com approximately 40 days after quarter end. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing info@AlabamaAgCredit.com. The Association's annual stockholder report is 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.

Alabama Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	March 31, 2025 (unaudited)	December 31, 2024
ASSETS		
Cash	**$ 12,966**	$ 11,967
Loans	**1,455,243,077**	1,393,862,228
Less: allowance for credit losses on loans	**9,971,884**	10,100,143
Net loans	**1,445,271,193**	1,383,762,085
Accrued interest receivable	**13,712,974**	13,467,459
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**29,181,740**	22,709,260
Allocated equities	**909,011**	909,011
Patronage receivable	**971,460**	4,412,424
Other	**675,792**	1,816,512
Premises and equipment, net	**6,489,343**	6,611,319
Other assets	**1,790,980**	1,703,731
Total assets	**$ 1,499,015,459**	$ 1,435,403,768
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 1,239,833,610**	$ 1,171,471,511
Accrued interest payable	**4,080,657**	3,704,360
Drafts outstanding	**121,250**	514,463
Patronage distributions payable	**481,076**	12,349,651
Other liabilities	**9,813,119**	8,682,018
Total liabilities	**1,254,329,712**	1,196,722,003
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,609,030**	4,580,405
Unallocated retained earnings	**239,608,350**	233,621,719
Accumulated other comprehensive income	**468,367**	479,641
Total members' equity	**244,685,747**	238,681,765
Total liabilities and members' equity	**$ 1,499,015,459**	$ 1,435,403,768

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

Alabama Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31,	
	2025	2024
INTEREST INCOME		
Loans	**$ 21,257,010**	$ 19,649,851
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**11,627,322**	10,384,342
Net interest income	**9,629,688**	9,265,509
(REVERSAL OF) PROVISION FOR LOAN LOSSES	**(139,901)**	182,547
Net interest income after (reversal of) provision for credit losses on loans	**9,769,589**	9,082,962
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**971,591**	981,296
Loan fees	**109,198**	83,909
Gain on sale of premises and equipment, net	**2,578**	15,123
Other noninterest income	**327,576**	80,717
Total noninterest income	**1,410,943**	1,161,045
NONINTEREST EXPENSES		
Salaries and employee benefits	**3,167,022**	2,857,025
Directors' expense	**106,696**	72,362
Purchased services	**163,945**	132,215
Travel	**186,389**	176,623
Occupancy and equipment	**443,348**	547,292
Communications	**72,972**	72,881
Advertising	**83,674**	88,943
Public and member relations	**122,895**	156,791
Supervisory and exam expense	**123,561**	118,607
Business insurance expense	**271,488**	276,395
Insurance fund premiums	**270,469**	263,045
Other components of net periodic postretirement benefit cost	**23,072**	28,579
Other noninterest expense	**158,370**	124,286
Total noninterest expenses	**5,193,901**	4,915,044
NET INCOME	**5,986,631**	5,328,963
Other comprehensive income:		
Change in postretirement benefit plans	**(11,274)**	(7,516)
COMPREHENSIVE INCOME	**$ 5,975,357**	$ 5,321,447

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

Alabama Ag Credit, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	$ 4,467,215	$ 224,465,834	$ 358,957	$ 229,292,006
Net income	-	5,328,963	-	5,328,963
Other comprehensive income	-	-	(7,516)	(7,516)
Capital stock/participation certificates issued	141,560	-	-	141,560
Capital stock/participation certificates retired	(114,470)	-	-	(114,470)
Balance at March 31, 2024	$ 4,494,305	$ 229,794,797	$ 351,441	$ 234,640,543
Balance at December 31, 2024	**$ 4,580,405**	**$ 233,621,719**	**$ 479,641**	**$ 238,681,765**
Net income	**-**	**5,986,631**	**-**	**5,986,631**
Other comprehensive income	**-**	**-**	**(11,274)**	**(11,274)**
Capital stock/participation certificates issued	**178,000**	**-**	**-**	**178,000**
Capital stock/participation certificates retired	**(149,375)**	**-**	**-**	**(149,375)**
Balance at March 31, 2025	**$ 4,609,030**	**$ 239,608,350**	**$ 468,367**	**$ 244,685,747**

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

Unaudited

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as 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. The Association serves 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 (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Stockholders.

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

Recently Adopted or Issued Accounting Pronouncements

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.

NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans follows:

Loan Type	March 31, 2025 Amount	December 31, 2024 Amount
Production agriculture:		
Real estate mortgage	**$ 1,030,360,717**	$ 1,000,832,985
Production and intermediate-term	**172,043,436**	155,858,822
Agribusiness:		
Loans to cooperatives	**9,299,552**	8,902,927
Processing and marketing	**111,236,016**	97,992,108
Farm-related business	**23,777,269**	21,787,590
Communication	**11,985,279**	12,014,400
Energy	**14,292,379**	13,409,807
Water and waste-water	**13,253,808**	13,359,815
Rural residential real estate	**61,128,816**	61,269,467
Agricultural export finance	**7,865,805**	8,434,307
Total	**$ 1,455,243,077**	**$ 1,393,862,228**

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at March 31, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,165,689	$ 84,501,848	$ -	$ -	$ 11,165,689	$ 84,501,848
Production and intermediate-term	32,968,643	5,250,844	-	-	32,968,643	5,250,844
Agribusiness	108,955,039	69,817,990	-	-	108,955,039	69,817,990
Communication	11,985,279	-	-	-	11,985,279	-
Energy	14,292,379	-	-	-	14,292,379	-
Water and waste-water	13,253,808	-	-	-	13,253,808	-
Agricultural export finance	7,865,805	-	-	-	7,865,805	-
Total	$ 200,486,642	$ 159,570,682	$ -	$ -	$ 200,486,642	$ 159,570,682

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $10,967,901 and $10,174,533 at March 31, 2025, and December 31, 2024, respectively.

Credit Quality

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

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association 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 the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Real estate mortgage		
Acceptable	**98.3** %	98.3 %
OAEM	**0.9**	1.0
Substandard/doubtful	**0.8**	0.7
	100.0	100.0
Production and intermediate-term		
Acceptable	**96.89**	98.7
OAEM	**2.08**	1.2
Substandard/doubtful	**1.03**	0.1
	100.0	100.0
Agribusiness		
Acceptable	**93.2**	92.1
OAEM	**5.6**	6.4
Substandard/doubtful	**1.2**	1.5
	100.0	100.0
Energy and water/waste-water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.9**	99.3
OAEM	**0.1**	0.3
Substandard/doubtful	**0.0**	0.4
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**97.8**	97.9
OAEM	**1.4**	1.1
Substandard/doubtful	**0.8**	1.0
	100.0 %	100.0 %

Accrued interest receivable on loans of $13,837,960 and $13,530,173 at March 31, 2025 and December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association did not write off accrued interest receivable during the three months ended March 31, 2025 and 2024.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics:

	March 31, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	**$ 2,897,452**	$ 2,966,082
Agribusiness	**1,790,483**	1,871,260
Total nonaccrual loans	**4,687,935**	4,837,342
Accruing loans 90 days or more past due:		
Real estate mortgage	**110,887**	-
Production and intermediate-term	**129,500**	21,250
Total accruing loans 90 days or more past due	**240,387**	21,250
Total nonperforming assets	**$ 4,928,322**	$ 4,858,592
Nonaccrual loans as a percentage of total loans	**0.3%**	0.3%
Nonperforming assets as a percentage of total loans and other property owned	**0.3%**	0.3%
Nonperforming assets as a percentage of capital	**2.0%**	2.0%

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

	March 31, 2025			Interest Income Recognized
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended March 31, 2025**
Nonaccrual loans:				
Real estate mortgage	**$ 474,447**	**$ 2,423,005**	**$ 2,897,452**	**$ 78,829**
Agribusiness	**1,790,483**	**-**	**1,790,483**	**-**
Total nonaccrual loans	**$ 2,264,930**	**$ 2,423,005**	**$ 4,687,935**	**$ 78,829**

	December 31, 2024			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended March 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ 474,447	$ 2,491,635	$ 2,966,082	$ 224,125
Agribusiness	1,871,260	-	1,871,260	-
Total nonaccrual loans	$ 2,345,707	$ 2,491,635	$ 4,837,342	$ 224,125

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

March 31, 2025	**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	**$ 12,395,311**	**$ 2,374,082**	**$ 14,769,393**	**$ 1,015,591,325**	**$ 1,030,360,718**	**$ 110,887**
Production and intermediate term	**252,406**	**129,500**	**381,906**	**171,661,530**	**172,043,436**	**129,500**
Loans to cooperatives	**-**	**-**	**-**	**9,299,552**	**9,299,552**	**-**
Processing and marketing	**-**	**-**	**-**	**111,236,016**	**111,236,016**	**-**
Farm-related business	**-**	**1,790,483**	**1,790,483**	**21,986,786**	**23,777,269**	**-**
Communication	**-**	**-**	**-**	**11,985,279**	**11,985,279**	**-**
Energy	**-**	**-**	**-**	**14,292,379**	**14,292,379**	**-**
Water and waste-water	**-**	**-**	**-**	**13,253,808**	**13,253,808**	**-**
Rural residential real estate	**195,217**	**-**	**195,217**	**60,933,598**	**61,128,815**	**-**
Agricultural export finance	**-**	**-**	**-**	**7,865,805**	**7,865,805**	**-**
Total	**$ 12,842,934**	**$ 4,294,065**	**$ 17,136,999**	**$ 1,438,106,078**	**$ 1,455,243,077**	**$ 240,387**

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

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 real estate mortgage and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted is a required disclosure. In the three months ended March 31, 2025 and 2024, the Association did not have any loan modifications related to interest rate reduction, term extension, principal forgiveness, or payment deferral. Accordingly, there were no amounts for accrued interest receivable related to loan modifications for the three months ended March 31, 2025 and 2024.

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

March 31, 2025

	Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Agribusiness	-	-	**1,790,483**

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

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 115,376	-	-

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2025 and during the year ended December 2024.

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% of the Association's lending and leasing limit base but the Association's boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
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**
Charge-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recoveries	**1,069**	**-**	**-**	**-**	**-**	**-**	**-**	**1,069**
Provision for credit losses (credit loss reversal)	**(135,713)**	**12,161**	**7,290**	**(953)**	**(870)**	**(10,760)**	**(483)**	**(129,328)**
Balance at March 31, 2025	**$ 6,279,516**	**$ 1,250,062**	**$ 2,118,415**	**$ 25,352**	**$ 25,187**	**$ 269,743**	**$ 3,609**	**$ 9,971,884**
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	**$ 10,833**	**$ 33,281**	**$ 19,123**	**$ 1,835**	**$ 9,210**	**$ 1,100**	**$ 2,271**	**$ 77,653**
Provision for unfunded commitments	**(3,259)**	**(1,304)**	**(3,717)**	**(57)**	**(2,167)**	**373**	**(442)**	**(10,573)**
Balance at March 31, 2025	**$ 7,574**	**$ 31,977**	**$ 15,406**	**$ 1,778**	**$ 7,043**	**$ 1,473**	**$ 1,829**	**$ 67,080**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	$ 8,125,651	$ 218,033	$ 176,781	$ 4,764	$ 17,694	$ 248,319	$ 5,321	$ 8,796,563
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	24,665		-	-	-	-	-	24,665
Provision for loan losses (credit loss reversal)	(795,619)	16,357	979,639	(236)	(1,258)	(15,915)	(490)	182,479
Balance at March 31, 2024	$ 7,354,697	$ 234,390	$ 1,156,420	$ 4,528	$ 16,436	$ 232,404	$ 4,831	$ 9,003,707
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 unfunded commitments	(2,008)	(1,095)	3,482	-	(99)	(12)	(198)	70
Balance at March 31, 2024	$ 3,903	$ 26,774	$ 17,232	$ -	$ 922	$ 874	$ 3,269	$ 52,974

Discussion of Changes in Allowance for Credit Losses

The ACL decreased $128,259 to $9,971,884 at March 31, 2025, as compared to $10,100,143 at December 31, 2024. This is largely due to the reduction of specific allowances from loan payoffs or pay downs and a reduction in the qualitative adjustment.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of [number] of years. The economic scenarios utilized in the March 31, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent 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 and lease portfolios; sufficiency of liquid funds; needs of an Association'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.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of March 31, 2025
Common equity tier 1 ratio	7.00%	14.52%
Tier 1 capital ratio	8.50%	14.52%
Total capital ratio	10.50%	15.20%
Permanent capital ratio	7.00%	14.62%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.02%
UREE leverage ratio	1.50%	14.70%

Risk-adjusted:	Regulatory Minimums wih Buffer	As of March 31, 2025
Common equity tier 1 ratio	7.00%	14.52%
Tier 1 capital ratio	8.50%	14.52%
Total capital ratio	10.50%	15.20%
Permanent capital ratio	7.00%	14.62%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.02%
UREE leverage ratio	1.50%	14.70%

The details for the amounts used in the calculation of the risk-adjusted regulatory capital ratios as of March 31, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 235,863,798	$ 235,863,798	$ 235,863,798	$ 235,863,798
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,586,996	4,586,996	4,586,996	4,586,996
Allowance for loan losses and reserve for credit losses subject to certain limitations			10,142,082	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(25,703,848)	(25,703,848)	(25,703,848)	(25,703,848)
	$ 214,746,946	$ 214,746,946	$ 224,889,028	$ 214,746,946
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,505,120,103	$ 1,505,120,103	$ 1,505,120,103	$ 1,505,120,103
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(25,703,848)	(25,703,848)	(25,703,848)	(25,703,848)
Allowance for loan losses				(10,064,540)
	$ 1,479,416,255	$ 1,479,416,255	$ 1,479,416,255	$ 1,469,351,715

The details for the amounts used in the calculation of the non-risk-adjusted regulatory capital ratios as of March 31, 2025:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 235,863,798.0	$ 235,863,798.0
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,586,996	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(25,703,848)	(25,703,848)
	$ 214,746,946	$ 210,159,950
Denominator:		
Total Assets	$ 1,455,584,103	$ 1,455,584,103
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(26,201,758)	(26,201,758)
	$ 1,429,382,345	$ 1,429,382,345

The following table presents the components of capital as of:

	March 31, 2025	December 31, 2024
Capital stock and participation certificates	**$ 4,609,030**	$ 4,580,405
Accumulated other comprehensive loss	**468,367**	479,641
Retained earnings[1]	**239,608,350**	233,621,719
Total Capital	**$ 244,685,747**	$ 238,681,765

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss), net of tax component, for the three months ended March 31:

	2025	2024
Accumulated other comprehensive income (loss) at January 1	**$ 479,641**	$ 358,957
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(11,274)**	(7,516)
Accumulated other comprehensive income (loss) at March 31	**$ 468,367**	$ 351,441

NOTE 4 — INCOME TAXES:

Alabama Ag Credit, ACA, conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Alabama Ag Credit, ACA, operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Alabama Ag Credit, ACA, can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2024 Annual Report to Stockholders for a more complete description.

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

March 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in non-qualified benefits trusts	**$ 262,142**	**$ -**	**$ -**	**$ 262,142**

December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in non-qualified benefits trusts	**$ 261,836**	**$ -**	**$ -**	**$ 261,836**

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

March 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	**$ -**	**$ -**	**$ 365,071**	**$ 365,071**

December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ 365,071	$ 365,071

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to 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. The Associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 13 to the 2024 Annual Report to Stockholders, authoritative 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. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2024 Annual Report to Stockholders.

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

Other Property Owned

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: As discussed in Note 2 and Note 11 to the 2024 Annual Report to Stockholders, employees of the Association participate in either the Texas Farm Credit District's (District) defined benefit pension plan (DB Plan) or the District's defined contribution plan (DC Plan).

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and Associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January of each year and amortized into expense on a monthly basis; unamortized contributions are included in "Other Assets" in the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense, and the remaining unamortized contributions amounts as of March 31:

	2025	2024
DB Contribution	$ 232,478	$ 217,392
YTD Amortization	(58,119)	(54,348)
Unamortized Contributions	$ 174,359	$ 163,044

Association contributions to the DC Plan are expensed as incurred. For the three months ended March 31, 2025 and 2024, the Association recognized pension costs for the DC Plan of $202,628 and $165,714, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. The Association's contributions to the 401(k) plan were $120,685 and $101,121 for the three months ended March 31, 2025 and 2024, 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 the consolidated balance sheet.

The following table summarizes the components of net periodic benefit costs for other postretirement benefit costs for the three months ended March 31:

	Other Benefits	
Three months ended March 31:	**2025**	**2024**
Service cost	**$ 4,053**	$ 8,702
Interest cost	**34,348**	36,096
Amortization of prior service (credits) costs	**(1,062)**	(5,056)
Amortization of net actuarial (gain) loss	**(10,214)**	(2,461)
Net periodic benefit cost	**$ 27,125**	$ 37,281

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2025, was $2,630,506 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal 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.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 8, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 8, 2025.