



—2024—

Annual Report



FARM CREDIT
OF THE VIRGINIAS

FARM CREDIT OF THE VIRGINIAS, ACA

2024 ANNUAL REPORT

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Management

Brad Cornelius	Chief Executive Officer
Michael Almond	Chief Lending Officer
Melanie Craig.....	Chief Human Resources Officer
Pete Cypret.....	Chief Risk Officer
Melissa Driver.....	Corporate Secretary
A. Katie Frazier.....	Chief Brand Officer
Bradley Hewitt	Chief Credit Officer
Justin Weekley	Chief Financial Officer

Board of Directors

Kevin C. Craun	Chairperson
Charles E. Horn, Jr.	Vice Chairperson
Caitlin M. Bailey.....	Director
Ronald L. Bennett	Director
Donna M. Brooke-Alt	Director
David Wayne Campbell.....	Director
Robert M. Chambers, Jr.	Director
Kyle E. House	Director
Melody S. Jones	Director
Charles R. King, Jr.	Director
James F. Kinsey	Director
Charles B. Leech, IV.....	Director
Milton L. McPike, Jr.	Director
Donald W. Reese	Director
Alfred W. Stephens, Jr.	Director

Message from the Chief Executive Officer

Farm Credit of the Virginias began 2024 with positivity and a renewed promise to fulfill our mission. As the year progressed, our focus evolved to helping our customer-owners and prospects navigate challenges related to weather events. Throughout our territory and much of the East Coast, farms and families experienced one of the worst droughts in years, and early fall brought one of the most devastating hurricanes Appalachia has endured. Through these difficult circumstances, your cooperative remained steadfast in our commitment to serving our rural communities in good times and bad. Our board of directors and management recently updated our Mission, Vision and Purpose Statement to guide our focus on supporting the success of our customer-owners as an engaged partner in agriculture and our rural communities.

Farm Credit of the Virginias' total loan volume at the conclusion of 2024 was \$2.33 billion. The total loan volume was \$149.5 million greater than the previous year. The Association experienced 6.87% portfolio growth in 2024, compared to 4.17% portfolio growth in 2023. Net income at the conclusion of 2024 was approximately \$40.8 million. The Association concluded 2024 with credit quality at 96.19% acceptable.

As a cooperative, we are uniquely positioned to celebrate our success and share in our profits with our customer-owners. Each year, the board of directors approves an appropriate level of patronage, carefully balancing the economic landscape, the operational goals of the cooperative and our desire to return as much cash to our members as possible. In April, we were pleased to deliver \$32 million to our customer-owners in cash patronage, accounting for over 80% of our net profits from the previous year. While the total patronage refund varies from year-to-year, on average, our customer-owners have enjoyed 26% interest returned through our patronage refund program over the last 15 years.

Stewardship is a central pillar to our cooperative mission. We have recently published our 2024 Cooperative Stewardship Report, highlighting our diverse footprint, our commitment to support the conservation efforts of our customer-owners, investments in youth in agriculture and our charitable giving efforts. In order to carry out our cooperative mission, we must maximize our human capital – one way our Association has done this over the last several years is by implementing a human equity strategy. Human equity is defined as the optimization of all the diverse knowledge, skills and intangible assets that our team members bring to their roles. Throughout 2024, we activated internal programs to elevate employee engagement, satisfaction and well-being, with a goal to create a culture that enables us to continue to best serve our customer-owners.

Investing in our communities through charitable giving is a priority for our Association and critical to our cooperative mission. In 2024, we enhanced these endeavors with the return of the Charitable Contributions Fund (CCF) grant program and the launch of the Agricultural Career Enhancement (ACE) grant program. The CCF grant program was established in 2022 in an effort to build stronger partnerships with organizations that support farmers and rural families within our footprint. In the first two funding cycles, we awarded a total of \$215,000 in grants to 25 charitable organizations. In 2024, we were pleased to offer \$130,000 in grant funding to support the agriculture-related and community-based projects of 18 organizations. Further, to highlight our commitment to strengthen the future of agriculture, Farm Credit of the Virginias established the ACE grant program, with the goal of supporting agricultural career development programs at postsecondary education institutions, including those in agricultural sciences, agricultural technology, agribusiness, forestry, conservation and more. We awarded \$43,000 in grant funding to seven deserving institutions located across our footprint. We look forward to seeing the lasting impact of both of these grant programs throughout our territory.

Another manner in which our cooperative invests in agriculture and our rural communities is through the Farm Credit Knowledge Center. Funded by Farm Credit of the Virginias, the Farm Credit Knowledge Center offers education-based programming, events and resources to benefit our customer-owners and the greater agricultural community. In 2024, the Knowledge Center delivered about 30 educational events, conducted both in-person and virtually, to almost 1,000 participants across our footprint. Offerings included Star Insights Series segments, Farm Management Institutes, Dairy Management Institutes, the Launching Leaders' Summit and multiple in-person transition planning dinner meetings. New in 2024, the Farm Credit Knowledge Center launched the Member Portal, an online hub of commodity and business management specific resources, links, information and more available exclusively to customer-owners. In addition to educational programming, the Member Portal, blog and more, the Knowledge Center continues to offer two separate monthly e-newsletters tailored for producers and educators.

Hurricane Helene tore through the Southeast United States in late September, and devastated a number of communities in Southwest Virginia. Our cooperative and employees were proud to support hurricane relief efforts in several small but

tangible ways. We offered resources to the public at our Wytheville and Abingdon branches, and collected donations of critical supplies at all of our branch offices, which were sent to impacted communities. Our Knowledge Center team maintained a disaster relief resources page on our website, which was shared in customer-owner communications and with the entire agriculture community on social media. Additionally, we made monetary donations of \$5,000 each to five organizations working to mitigate the hurricane's negative effects. Our employees also had the opportunity to individually contribute to several of those organizations, which totaled more than \$3,700. The hurricane's impact on the agriculture industry has been staggering, leaving many producers and families in difficult financial situations. As a mission-driven lender, we will continue leveraging our financial strength to support our customer-owners through this difficult period.

After implementing several major system technology upgrades in 2023, we were pleased to settle into more of a "business as usual" routine in 2024, while continuing to better understand and increase capabilities of the new technology platforms. Our processes and team members have gained efficiencies, allowing us to better serve our customer-owners. Looking to the future, we are constantly seeking opportunities for further improvements, working in tandem with our service providers at AgFirst Farm Credit Bank, in order to meet the ever-changing needs of our customer-owners.

To summarize, 2024 was a year of resilience and growth for your cooperative. Our customer-owners and neighbors across our territory faced significant weather-related challenges, affecting communities and livelihoods. We navigated ongoing economic uncertainties while delivering strong financial results, including growing the loan portfolio by 6.87%. We continued our long history of paying substantial patronage with a \$32 million payout to our customer-owners in April, investing in your future success. This year, we met our mission through a variety of initiatives, including investing in the future of agriculture and our rural communities through both donations and grants totaling more than \$325,000 disbursed through the Charitable Contributions Fund, as well as increased engagement with our rural communities through the Farm Credit Knowledge Center's offerings and programming. Thank you for choosing us as your lending partner. We appreciate your business and look forward to serving you in 2025 and beyond.

Best regards,

/s/ Brad Cornelius
Chief Executive Officer

March 11, 2025

Report of Management

The accompanying consolidated financial statements and related financial information appearing throughout this annual report have been prepared by management of Farm Credit of the Virginias, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The consolidated financial statements have been audited by independent auditors, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2024 Annual Report of Farm Credit of the Virginias, ACA, that the report has been prepared under the oversight of the audit committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Kevin C. Craun
Chairperson of the Board

/s/ Brad Cornelius
Chief Executive Officer

/s/ Justin Weekley
Chief Financial Officer

March 11, 2025

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, 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 (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of 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.

/s/ Brad Cornelius
Chief Executive Officer

/s/ Justin Weekley
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	2024	2023	December 31, 2022	2021	2020
Balance Sheet Data					
Cash	\$ 97	\$ 232	\$ 78	\$ 529	\$ 131
Loans	2,326,537	2,177,003	2,089,916	2,029,094	1,869,936
Allowance for credit losses on loans	(5,101)	(5,362)	(17,318)	(17,690)	(16,386)
Net loans	2,321,436	2,171,641	2,072,598	2,011,404	1,853,550
Equity investments in other Farm Credit institutions	35,305	34,540	25,754	16,779	17,963
Other property owned	252	150	610	704	826
Other assets	42,291	41,349	37,395	55,255	52,678
Total assets	\$ 2,399,381	\$ 2,247,912	\$ 2,136,435	\$ 2,084,671	\$ 1,925,148
Notes payable to AgFirst Farm Credit Bank*	\$ 1,851,854	\$ 1,709,056	\$ 1,617,603	\$ 1,566,004	\$ 1,418,871
Accrued interest payable and other liabilities with maturities of less than one year	52,415	51,790	44,800	40,040	55,587
Total liabilities	1,904,269	1,760,846	1,662,403	1,606,044	1,474,458
Capital stock and participation certificates	11,109	10,864	10,874	10,835	10,530
Retained earnings					
Allocated	92,568	92,568	92,568	92,568	92,568
Unallocated	391,454	383,656	370,610	375,261	347,632
Accumulated other comprehensive income (loss)	(19)	(22)	(20)	(37)	(40)
Total members' equity	495,112	487,066	474,032	478,627	450,690
Total liabilities and members' equity	\$ 2,399,381	\$ 2,247,912	\$ 2,136,435	\$ 2,084,671	\$ 1,925,148
Statement of Income Data					
Net interest income	\$ 66,852	\$ 59,332	\$ 54,045	\$ 49,657	\$ 50,494
Provision for (reversal of) allowance for credit losses	(101)	129	100	1,400	925
Noninterest income (expense), net	(26,155)	(19,691)	(11,596)	1,372	(325)
Net income	\$ 40,798	\$ 39,512	\$ 42,349	\$ 49,629	\$ 49,244
Key Financial Ratios					
Rate of return on average:					
Total assets	1.78%	1.81%	2.02%	2.51%	2.66%
Total members' equity	8.03%	7.92%	8.88%	10.64%	10.75%
Net interest income as a percentage of average earning assets	3.00%	2.79%	2.61%	2.55%	2.78%
Net (chargeoffs) recoveries to average loans	(0.010)%	(0.004)%	(0.023)%	(0.005)%	(0.032)%
Total members' equity to total assets	20.63%	21.67%	22.19%	22.96%	23.41%
Debt to members' equity (:1)	3.85	3.62	3.51	3.36	3.27
Allowance for credit losses to loans	0.22%	0.25%	0.83%	0.87%	0.88%
Permanent capital ratio	19.99%	20.90%	21.28%	21.83%	23.37%
Common equity tier 1 capital ratio	19.94%	20.84%	21.10%	21.64%	23.17%
Tier 1 capital ratio	19.94%	20.84%	21.10%	21.64%	23.17%
Total regulatory capital ratio	20.19%	21.15%	21.93%	22.50%	24.04%
Tier 1 leverage ratio**	20.61%	21.55%	21.89%	22.38%	23.95%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	20.14%	21.06%	21.38%	22.44%	24.18%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 33,000	\$ 38,000	\$ 47,000	\$ 22,000	\$ 40,000

* General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2025.

** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.

Management's Discussion & Analysis of Financial Condition & Results of Operations

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of Farm Credit of the Virginias, ACA, (Association) for the year ended December 31, 2024 with comparisons to the years ended December 31, 2023 and December 31, 2022. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other sections in this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" reflected in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration, (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of Virginia, West Virginia and Maryland. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, www.agfirst.com, or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, www.farmcreditofvirginias.com, or by calling 1-540-886-3435, extension 5040, or writing Justin Weekley, Farm Credit of the Virginias, P.O. Box 899, Staunton, VA 24402-0899. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

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 analysis 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 and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES

The Association's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of significant accounting policies is critical to the understanding of the Association's results of operations and financial position because some accounting policies require complex or subjective judgments and estimates that may affect the reported amount of certain assets or liabilities as well as the recognition of certain income and expense items. In many instances, management has to make judgments about matters that are inherently uncertain. For a complete discussion of the Association's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements. The following is a summary of the Association's most significant critical accounting policies:

- *Allowance for credit losses (ACL)* — Management estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.

The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the Association's loan portfolio and is presented separately on the Consolidated Balance Sheets,
- the ACL on unfunded commitments, which is presented on the Consolidated Balance Sheets in other liabilities, and

The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio, unfunded commitments and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable active market exists, such as most investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on the Association's results of operations.

ECONOMIC CONDITIONS

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and ad hoc aid), interest rates, input costs and various other factors that affect supply and demand.

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information or data for the Association.

The USDA's February 2025 forecast estimates net farm income (income after expenses from production; a broader measure of profits) for 2024 at \$139.1 billion, a \$8.2 billion decrease from 2023, but \$34.0 billion above the 10-year average. The forecasted decrease in net farm income for 2024, as compared with 2023, is primarily due to decreases in cash receipts for crops of \$22.2 billion to \$245.2 billion and direct government payments of \$2.9 billion to \$9.3 billion, partially offset by an increase in cash receipts for animal products of \$22.0 billion to \$271.6 billion and a decrease in cash expenses of \$7.2 billion to \$418.9 billion.

The USDA's outlook projects net farm income for 2025 at \$180.1 billion, a \$41.0 billion or 29.5 percent increase from 2024, but \$75.0 billion above the 10-year average in nominal dollars. The forecasted increase in net farm income for 2025 is primarily due to expected increases in direct government payments of \$33.1 billion and cash receipts for animals and animal products of \$3.8 billion as well as a decrease in cash expenses of \$3.2 billion, partially offset by a decrease in cash receipts for crops of \$5.6 billion. The overall incline in direct government payments reflects higher anticipated payments from supplemental ad hoc disaster assistance, mainly from the funding authorized in the Disaster Relief Supplemental Appropriations Act, 2025 contained in the American Relief Act, 2025. This aid is primarily targeted to specific regions impacted by the disaster. The increase in cash receipts for animals and animal products are predicted for hogs, broilers, and milk, while receipts for cattle and eggs are expected to decline modestly. The expected decline in the cash receipts for crops is primarily driven by decreases in corn and soybean prices, while receipts for vegetables and melons are expected to increase. Many production expenses are expected to continue to decrease from 2024 levels, representing the projected second year of decline and falling to their lowest level in real terms since 2021.

Working capital, a measure of liquidity, (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to decrease \$8.9 billion or 6.7 percent in 2024 to \$123.8 billion from \$132.7 billion in 2023.

The value of farm real estate is an important measure of the farm sector's financial performance, considering that farm real estate comprises a substantial share of farm sector assets. Farm real estate accounted for roughly 83 percent of the total value of the U.S. farm sector assets for 2024 and 2023 according to the USDA in its February 2025 forecast. Consequently, changes in farmland values also affect the financial strength of agricultural producers because farm real estate serves as the principal source of collateral for farm loans.

USDA's forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 5.2 percent in 2024 to \$3.7 trillion. Farm real estate value is expected to increase 3.1 percent and non-real estate farm assets are expected to increase 4.4 percent, while farm sector debt is forecasted to increase 4.4 percent in 2024. Farm real estate debt as a share of total debt has been rising since 2014 at about the same rate as the value of farm real estate and is expected to account for 66.5 percent of total farm debt in 2024, as compared with 66.4 percent in 2023.

Expected agricultural commodity prices can influence the production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields. Continuing outbreaks of high path avian influenza (HPAI) have negatively impacted egg layer productions, reducing egg supply, and causing a spike in egg prices. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions, government actions (including tariffs) and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the U.S. dollar and domestic government support for agriculture.

Geographic and commodity diversification across the District coupled with existing government safety net programs, ad hoc support programs and additional government disaster aid payment for many borrowers help to mitigate the impact of challenging agricultural conditions. The District's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2024. Additionally, while the District benefits overall from diversification, individual District entities may have higher geographic, commodity, and borrower concentrations which may accentuate the negative impact on those entities' financial performance and credit quality. Non-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on non-farm income sources may be more adversely impacted by a weakened general economy.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types.

The Association's loan volume by type for each of the past three years ended December 31 is shown below.

Loan Type	December 31,					
	2024		2023		2022	
	(dollars in thousands)					
Real estate mortgage	\$ 1,751,407	75.28 %	\$ 1,690,380	77.65 %	\$ 1,650,781	78.99 %
Production and intermediate-term	351,905	15.13	316,864	14.56	309,369	14.80
Rural residential real estate	60,094	2.58	59,687	2.74	59,976	2.87
Processing and marketing	89,048	3.83	70,016	3.22	48,709	2.33
Rural Infrastructure	41,393	1.78	22,388	1.03	6,332	0.30
Farm-related business	11,894	0.51	17,668	0.80	14,749	0.71
Other (including Mission Related)	20,796	0.89	—	—	—	—
Total	\$ 2,326,537	100.00 %	\$ 2,177,003	100.00 %	\$ 2,089,916	100.00 %

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified.

The geographic distribution of the loan volume by branch for the past three years ended December 31 is as follows:

Branch/State	December 31,		
	2024	2023	2022
Abingdon, VA	7%	7%	7%
Bedford, VA	2	2	2
Bridgeport, WV	2	2	2
Charlottesville, VA	4	4	3
Chatham, VA	2	3	2
Culpeper, VA	4	5	5
Harrisonburg, VA	9	10	11
Leesburg, VA	10	11	11
Lewisburg, WV	2	2	2
Lexington, VA	3	3	3
Moorefield, WV	3	3	4
Oakland, MD	3	3	3
Orange, VA	6	6	6
Ripley, WV	3	3	3
Roanoke, VA	3	3	3
Rocky Mount, VA	3	3	3
Romney, WV	1	1	1
South Boston, VA	2	2	2
Verona, VA	6	6	7
Warrenton, VA	7	7	7
Wytheville, VA	5	5	5
Agribusiness	4	4	4
Special Assets Group	1	—	—
Participation Loans Purchased	9	6	4
Participation Loans Sold	(1)	(1)	—
	100%	100%	100%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association's loan portfolio are shown below. The predominant commodities are livestock, field crops and timber which constitute 69 percent of the entire portfolio at December 31, 2024.

Commodity Group	December 31,								
	2024		2023		2022				
	(dollars in thousands)								
Livestock	\$	741,958	32%	\$	730,703	34%	\$	727,520	35%
Field Crops		545,532	23		508,174	23		499,341	24
Timber		337,735	14		295,696	14		255,404	12
Poultry		165,398	7		172,383	8		168,316	8
Dairy		109,020	5		117,528	5		126,453	6
Rural Home		61,112	3		60,385	3		60,855	3
Tobacco		11,897	1		12,748	1		13,145	1
Other		353,885	15		279,386	12		238,882	11
Total	\$	2,326,537	100%	\$	2,177,003	100%	\$	2,089,916	100%

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. The Association's loan portfolio contains a concentration of livestock producers. Although a large percentage of the loan portfolio is concentrated in these commodities, many of these operations are diversified within their enterprise and/or with crop production that reduces overall risk exposure. Demand for beef, prices of field grains, and international trade are some of the factors affecting the prices of these commodities. The agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity opportunity and large loans is reduced by the range of diversity of enterprises in the Association's territory.

During 2024, the Association remained active in the buying and selling of loan participations within the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income.

Loan Participations:	December 31,		
	2024	2023	2022
	<i>(dollars in thousands)</i>		
Participations Purchased	\$ 203,665	\$ 139,606	\$ 74,386
Participations Sold	(13,900)	(13,098)	(9,037)
Total	\$ 189,765	\$ 126,508	\$ 65,349

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2024.

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2024, 2023, and 2022, the Association originated loans for resale totaling \$5,725, \$15,870, and \$52,559, respectively, which were subsequently sold into the secondary market.

MISSION RELATED INVESTMENTS

During 2005, the FCA initiated an investment program to stimulate economic growth and development in rural areas. The FCA outlined a program to allow System institutions to hold such investments, subject to approval by the FCA on a case-by-case basis. FCA approved the Rural America Bonds pilot program under the Mission Related Investments umbrella, as described below.

In October 2005, the FCA authorized AgFirst and the Association to make investments in Rural America Bonds under a three-year pilot period. Rural America Bonds may include debt obligations issued by public and private enterprises, corporations, cooperatives, other financing institutions, or rural lenders where the proceeds would be used to support agriculture, agribusiness, rural housing, or economic development, infrastructure, or community development and revitalization projects in rural areas. Examples include investments that fund value-added food and fiber processors and marketers, agribusinesses, commercial enterprises that create and maintain employment opportunities in rural areas, community services, such as schools, hospitals, and government facilities, and other activities that sustain or revitalize rural communities and their economies. The objective of this pilot program was to help meet the growing and diverse financing needs of agricultural enterprises, agribusinesses, and rural communities by providing a flexible flow of money to rural areas through bond financing.

The Association did not hold any Rural American Bonds during the period of January 1, 2022, thru December 31, 2024.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. As part of the process to evaluate the success of a loan, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction to loan officers. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment
- Capital – ability of the operation to survive unanticipated risks
- Conditions – intended use of the loan funds

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loan originations of more than \$250,000. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

The Association reviews the credit quality of the loan portfolio on an ongoing basis as part of its risk management practices. Each loan is classified according to the Combined System Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans at December 31.

Credit Quality	2024	2023	2022
Acceptable & OAEM	97.72%	97.63%	98.20%
Substandard	2.28%	2.37%	1.80%
Doubtful & Loss	–%	–%	–%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. A Special Assets Management Department is responsible for servicing loans classified as high-risk. Prior to the adoption of Financial Accounting Standards Board guidance entitled "Measurement of Credit Losses on Financial Instruments" (CECL) on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest. High-risk assets at December 31, are detailed in the following table:

(dollars in thousands)	December 31,		
	2024	2023	2022
	(dollars in thousands)		
Nonaccrual loans	\$ 26,747	\$ 26,557	\$ 19,645
Restructured loans	—	—	15,072
Accruing loans 90 days past due	—	—	—
Total nonperforming loans	26,747	\$ 26,557	\$ 34,717
Other property owned	252	150	610
Total nonperforming assets	\$ 26,999	\$ 26,707	\$ 35,327
Ratios			
Nonaccrual loans to total loans	1.15%	1.22%	0.94%
Nonperforming assets as a percentage of total loans and other property owned	1.16%	1.23%	1.65%

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans at December 31, 2024 were \$26,747 compared to \$26,557 and \$19,645 at December 31, 2023 and 2022, respectively. Nonaccrual loans increased \$190 or 0.72 percent during 2024 primarily due to the transfer of additional loans to nonaccrual status, partially offset by repayments made and loans being reinstated into accruing status during the year. Of the \$26,747 in nonaccrual volume at December 31, 2024, \$15,580 or 58.25 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to \$18,870 or 71.05 percent and \$13,739 or 69.93 percent at December 31, 2023 and 2022, respectively.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was \$5,101, \$5,362, and \$17,318 at December 31, 2024, 2023, and 2022, respectively.

The following table presents the activity in the allowance for credit losses for the most recent three years at December 31:

Allowance for Credit Losses Activity	December 31,		
	2024	2023	2022
Allowance for credit losses on loans – beginning balance	\$ 5,362	\$ 17,318	\$ 17,690
Cumulative effect of a change in accounting principle	—	(11,758)	—
Charge-offs:			
Real estate mortgage	—	—	(8)
Production and intermediate-term	(537)	(352)	(719)
Rural residential real estate	—	—	(2)
Total charge-offs	(537)	(352)	(729)
Recoveries:			
Real estate mortgage	19	22	68
Production and intermediate-term	279	244	171
Agribusiness	11	3	16
Rural residential real estate	2	—	2
Total recoveries	311	269	257
Net (charge-offs) recoveries	(226)	(83)	(472)
Provision for (reversal of) credit losses on loans	(35)	(115)	100
Allowance for credit losses on loans – ending balance	\$ 5,101	\$ 5,362	\$ 17,318
Allowance for unfunded commitments – beginning balance	\$ 468	\$ —	\$ —
Cumulative effect of a change in accounting principle	—	224	—
Provision for (reversal of) unfunded commitments*	(66)	244	—
Allowance for unfunded commitments – ending balance	\$ 402	\$ 468	\$ —
Total allowance for credit losses	\$ 5,503	\$ 5,830	\$ 17,318

*Prior to the adoption of CECL, provision for (reversal of) unfunded commitments was recorded in losses/gains on other transactions.

The allowance for credit losses as a percentage of loans outstanding and certain other credit quality indicators, at December 31, is shown below:

	December 31,		
	2024	2023	2022
Allowance for credit losses on loans to loans	0.22%	0.25%	0.83%
Allowance for credit losses on loans to nonaccrual loans	19.07%	20.19%	88.15%

Periods of uncertainty in the general economic environment create the potential for prospective risks in the loan portfolio. See Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled \$40,798 for the year ended December 31, 2024, an increase of \$1,286 from 2023. Net income of \$39,512 for the year ended December 31, 2023 was a decrease of \$2,837 from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31,	
	2024	2023
Net income (for prior year)	\$ 39,512	\$ 42,349
Increase (decrease) due to:		
Total interest income	13,451	20,204
Total interest expense	(5,931)	(14,917)
Net interest income	7,520	5,287
Provision for (refersal of) credit losses	230	(29)
Noninterest income	394	(7,919)
Noninterest expense	(6,848)	(222)
Provision for income taxes	(10)	46
Total increase (decrease) in net income	1,286	(2,837)
Net income	\$ 40,798	\$ 39,512

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income, but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of \$5,649 for the year ended December 31, 2023.

Net Interest Income

Net interest income was \$66,852, \$59,332, and \$54,045 in 2024, 2023, and 2022, respectively. Net interest income is the difference between interest income and interest expense. 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 table:

Change in Net Interest Income:

	Nonaccrual			
	Volume*	Rate	Income	Total
	(dollars in thousands)			
12/31/24 – 12/31/23				
Interest income	\$ 9,323	\$ 3,072	\$ 1,057	\$ 13,451
Interest expense	3,426	2,506	—	5,931
Change in net interest income	\$ 5,897	\$ 566	\$ 1,057	\$ 7,520
12/31/23 – 12/31/22				
Interest income	\$ 3,005	\$ 16,131	\$ 1,068	\$ 20,204
Interest expense	1,833	13,084	—	14,917
Change in net interest income	\$ 1,172	\$ 3,047	\$ 1,068	\$ 5,287

* Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.

The decrease in interest expense due to a decline in rates is primarily due to the change in Direct Note rate discussed above.

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended December 31,			Increase/(Decrease)	
	2024	2023	2022	2024/ 2023	2023/ 2022
	(dollars in thousands)				
Loan fees	\$ 747	\$ 560	\$ 793	\$ 187	\$ (233)
Fees for financially related services	34	27	63	7	(36)
Patronage refund from other Farm Credit Institutions	13,333	13,653	21,238	(320)	(7,585)
Gains on sales of rural home loans, net	97	227	910	(130)	(683)
Gains on sales of premises and equipment, net	643	673	263	(30)	410
Insurance fund refunds	585	—	—	585	—
Gains (losses) on other transactions	155	107	(92)	48	199
Other noninterest income	128	81	72	47	9
Total noninterest income	\$ 15,722	\$ 15,328	\$ 23,247	\$ 394	\$ (7,919)

The patronage refund from other Farm Credit Institutions decreased \$320 or 2.34 percent for 2024 when compared to 2023. The decrease was due to the Association receiving special patronage from AgFirst in 2023 while no such amount was declared or paid in 2024. For 2023 the special patronage refund was \$1,085 and was distributed by AgFirst in cash. This decrease in patronage refunds was partially offset by the Association's growth in 2024 which increased the general patronage refund received from AgFirst. The special patronage refund for 2022 was \$9,004 and was paid in allocated surplus.

The Insurance fund refunds received in 2024 totaled \$585. No such refunds were received by the Association in 2023 or 2022.

Gains on sales of rural home loans totaled \$97 in 2024, a decrease of \$130 or 57.27 percent when compared to 2023. Gains on sale of rural home loans decreased 75.05 percent in 2023 when compared to 2022. The decreases in 2024 and 2023 were the result of fewer loans sold into the secondary market as a result of the decreased housing market activity and higher interest rates experienced during those years.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31,			Increase/(Decrease)	
	2024	2023	2022	2024/ 2023	2023/ 2022
	(dollars in thousands)				
Salaries and employee benefits	\$ 18,688	\$ 18,639	\$ 17,925	\$ 49	\$ 714
Purchased services	9,654	2,124	1,933	7,530	191
Postretirement benefits	3,521	3,796	4,294	(275)	(498)
Occupancy and equipment	1,611	1,576	1,501	35	75
Insurance Fund premiums	1,768	2,984	3,183	(1,216)	(199)
Losses/(Gain) on other property owned, net	19	(52)	32	71	(84)
Other operating expenses	6,590	5,936	5,912	654	24
Total noninterest expense	\$ 41,851	\$ 35,003	\$ 34,780	\$ 6,848	\$ 223

Purchased services increased in 2024 when compared to the prior year primarily as the result of the Direct Note rate change discussed above. Additionally, beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of \$1,796 for the year ended December 31, 2024.

Insurance Fund premiums decreased \$1,216 in 2024 when compared to the prior year primarily due to lower premium assessment rates, partially offset by an increase in loan volume in 2024 as compared to 2023.

Income Taxes

The Association recorded a provision for income taxes of \$26 for the year ended December 31, 2024, as compared to a provision of \$16 for 2023 and a provision of \$63 for 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the 12 Months Ended		
	12/31/24	12/31/23	12/31/22
Return on average assets	1.78%	1.81%	2.02%
Return on average members' equity	8.03%	7.92%	8.88%
Net interest income as a percentage of average earning assets	3.00%	2.79%	2.61%
Net (charge-offs) recoveries to average loans	(0.010)%	(0.004)%	(0.023)%

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2024, was \$1,851,854 as compared to \$1,709,056 at December 31, 2023 and \$1,617,603 at December 31, 2022. The increase of \$142,798 or 8.36 percent compared to December 31, 2023 was primarily attributable to growth in the Associations originated and capital markets loan portfolios. The increase of \$91,453 or 5.65 percent compared to December 31, 2022 was primarily attributable to growth in the Associations originated and capital markets loan portfolios. The average volume of outstanding notes payable to the Bank was \$1,756,271, \$1,661,400, and \$1,596,472 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2024.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or other indices. Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's ability to access capital of the Association is discussed in Note 4, *Investment in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding" section of this Management's Discussion and Analysis and in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, included in this Annual Report.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association's Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2024 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2024, was \$495,112, an increase of \$8,046 or 1.65 percent from a total of \$487,066 at December 31, 2023. The increase in members' equity during 2024 was primarily attributed to the earnings of the Association, partially offset by the cash patronage distribution accrued at December 31, 2024 to the Association's member-stockholders. The Association plans to distribute approximately \$33 million of its 2024 net earnings in cash to its member-stockholders during the second quarter of 2025. At December 31, 2023, total members' equity increased \$13,034 or 2.75 percent from \$474,032 at December 31, 2022. The increase in members' equity during 2023 was primarily attributed to the earnings of the Association, partially offset by the cash patronage distribution accrued at December 31, 2023 to the Association's member-stockholders. The Association distributed approximately \$32 million of its 2023 net earnings in cash to its member-stockholders during the second quarter of 2024.

Total capital stock and participation certificates were \$11,109 on December 31, 2024, compared to \$10,864 on December 31, 2023 and \$10,874 on December 31, 2022.

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

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31,		
		2024	2023	2022
Risk-adjusted ratios:				
CET1 Capital Ratio	7.00%	19.94%	20.84%	21.10%
Tier 1 Capital Ratio	8.50%	19.94%	20.84%	21.10%
Total Capital Ratio	10.50%	20.19%	21.15%	21.93%
Permanent Capital Ratio	7.00%	19.99%	20.90%	21.28%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	5.00%	20.61%	21.55%	21.89%
UREE Leverage Ratio	1.50%	20.14%	21.06%	21.38%

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and our rural communities, which includes providing credit to Young*, Beginning** and Small*** (YBS) farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to serve the financing needs of YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit.

The 2017 USDA Ag Census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The Association currently has a high penetration in the Young, Beginning, and Small farm market. As of December 31, 2024, the Association was doing business with 24.92 percent of the Young farmers, 15.35 percent of the Beginning farmers, and 9.27 percent of the Small farmers identified by the 2017 USDA Ag Census.

For 2024, the Association established quantitative goals for the number of loans, percent of total loans, and percent of volume of loans to YBS farmers, on the basis of both annual loan activity and total portfolio composition. These goals are established for a three-year period and reviewed and updated annually.

Loans to Young, Beginning, and Small Farmers			
2024 Goals			
	Number of Loans	Percent of Total	Percent of Volume
New Loans and Commitments made to:			
Young Farmers	738	18.4%	13.5%
Beginning Farmers	1,556	38.8%	38.1%
Small Farmers	3,036	75.7%	48.7%
Total Loans in the portfolio made to:			
Young Farmers	3,147	19.1%	15.3%
Beginning Farmers	6,163	37.3%	37.7%
Small Farmers	12,532	75.9%	57.8%

The Association met or exceeded its 2024 goals for all categories, with the exception of the percent of volume of loans made to small farmers. The metric was influenced in 2024 by the volume of purchase participation loans, none of which were small farmers.

The following table outlines the number of YBS loans in the portfolio and the loan volume outstanding at year end.

As of December 31, 2024		
(dollars in thousands)	Number of Loans	Amount of Loans
Young	3,147	\$376,642
Beginning	6,163	\$946,766
Small	12,532	\$1,426,866

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The following strategies and outreach programs have been conducted which allowed the Association to meet its objectives and goals in the young, beginning, and small (YBS) farmer program:

For the Association's YBS farmers, our mission is to serve all eligible and credit worthy YBS farmers, and make a concentrated effort to market to and meet their unique needs through extending sound and constructive credit, providing education, outreach, and tools through our programs, and coordinated efforts with other partners. The Association continued previously sponsored outreach/sponsorship activities in which the Association participated for the purpose of promoting and supporting YBS efforts, as well as incorporated new outreach/sponsorships to continue building the Association's commitment to YBS farmers.

Farm Credit of the Virginias continues its participation in specific credit programs and partnerships developed to help small farmers, young farmers, and beginning farmers. It includes programs offered by the Farm Service Agency (FSA), such as guaranteed and direct loans to qualifying borrowers. The Association has earned the distinction of a "preferred lender," the highest status designated by FSA. The Association also supports young and beginning farmers through our Youth Loan program.

The Association's FarmLaunch® program is designed primarily for young, beginning, and/or military veteran farmers providing both startup loans and education and resources. FarmLaunch® provides access to working capital, educational resources and mentorship to aid in the development of sound business practices and a solid credit history, allowing participants to graduate to conventional financing for future loans if needed. In 2024, 935 FarmLaunch® loans were made. In 2024, FCV updated the FarmLaunch® program to integrate a

special program for lending to young and beginning full-time farmers with larger financial needs, including real estate loans, leveraging loan guarantees and joint financing available through FSA.

Over a decade ago, the Farm Credit Knowledge Center was formed to provide educational opportunities and resources for all farmers, including specific content and resources to YBS farmers. In 2024, the Knowledge Center engaged with 4,100 individuals through online and in person education offerings.

Since 2011, the Association has supported the Ag Biz Planner financial training program for YBS farmers. Through 2024, 140 participants have completed the program since its inception. In 2024, there were four participants from FCV. Program alumni can access an online portal to assist with additional program materials and virtual learning opportunities.

The Association annually hosts Farm Management Institute (FMI) seminars, with content focused towards YBS audiences, across our footprint. Nationally recognized agricultural business consultant Dr. David Kohl facilitates FMI for the Association. Total attendance was over 95 in 2024. The Farm Credit Knowledge Center also hosted an online offering in 2024, known as the “Launching Leaders” seminar, focused on YBS farmers, and a “Star Insights” series to provide commodity and market-based updates and resources. In 2024, the Association hosted several in-person offerings on Farm Transition Planning, focused on the transition process for farming operations or agribusiness and understanding next steps as one generation transfers operations to the next.

In mid-2024, the Association also shifted several key resources, such as the AgHub & Business Toolkit On-Demand Education resources, to the Knowledge Center Member Portal. Access to the Member Portal is granted to customer-owners of the Association, as well as education partners and prospective customer-owners. The Knowledge Center also utilizes newsletters targeted to farmers and agriculture industry supporters, as well as an educator edition, to promote programs, provide supplemental resources, and targeted blogs and other focused offerings.

The Association remains fully committed to serving the financing needs of YBS borrowers, and it will continue to evaluate its programs and efforts in order to be even more effective in 2025. The Association utilizes an YBS Advisory Committee for feedback and input, includes YBS goals in the annual business plan, and reports on those goals and achievements to the board of directors on a quarterly basis. The Association is committed to the future success of Young, Beginning, and Small farmers.

According to FCA’s definition as of January 1, 2024, a young, beginning or small farmer is an eligible borrower who meets one or more of the following criteria:

- *A young farmer is 35 years of age or younger.
- **A beginning farmer is in the process of establishing an agricultural operation and has not assumed the full control and risk of the agricultural operation for longer than 10 years.
- ***A small farmer normally generates less than \$350,000 in annual gross cash farm income of agricultural or aquatic products.

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR. Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its District Bank’s direct loans to Associations or if the Farm Credit Administration’s Office of Examination determines that a material weakness in the Association’s ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends on March 31, 2025.

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The rule would further align the FCA’s risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the Farm Credit Administration 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 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 board reporting requirements. The final rule became effective on January 1, 2025.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Virginia, West Virginia and Maryland as of December 31, 2024:

Location	Description	Form of Ownership
19292 Lee Highway Abingdon, VA	Branch Operations	Owned
1356-B American Way Court Bedford, VA	Branch Operations	Rented
527 East Main Street Bridgeport, WV	Branch Operations	Rented
1445 E. Rio Road Suite 103 Charlottesville, VA	Branch Operations	Rented
19651 US Highway 29 Chatham, VA	Branch Operations	Owned
15574 Ira Hoffman Lane Culpeper, VA	Branch Operations	Owned
268 E. Jackson Street Gate City, VA	Satellite Office	Owned
4646 South Valley Pike Harrisonburg, VA	Branch Operations	Owned
27 Fort Evans Road, NE Leesburg, VA	Branch Operations	Owned
880 North Jefferson Street Lewisburg, WV	Branch Operations	Owned
152 Maury River Road Lexington, VA	Branch Operations	Owned
550 South Main Street Moorefield, WV	Branch Operations	Owned
13195 Garrett Highway Oakland, MD	Branch Operations	Owned
13284 James Madison Hwy Orange, VA	Branch Operations	Rented
2112 Ripley Road Ripley, WV	Branch Operations	Rented
38 Murray Farm Road Roanoke, VA	Branch Operations & Processing Center	Owned
670 Old Franklin Turnpike Rocky Mount, VA	Branch Operations	Owned
452 North High Street Romney, WV	Branch Operations	Owned
4024 Halifax Road South Boston, VA	Branch Operations	Rented
102 Industry Way Staunton, VA	Headquarters & Processing Center	Owned

Location	Description	Form of Ownership
1557 Commerce Road Suite 202 Verona, VA	Branch Operations	Rented
516 Fauquier Road Warrenton, VA	Branch Operations	Owned
660 Pepper's Ferry Road Wytheville, VA	Branch Operations & Processing Center	Owned

Rented facilities are leased by the Association at prevailing market rates from independent third parties for periods not currently exceeding five years.

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities and intrasystem financial assistance rights and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 11 of the Notes to the Consolidated Financial Statements included in this Annual Report to shareholders.

Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association at December 31, 2024 and their business experience for the past 5 years.

Senior Officer	Position
Brad Cornelius	<i>Chief Executive Officer</i> , since July 2020. He most recently served as Chief Credit Officer of Farm Credit of the Virginias. Prior to these roles he served as Chief Credit Officer and Chief Executive Officer at other Farm Credit Associations.
Michael Almond	<i>Chief Lending Officer</i> , since November 2020. He has 27 years of Farm Credit experience, most recently serving as Regional Lending Manager at another Farm Credit association.
Melanie Craig	<i>Chief Human Resources Officer</i> , since March 2022. She has 18 years of Farm Credit experience in positions of increasing responsibility, most recently serving as the Director of Human Resources.
Pete Cypret	<i>Chief Risk Officer</i> , since June 2019. He has 24 years of risk and analytics experience in bank lending and is a certified Professional Risk Manager.
Melissa Driver	<i>Corporate Secretary</i> , since January 2018. She has 40 years of Farm Credit experience serving in roles of increasing responsibility.
A. Katie Frazier	<i>Chief Brand Officer</i> , since May 2018. She has 19 years of public affairs experience at the state and federal level, and spent seven years leading a non-profit agricultural trade association in Virginia.
Bradley Hewitt	<i>Chief Credit Officer</i> , since August 2020. He has 16 years of Farm Credit experiences in roles of increasing responsibility, most recently serving as a Credit Manager.
Justin Weekley	<i>Chief Financial Officer</i> , since October 2018. He is a licensed certified public accountant in West Virginia and spent 10 years in public accounting focusing on the audits of financial statements and internal controls.

Compensation Overview

The Association's compensation philosophy is to pay for performance that supports the Association's short-term and long-term business strategies and enhances the member-shareholders' value in the Association. The overall compensation programs which include base salary, incentive compensation and retirement benefits, are designed to offer competitive pay opportunities to employees and enable the Association to effectively attract, retain and motivate highly qualified employees.

The compensation programs for senior officers include both fixed and variable compensation components. The mix of fixed and variable components is designed to balance the need to motivate senior management and employees to find new business opportunities and to promote the Association's mission to ensure a safe, sound, and dependable source of credit for agriculture and rural America. The fixed component of compensation is the annual salary. The variable component of compensation is an incentive program. The incentive program is designed to promote pay for performance while balancing the needs of the Association to manage risk and promote sound credit decisions. The incentive compensation is paid in two parts. Part of the incentive is paid to employees shortly after the end of the year. This part is referred to as the short-term incentive. The remaining component of the incentive is paid after the completion of two years and this is referred to as the long-term incentive.

The Chief Executive Officer (CEO), senior officers, and all eligible employees of the Association participate in the incentive plan.

Salary. The CEO, senior officers and all employees of the Association have a base salary as part of their compensation program. The base salary is determined based on position, responsibilities and performance. The Association strives to provide employees with base salaries that are competitive with respect to the position, as identified in compensation surveys conducted by external compensation consultants, and the need to maintain careful control of salaries and benefits expense. The Board of Directors has delegated the base salaries administration for senior officers to the CEO. The CEO's base salary is reviewed and approved by the Board of Directors.

Short-Term Incentives. The Association provides short-term incentive programs for senior officers and eligible employees. The short-term incentive programs are designed to promote new business development, increased loan volume, and meet or exceed net income metrics set on an annual basis. These financial measures were selected since they align with our mission and enhance the Association's ability to pay a patronage refund to our member-stockholders. The senior officers' short-term incentive is based on the financial performance of the Association. The senior officers' short-term incentive is reduced if key financial business goals are below established targets. The short-term incentive programs are reviewed and approved annually by the Board of Directors.

The short-term incentive for 2024 was expensed during 2024 with the payment expected to be made in the first quarter of 2025.

Long-term Incentives. The Association provides a long-term incentive program for senior officers and eligible employees. The long-term incentive plan is designed to motivate and reward eligible employees to meet and exceed financial and performance goals of the Association. The financial and performance goals focus on Association loan volume growth, net income, operating efficiency, and mission related metrics. These performance areas are weighted, with loan volume growth and net income metrics receiving the highest weighting. A target goal is set for each financial and performance goal. The incentive amount is determined by the Association's performance compared to the goals. The long-term incentive for 2024 will be paid during the first quarter of 2027. Since the 2024 long-term incentive will be paid out after two years, it will be expensed equally over the next two years. The long-term incentive program is reviewed and approved by the Board of Directors.

Retirement benefits. The Association provides retirement benefits to the CEO, senior management and employees to offer a competitive compensation program.

Employees hired before January 1, 2003, participate in the AgFirst Farm Credit Retirement Plan. The plan is an employer-funded qualified defined benefit pension plan. Benefits under this plan are determined by a formula based on years of service and eligible compensation. Employees are eligible to retire and begin receiving unreduced pension benefits at age 65 or when years of service plus age equal "85". Upon retirement, annual payout is equal to 2.0 percent of the highest three years of average salary, not including incentives, times years of credited service, subject to the Internal Revenue Code limitations.

Employees hired on or after January 1, 2003, but prior to November 4, 2014, participated in the AgFirst Farm Credit Cash Balance Retirement Plan. This plan was a qualified defined contribution pension plan. The plan was terminated as of December 31, 2016 and vested benefits of the plan were distributed to plan participants in 2017.

All employees may participate in the Farm Credit Benefits Alliance 401(k) Plan, a qualified 401(k) defined contribution plan that has employer matching contribution determined by the employee's date of hire. Employees hired prior to January 1, 2003 receive a maximum employer matching contribution equal to \$0.50 for each \$1.00 of employee compensation contributed up to 6.0 percent, subject to the Internal Revenue Code limitation on compensation. Employees hired on or after January 1, 2003, receive a maximum employer matching contribution equal to \$1.00 for each \$1.00 of employee compensation contributed up to 6.0 percent, and employer nonelective contribution equal to 3.0 percent of employee compensation, subject to the Internal Revenue Code limitation on compensation.

Senior officers and other highly compensated employees may participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) plan, a non-qualified deferred compensation plan. The purpose of the plan is to allow these employees to defer income taxes on a portion of their compensation until retirement or separation from the Association and to restore benefits limited in the qualified 401(k) plan as a result of restrictions in the Internal Revenue Code. The plan includes a provision for discretionary contributions by the Association.

Employees who choose to defer a portion of their compensation may defer part or all of their base salary, short term incentive, and long term incentive and or bonus. This is shown under the deferred compensation column in the Summary of Compensation table below.

The following Summary of Compensation table includes compensation paid to the CEO and the senior officers and highly compensated individuals as a group, excluding the CEO, during the years ended December 31, 2024, 2023 and 2022:

Name of Individual or Number in Group	Year	Salary	Bonus Short Term*	Bonus Long term*	Deferred Comp.	Change in Pension Value (1)	Perq/ Other(2)	Total
CEO:								
Brad Cornelius	2024	\$ 407,917	\$ 112,177	\$ 117,276	\$ 101,979	\$ 46,139	\$ 28,799	\$ 814,287
Brad Cornelius	2023	\$ 450,704	\$ 107,777	\$ 102,878	\$ 39,192	\$ 417,564	\$ 19,550	\$ 1,137,665
Brad Cornelius	2022	\$ 468,800	\$ 90,330	\$ 70,320	\$ —	\$ (137,596)	\$ 14,732	\$ 506,586
Senior Officers and Highly Compensated Employees:								
8	2024(a)	\$ 1,522,752	\$ 300,984	\$ 283,964	\$ 19,540	\$ 316,917	\$ 65,499	\$ 2,509,656
8	2023	\$ 1,504,785	\$ 256,651	\$ 255,814	\$ —	\$ 506,047	\$ 34,741	\$ 2,558,038
8	2022	\$ 1,431,009	\$ 218,614	\$ 214,651	\$ —	\$ (605,105)	\$ 58,082	\$ 1,317,251

All amounts reflected in the Summary of Compensation table are presented in actual dollars.

* 2024 Bonus amounts represent estimated payouts under the 2024 incentive plan that will be paid after the issuance of the 2024 annual report.

(a) For 2024, the table includes compensation paid to one officer or highly compensated employee who retired in August 2024.

(1) The change in pension values reflected in the table above, was primarily due to assumption changes, primarily changes in actuarial assumptions, including the discount rate, and an additional year of benefit accrual. See further discussion in Note 9, Employee Benefit Plans, of the Financial Statements.

(2) The Perquisites/Other amount disclosed in the above chart include group life insurance, automobile compensation, spousal expense reimbursements for attendance at Association meetings, physical fitness reimbursement, relocation payments made to an officer in 2022, and annual leave cash out payments for 2024.

Pension Benefits for the year ended December 31, 2024:

Pension Benefits Table As of December 31, 2024					
Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
Brad Cornelius, CEO	2024	AgFirst Retirement Plan	34	\$ 3,039,471	\$ —
				\$ 3,039,471	\$ —
Senior Officers and Highly Compensated Employees:					
3, excluding the CEO	2024	AgFirst Retirement Plan	35*	\$ 3,862,857	\$ 34,402
				\$ 3,862,857	\$ 34,402

All amounts are in actual dollars.

*Represents the average years of credit service for the Senior Officers and Highly Compensated Employees participating in the Plan.

The disclosure of information on the total compensation paid during 2024 to any senior officer as reported in the table above is available and will be disclosed to the shareholders of the institution upon request.

The FCA regulation, “Disclosure to Shareholders; Pension Benefit Disclosures” requires the exclusion of employee compensation from being reported in the Summary Compensation Table if the employee would be considered a “highly compensated employee” solely because of payments related to or change(s) in value of the employee’s qualified pension plan provided that the plan was available to all similarly situated employees on the same basis at the time the employee joined the plan. This has been reflected in the Associations compensation table.

Employee Travel Reimbursement

All employees are reimbursed for all direct travel expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

Defined Benefit-Type Plans

The Association sponsors a non-qualified defined benefit supplemental executive retirement plan for Donald L. Shiflet, retired CEO. The purpose of the non-qualified plan is to provide benefits that supplement the qualified defined benefit plan in which the Association’s employees participate. For Mr. Shiflet, compensation in excess of the 401(a)(17) limit and benefits in excess of the 415(b) limit in the qualified defined benefit plan will be made up through the non-qualified plan. As a non-qualified plan, assets have been allocated and separately invested for this plan, but are not isolated from the general creditors of the Association.

Directors

The following chart details the current term of each director and total cash compensation paid for 2024:

DIRECTOR	CURRENT TERM	TOTAL COMPENSATION PAID DURING 2024
James F. Kinsey, Chairperson	2022-2025	\$ 55,700
Kevin C. Craun, Vice Chairperson	2021-2024	55,600
Melody S. Jones, Chairperson of Audit Committee	2023-2026	48,940
Caitlin M. Bailey	2024-2027	36,820
Ronald L. Bennett	2022-2025	26,150
Donna M. Brooke-Alt	2022-2025	34,250
David Wayne Campbell	2023-2026	35,000
Robert M. Chambers, Jr.	2023-2026	38,750
Charles E. Horn, Jr.	2024-2027	38,900
Kyle E. House	2021-2024	25,550
Charles R. King, Jr.	2022-2024	37,150
Charles B. Leech, IV	2024-2027	30,700
Milton L. McPike, Jr.	2021-2024	31,450
Donald W. Reese	2022-2025	27,950
Alfred W. Stephens, Jr.	2021-2024	26,050
		<u>\$ 548,960</u>

The following represents certain information regarding the directors of the Association, including their principal occupation for the past five years:

James F. Kinsey, Chairperson, is owner/manager of Kinsey's Oak Front Farms, a purebred Angus beef operation. He serves on the board of directors for the West Virginia Cattlemen's Association and on the Wardensville Bull Test Advisory Committee. Mr. Kinsey is also a member of the WV Farm Bureau, WV Angus Association, American Angus Association and the National Cattlemen's Association.

Kevin C. Craun, Vice Chairperson, owns and operates Hillview Farm, Inc, with his brother, a 900-acre operation supporting 190 dairy cows, 100 cow/calf pairs and dairy steers. Mr. Craun is a director and chairman of the Shenandoah Valley Soil and Water Conservation District, member of the Rockingham County Agriculture Stewardship Committee, and member of Long Glade LLC. Mr. Craun serves as a commissioner of the Virginia State Milk Commission and council chair of St Jacobs Lutheran Church Council. He also serves on the AgFirst Farm Credit District Advisory Committee and represents FCV within the Board Leadership Group.

Caitlin M. Bailey is owner/operator of Next Level Cattle Company. The farm consists of a commercial beef cow/calf, hay and field corn operation in Smithville, WV. Along with overseeing the farm operation, she serves as a part-time substitute elementary school teacher. Ms. Bailey is a member of the West Virginia Cattlemen's Association.

Ronald L. Bennett is owner/operator of the family's dairy, Watahala Dairy Farm. Mr. Bennett serves on the Alleghany County Farm Bureau Board and on the Virginia Farm Bureau Dairy Advisory Committee. Mr. Bennett is also a past director for the Alleghany/Rockbridge/Bath FSA Board. He is a lifetime member of Rich Patch United Methodist Church.

Donna M. Brooke-Alt is owner/operator and president of Brookedale Farms LLC, a goat operation, greenhouses, an Agri-tainment operation with corn maze, and event building. She is also part owner and the bookkeeper for Brookedale Holsteins dairy farm. Ms. Brooke-Alt serves as a director of the Mineral County Farm Bureau, director of the Mineral County Farmland Protection or Preservation Board, director of the Mineral County Family Resource Network Board, and treasurer of the Mineral County 4-H/FFA Livestock Association. She is a member of the Potomac State College Ag Advisory Board and the Potomac State College Gerstell Ag Development Award Committee.

David Wayne Campbell operates a beef cattle farm consisting of commercial cow-calf and seed stock Herefords and stockers. He is a retired manager for Southern States Cooperative. Mr. Campbell is past president/current director of the Virginia Cattlemen Association, currently serving as chairman on the Policy Committee, chairman of the Washington County Service Authority and current commissioner, past commissioner of the Smyth/Washington Cattlemen Board, past treasurer/board member of Abingdon Feeder Cattle, and current president of the Southwest Virginia Agriculture Association.

Robert M. Chambers, Jr. holds an interest in Brooke Farms LLC and Liberty Equipment Repair Inc. The farm consists of crops and beef cows. Mr. Chambers owns and operates CCB Investments LLC, a group of 5 NAPA Auto Parts stores. Mr. Chambers serves on the Ever Grow Cooperative Board (previously Orange Madison Cooperative) and as Commissioner of the Orange County Livestock Commission.

Charles E. Horn, Jr., owns and operates Delta Springs LLC, a poultry, replacement dairy heifer, grain and beef cattle farm in Mt. Solon, VA. Mr. Horn has been a member of the North River Ruritan Club over 35 years, currently serving as president and previously served as director of the Valley Conservation Council.

Kyle E. House is an owner/operator of Kettle Wind Farm, LLC in Prince William County, VA. The family operation consists of 2750 acres of corn, soybeans, wheat and hay as well as 1000 acres of sod. Mr. House is a County Committee member of the Fairfax/Loudoun/Prince William FSA Office.

Melody S. Jones is an outside director and serves as chairperson of the Audit Committee. She is a self-employed sole practitioner Certified Public Accountant. Ms. Jones is a financial partner of Philippi Women's Investment Club.

Charles R. King, Jr., of Christiansburg, VA, owns and operates a farm in Montgomery County. His farm consists of a cow/calf operation, straw and small grains. Mr. King grew pumpkins until 2021 and served as past president of the Virginia Pumpkin Growers Association. Mr. King serves on the Montgomery County Farm Bureau board and is an honorary member of the Virginia Tech AGR Fraternity.

Charles B. Leech, IV is an owner/operator of the family's dairy farm, Ingleside Dairy Farm, Inc., and an owner/manager of Ingleside Land, LLC. Mr. Leech serves as a director on the Rockbridge Farmers' Cooperative Board and a director of Virginia State Dairymen's Association.

Milton L. McPike, Jr. is an outside director. He is a retired Operations Manager for Cargill, Inc. in Wichita, KS.

Donald W. Reese is a vegetable farmer. He and his wife own and operate Don and Sara Reese LLC, which consists of two roadside retail markets doing business as Reese's Farm Fresh Produce in Halifax County, VA. Mr. Reese is an agriculture teacher and FFA advisor at Halifax County High School. He is also a past member of Halifax County Cooperative Extension Leadership Council.

Alfred W. Stephens, Jr., is a dairy and beef cow/calf farmer and has a small produce business. Mr. Stephens serves as secretary-treasurer on the Wythe/Bland DHIA and a member of the VA Tech Dairy Science Advisory Board. Mr. Stephens also serves as a director on the AgFirst Farm Credit Bank Board.

Subject to approval by the board, the Association may allow directors honorarium of \$700 for attendance at meetings, committee meetings, or special assignments, and \$250 for telephone conferences. In addition to the honoraria, the board chairperson was paid a quarterly retainer fee of \$1,750, the audit committee chairperson was paid a quarterly retainer fee of \$1,750 and the directors were paid a quarterly retainer fee of \$1,500.

The following chart details the number of meetings, other activities and additional compensation paid for other activities (if applicable) for each director:

Name of Director	Days Served		Committee Assignments	Compensation Paid For Other Activities**
	Regular Board Meetings	Other Official Activities*		
James F. Kinsey, Chairperson	14	82	Compensation Committee, Governance Committee, Legislative/Knowledge Center Committee	\$ 30,400
Kevin C. Craun, Vice Chairperson	14	82	Compensation Committee, Governance Committee, Chairperson of Legislative/Knowledge Center Committee	35,800
Melody S. Jones, Chairperson of Audit Committee	14	72	Chairperson of Audit Committee	26,100
Caitlin M. Bailey	14	35	Risk Management, Sales and Marketing Committee, Legislative/Knowledge Center Committee	19,100
Ronald L. Bennett	14	21	Risk Management, Sales and Marketing Committee	9,750
Donna M. Brooke-Alt	14	36	Audit Committee, Legislative/Knowledge Center Committee	17,550
David Wayne Campbell	12	38	Audit Committee	19,400
Robert M. Chambers, Jr.	14	39	Chairperson of Compensation Committee, Governance Committee	22,350
Charles E. Horn, Jr.	14	42	Audit Committee, Legislative/Knowledge Center Committee	23,100
Kyle E. House	14	21	Chairperson of Governance Committee, Compensation Committee	9,300
Charles R. King, Jr.	14	38	Audit Committee	20,750
Charles B. Leech, IV	14	29	Risk Management, Sales and Marketing Committee	14,900
Milton L. McPike, Jr.	14	26	Chairperson of Risk Management, Sales and Marketing Committee	12,800
Donald W. Reese	14	24	Compensation Committee, Governance Committee	10,950
Alfred W. Stephens, Jr.***	14	20	Risk Management, Sales, and Marketing Committee, Legislative/Knowledge Center Committee	9,050
				<u>\$ 281,300</u>

* Includes board committee meetings and other board activities other than regular board meetings.

**Included in the Total Compensation amount in the previous table.

***Does not include days served or compensation for days served on the AgFirst Board of Directors.

In January 2025, the Board elected Kevin C. Craun as Chairperson of the Board and Charles E. Horn, Jr. as Vice Chairperson of the Board for 2025.

Directors are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was \$336,914 for 2024, \$287,087 for 2023, and \$256,057 for 2022.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Notes to the Consolidated Financial Statements in this Annual Report.

Transactions Other Than Loans

There have been no transactions that occurred at any time during the year ended December 31, 2024, between the Association and senior officers or directors, their immediate family members or any organizations with which they are affiliated, which require reporting per FCA regulations. There were no transactions with any senior officer or director related to the purchase or retirement of preferred stock of the Association, for the year ended December 31, 2024.

Involvement in Certain Legal Proceedings

There were no other transactions which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees incurred by the Association for services rendered by its independent auditors for the year ended December 31, 2024 were as follows:

	2024
<i>Independent Auditors</i>	
PricewaterhouseCoopers LLP Audit services	\$ 101,360
Total	<u>\$ 101,360</u>

Audit fees were for the annual audit of the consolidated financial statements. No other fees were paid to PricewaterhouseCoopers LLP.

Consolidated Financial Statements

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2025, and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-540-886-3435, extension 5040, or writing Justin Weekley, Chief Financial Officer, Farm Credit of the Virginias, P.O. Box 899, Staunton, VA 24402 or accessing the web site, www.farmcreditofvirginias.com. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report which is available on the Association's website within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this annual report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's web site at www.agfirst.com. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of Farm Credit of the Virginias, ACA (Association) and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2024, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards AU-C 260 and 265 (*The Auditor's Communication With Those Charged With Governance*). The Committee discussed with PwC its independence from Farm Credit of the Virginias, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2024. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ Melody S. Jones
Chairperson of the Audit Committee

Members of Audit Committee

Donna Brooke-Alt
David Wayne Campbell
Charles R. King, Jr.
Donald W. Reese

March 11, 2025



Report of Independent Auditors

To the Management and Board of Directors of Farm Credit of the Virginias, ACA

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit of the Virginias, 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

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31,		
	2024	2023	2022
Assets			
Cash	\$ 97	\$ 232	\$ 78
Loans	2,326,537	2,177,003	2,089,916
Allowance for credit losses on loans	(5,101)	(5,362)	(17,318)
Net loans	2,321,436	2,171,641	2,072,598
Loans held for sale	—	75	20
Accrued interest receivable	13,265	11,685	10,167
Equity investments in other Farm Credit institutions	35,305	34,540	25,754
Premises and equipment, net	13,200	13,056	12,110
Other property owned	252	150	610
Accounts receivable	13,652	13,900	12,378
Other assets	2,174	2,633	2,720
Total assets	\$ 2,399,381	\$ 2,247,912	\$ 2,136,435
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 1,851,854	\$ 1,709,056	\$ 1,617,603
Accrued interest payable	6,012	5,692	4,338
Patronage refunds payable	33,669	32,667	24,781
Accounts payable	1,972	3,144	4,014
Other liabilities	10,762	10,287	11,667
Total liabilities	1,904,269	1,760,846	1,662,403
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	11,109	10,864	10,874
Retained earnings			
Allocated	92,568	92,568	92,568
Unallocated	391,454	383,656	370,610
Accumulated other comprehensive income (loss)	(19)	(22)	(20)
Total members' equity	495,112	487,066	474,032
Total liabilities and members' equity	\$ 2,399,381	\$ 2,247,912	\$ 2,136,435

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

Consolidated Statements of Comprehensive Income

(dollars in thousands)	For the year ended December 31,		
	2024	2023	2022
Interest Income			
Loans	\$ 132,775	\$ 119,324	\$ 99,120
Interest Expense	65,923	59,992	45,075
Net interest income	66,852	59,332	54,045
Provision for (reversal of) allowance for credit losses	(101)	129	100
Net interest income after provision for (reversal of) allowance for credit losses	66,953	59,203	53,945
Noninterest Income			
Loan fees	747	560	793
Fees for financially related services	34	27	63
Patronage refunds from other Farm Credit institutions	13,333	13,653	21,238
Gains (losses) on sales of rural home loans, net	97	227	910
Gains (losses) on sales of premises and equipment, net	643	673	263
Gains (losses) on other transactions	155	107	(92)
Insurance Fund refunds	585	—	—
Other noninterest income	128	81	72
Total noninterest income	15,722	15,328	23,247
Noninterest Expense			
Salaries and employee benefits	22,209	22,435	22,219
Occupancy and equipment	1,611	1,576	1,501
Insurance Fund premiums	1,768	2,984	3,183
Purchased services	9,654	2,124	1,933
Data processing	459	490	484
Other operating expenses	6,131	5,446	5,428
(Gains) losses on other property owned, net	19	(52)	32
Total noninterest expense	41,851	35,003	34,780
Income before income taxes	40,824	39,528	42,412
Provision for income taxes	26	16	63
Net income	\$ 40,798	\$ 39,512	\$ 42,349
Other comprehensive income net of tax			
Employee benefit plans adjustments	3	(2)	17
Comprehensive income	\$ 40,801	\$ 39,510	\$ 42,366

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2021	\$ 10,835	\$ 92,568	\$ 375,261	\$ (37)	\$ 478,627
Comprehensive income			42,349	17	42,366
Capital stock/participation certificates issued/(retired), net	39				39
Patronage distribution					
Cash			(47,000)		(47,000)
Balance at December 31, 2022	\$ 10,874	\$ 92,568	\$ 370,610	\$ (20)	\$ 474,032
Cumulative effect of change in accounting principle			11,534		11,534
Comprehensive income			39,512	(2)	39,510
Capital stock/participation certificates issued/(retired), net	(10)				(10)
Patronage distribution					
Cash			(38,000)		(38,000)
Balance at December 31, 2023	\$ 10,864	\$ 92,568	\$ 383,656	\$ (22)	\$ 487,066
Comprehensive income			40,798	3	40,801
Capital stock/participation certificates issued/(retired), net	245				245
Patronage distribution					
Cash			(33,000)		(33,000)
Balance at December 31, 2024	\$ 11,109	\$ 92,568	\$ 391,454	\$ (19)	\$ 495,112

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

Consolidated Statements of Cash Flows

(dollars in thousands)	For the year ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 40,798	\$ 39,512	\$ 42,349
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	1,072	1,045	1,069
Amortization (accretion) of net deferred loan costs (fees)	1,531	1,087	1,213
Provision for (reversal of) allowance for credit losses	(101)	129	100
(Gains) losses on other property owned	(6)	(66)	(2)
(Gains) losses on sales of premises and equipment, net	(643)	(673)	(263)
(Gains) losses on sales of rural home loans, net	(97)	(227)	(910)
(Gains) losses on other transactions	(155)	(107)	92
Changes in operating assets and liabilities:			
Origination of loans held for sale	(5,725)	(15,870)	(52,559)
Proceeds from sales of loans held for sale, net	5,897	16,042	53,800
(Increase) decrease in accrued interest receivable	(1,580)	(1,518)	(1,924)
(Increase) decrease in accounts receivable	248	(1,522)	19,626
(Increase) decrease in other assets	459	87	(377)
Increase (decrease) in accrued interest payable	320	1,354	1,098
Increase (decrease) in accounts payable	(1,172)	(870)	1,172
Increase (decrease) in other liabilities	704	(1,736)	402
Total adjustments	752	(2,845)	22,537
Net cash provided by (used in) operating activities	41,550	36,667	64,886
Cash flows from investing activities:			
Net (increase) decrease in loans	(151,392)	(88,408)	(63,117)
(Increase) decrease in equity investments in other Farm Credit institutions	(765)	(8,786)	(8,975)
Purchases of premises and equipment	(1,402)	(2,252)	(1,154)
Proceeds from sales of premises and equipment	829	934	552
Proceeds from sales of other property owned	—	670	700
Net cash provided by (used in) investing activities	(152,730)	(97,842)	(71,994)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	142,798	91,453	51,599
Capital stock and participation certificates issued/(retired), net	245	(10)	39
Patronage refunds and dividends paid	(31,998)	(30,114)	(44,981)
Net cash provided by (used in) financing activities	111,045	61,329	6,657
Net increase (decrease) in cash	(135)	154	(451)
Cash, beginning of period	232	78	529
Cash, end of period	\$ 97	\$ 232	\$ 78
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	\$ 102	\$ 150	\$ 610
Estimated cash dividends or patronage distributions declared or payable	33,000	38,000	47,000
Cumulative effect of change in accounting principle	—	11,534	—
Employee benefit plans adjustments (Note 9)	(3)	2	(17)
Supplemental information:			
Interest paid	\$ 65,603	\$ 58,638	\$ 43,977
Taxes (refunded) paid, net	—	50	47

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

- A. **Organization:** Farm Credit of the Virginias, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in forty-six counties in the state of Virginia, forty-eight counties in the state of West Virginia, and two counties in the state of Maryland as follows:

Virginia: Counties of Albemarle, Alleghany, Arlington, Augusta, Bath, Bedford, Bland, Botetourt, Buchanan, Carroll, Craig, Culpeper, Dickenson, Fairfax, Fauquier, Floyd, Franklin, Giles, Grayson, Greene, Halifax, Henry, Highland, Lee, Loudoun, Madison, Montgomery, Nelson, Orange, Patrick, Pittsylvania, Prince William, Pulaski, Rappahannock, Roanoke, Rockbridge, Rockingham, Russell, Scott, Smyth, Spotsylvania, Stafford, Tazewell, Washington, Wise, and Wythe;

West Virginia: Counties of Barbour, Boone, Braxton, Cabell, Calhoun, Clay, Doodridge, Fayette, Gilmer, Grant, Greenbrier, Hampshire, Hardy, Harrison, Jackson, Kanawha, Lewis, Lincoln, Logan, Marion, Mason, McDowell, Mercer, Mineral, Mingo, Monongalia, Monroe, Nicholas, Pendleton, Pleasants, Pocahontas, Preston, Putnam, Raleigh, Randolph, Ritchie, Roane, Summers, Taylor, Tucker, Tyler, Upshur, Wayne, Webster, Wetzel, Wirt, Wood, and Wyoming; and

Maryland: Counties of Allegany and Garrett.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of associations within their districts. AgFirst (Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year-end, the District consisted of the Bank and sixteen District Associations. All sixteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) 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 (Insured Debt), (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 discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

- B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. Prior to January 1, 2024, the costs of these support services were primarily included in the interest expense of the Direct Note. After January 1, 2024, the fees charged by the Bank for these support services are included in the Association's noninterest expense or in some cases billed directly to certain Associations that use a specific service.

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 may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of 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 footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

- A. **Accounting Standard Updates (ASUs) Effective During the Period:** 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 Association's financial condition, results of operations or cash flows but will impact the income tax disclosures.
- B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.
- C. **Loans and Allowance for Credit Losses (ACL):** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

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 the 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 that is considered uncollectible is reversed (if accrued in the current year) or charged against the ACL (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 generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. 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 adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association 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. An entity is required 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, the Association adopted the 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 loss 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

The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled “Measurement of Credit Losses on Financial Instruments” and other subsequently issued accounting standards updates related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance was applied on a modified retrospective basis. 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 Consolidated Balance Sheets
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets 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 Consolidated Balance Sheets.

Determining the appropriateness of the allowance 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 accounting adjustments.

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. 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 ACL.

In estimating the component of the ACLL that relates to 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.

The credit risk rating methodology is a key component of the Association's ACLL evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. 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 is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

The components of the ACLL that share common risk characteristics 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 estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

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

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an ACL on unfunded commitments 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 Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

- D. Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

- E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the ACLL. 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, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.
- F. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

- G. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions

Investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Other Investments

As discussed in Note 8, *Fair Value Measurement*, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

Investment Income

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

- H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced 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 Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.
- I. **Employee Benefit Plans:** The Association participates in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans

Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9, *Employee Benefit Plans*.

Multiemployer Defined Benefit Plans

Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-district sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the

accrual of the expected cost of providing these benefits to employees, their beneficiaries and covered dependents during the years the employees render service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9, *Employee Benefit Plans* and in the Notes to the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plan

The Association also sponsors a single employer defined benefit supplemental retirement plan for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements.

See Note 9, *Employee Benefit Plans* for additional information.

- J. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to Federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state and certain other income taxes.

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 surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

- K. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.
- L. **Valuation Methodologies:** FASB 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. This guidance also 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. It prescribes three levels of inputs that may be used to measure fair value.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, and certain derivatives, investment securities and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations. Additional information may be found in Note 8, *Fair Value Measurement*.

- M. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and 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 credit worthiness.

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.

Letters of credit are 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.

- N. **Revenue Recognition:** The Association generates income from multiple sources.

Financial Instruments

The largest source of revenue for the Association is interest income. Interest income is recognized on an accrual basis driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers

The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Association also does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets

Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

- O. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee

Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor

The Association may act as lessor in certain contractual arrangements which relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and nonlease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Other Noninterest Income in the Consolidated Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for credit losses on loans, see Note 2 subsection C above.

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31,		
	2024	2023	2022
Real estate mortgage	\$ 1,751,407	\$ 1,690,380	\$ 1,650,781
Production and intermediate-term	351,905	316,864	309,369
Agribusiness:			
Loans to cooperatives	48	113	66
Processing and marketing	87,965	69,907	48,643
Farm-related business	11,894	17,668	14,749
Rural infrastructure:			
Communication	27,260	11,387	4,625
Power and water/waste disposal	14,133	11,000	—
Rural residential real estate	60,094	59,687	59,976
Other:			
International	1,035	(3)	1,707
Other (including Mission Related)	20,796	—	—
Total loans	\$ 2,326,537	\$ 2,177,003	\$ 2,089,916

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.

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 collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

	December 31, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 27,793	\$ 7,220	\$ —	\$ —	\$ 27,793	\$ 7,220
Production and intermediate-term	42,527	6,680	—	—	42,527	6,680
Agribusiness	70,022	—	—	—	70,022	—
Rural infrastructure	41,457	—	—	—	41,457	—
Other	21,866	—	—	—	21,866	—
Total	\$ 203,665	\$ 13,900	\$ —	\$ —	\$ 203,665	\$ 13,900

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 25,384	\$ 5,779	\$ —	\$ —	\$ 25,384	\$ 5,779
Production and intermediate-term	39,664	7,319	—	—	39,664	7,319
Agribusiness	52,157	—	—	—	52,157	—
Rural infrastructure	22,401	—	—	—	22,401	—
Total	\$ 139,606	\$ 13,098	\$ —	\$ —	\$ 139,606	\$ 13,098

	December 31, 2022					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 20,276	\$ 2,901	\$ —	\$ —	\$ 20,276	\$ 2,901
Production and intermediate-term	22,013	6,136	—	—	22,013	6,136
Agribusiness	25,752	—	—	—	25,752	—
Rural infrastructure	4,634	—	—	—	4,634	—
Other	1,711	—	—	—	1,711	—
Total	\$ 74,386	\$ 9,037	\$ —	\$ —	\$ 74,386	\$ 9,037

Loan Quality

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral). See further discussion in Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

Each of the ratings carries a distinct percentage of default probability. The 14-point scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off. These categories are defined as follows:

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- Other assets especially mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	December 31,		
	2024	2023	2022*
Real estate mortgage:			
Acceptable	96.64%	96.46%	96.41%
OAEM	1.31	1.72	1.86
Substandard/doubtful/loss	2.05	1.82	1.73
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	95.13%	95.87%	94.40%
OAEM	2.96	1.91	2.89
Substandard/doubtful/loss	1.91	2.22	2.71
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	89.11%	85.74%	80.81%
OAEM	1.55	0.23	19.17
Substandard/doubtful/loss	9.34	14.03	0.02
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	97.03%	96.43%	96.65%
OAEM	1.28	1.15	2.10
Substandard/doubtful/loss	1.69	2.42	1.25
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	96.19%	95.97%	95.66%
OAEM	1.53	1.66	2.53
Substandard/doubtful/loss	2.28	2.37	1.81
	100.00%	100.00%	100.00%

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Accrued interest receivable on loans of \$13,265, \$11,685, and \$10,167 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following tables provide an aging analysis of past due loans as of:

	December 31, 2024				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 8,623	\$ 9,396	\$ 18,019	\$ 1,733,388	\$ 1,751,407
Production and intermediate-term	1,888	1,036	2,924	348,981	351,905
Agribusiness	2,115	—	2,115	97,792	99,907
Rural infrastructure	—	—	—	41,393	41,393
Rural residential real estate	1,112	—	1,112	58,982	60,094
Other	—	—	—	21,831	21,831
Total	\$ 13,738	\$ 10,432	\$ 24,170	\$ 2,302,367	\$ 2,326,537

	December 31, 2023				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 17,956	\$ 3,766	\$ 21,722	\$ 1,668,658	\$ 1,690,380
Production and intermediate-term	2,433	1,922	4,355	312,509	316,864
Agribusiness	2,131	1	2,132	85,556	87,688
Rural infrastructure	—	—	—	22,387	22,387
Rural residential real estate	871	267	1,138	58,549	59,687
Other	—	—	—	(3)	(3)
Total	\$ 23,391	\$ 5,956	\$ 29,347	\$ 2,147,656	\$ 2,177,003

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

	December 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 4,580	\$ 2,958	\$ 7,538	\$ 1,650,154	\$ 1,657,692
Production and intermediate-term	1,903	1,171	3,074	309,185	312,259
Agribusiness	—	—	—	63,599	63,599
Rural infrastructure	—	—	—	4,627	4,627
Rural residential real estate	326	—	326	59,837	60,163
Other	—	—	—	1,743	1,743
Total	\$ 6,809	\$ 4,129	\$ 10,938	\$ 2,089,145	\$ 2,100,083

There were no accruing loans greater than 90 days past due as of December 31, 2024, 2023, and 2022.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as, interest income recognized on nonaccrual loans during the period ended December 31, 2024 and 2023:

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Real estate mortgage	\$ 2,003	\$ 13,144	\$ 15,147	\$ 978
Production and intermediate-term	1,232	2,965	4,197	271
Agribusiness	29	7,043	7,072	457
Rural residential real estate	—	331	331	21
Total	\$ 3,264	\$ 23,483	\$ 26,747	\$ 1,727

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	\$ 517	\$ 11,292	\$ 11,809	\$ 1,255
Production and intermediate-term	1,517	2,781	4,298	457
Agribusiness	56	9,773	9,829	1,045
Rural residential real estate	—	621	621	66
Total	\$ 2,090	\$ 24,467	\$ 26,557	\$ 2,823

Prior to the adoption of CECL on January 1, 2023, the following disclosures of impaired loans were required. Within the below table, impaired loans included nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due and the amounts included accrued interest. See previously required disclosures of impaired loans in the following table:

	December 31, 2022			Year Ended December 31, 2022	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 2,543	\$ 2,952	\$ 89	\$ 2,771	\$ 197
Production and intermediate-term	2,165	2,634	1,141	2,360	168
Agribusiness	—	—	—	—	—
Rural residential real estate	—	—	—	—	—
Total	\$ 4,708	\$ 5,586	\$ 1,230	\$ 5,131	\$ 365
With no related allowance for credit losses:					
Real estate mortgage	\$ 15,459	\$ 18,848	\$ —	\$ 16,847	\$ 1,199
Production and intermediate-term	5,116	9,638	—	5,574	396
Agribusiness	9,678	9,737	—	10,547	751
Rural residential real estate	233	354	—	255	18
Total	\$ 30,486	\$ 38,577	\$ —	\$ 33,223	\$ 2,364
Total impaired loans:					
Real estate mortgage	\$ 18,002	\$ 21,800	\$ 89	\$ 19,618	\$ 1,396
Production and intermediate-term	7,281	12,272	1,141	7,934	564
Agribusiness	9,678	9,737	—	10,547	751
Rural residential real estate	233	354	—	255	18
Total	\$ 35,194	\$ 44,163	\$ 1,230	\$ 38,354	\$ 2,729

Additionally, total nonaccruals by loan type, including accrued interest, as of December 31, 2022, are included in the table below:

	Total Nonaccrual
Real estate mortgage	\$ 13,557
Production and intermediate-term	5,855
Rural residential real estate	233
Total	\$ 19,645

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

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	\$ 2,786	\$ 2,264	\$ 206	\$ 13	\$ 92	\$ 1	\$ 5,362
Charge-offs	—	(537)	—	—	—	—	(537)
Recoveries	19	279	11	—	2	—	311
Provision for credit losses on loans	144	(162)	(68)	26	(10)	35	(35)
Balance at December 31, 2024	\$ 2,949	\$ 1,844	\$ 149	\$ 39	\$ 84	\$ 36	\$ 5,101
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	\$ 35	\$ 360	\$ 69	\$ —	\$ —	\$ 4	\$ 468
Provision for unfunded commitments	6	(78)	—	4	—	2	(66)
Balance at December 31, 2024	\$ 41	\$ 282	\$ 69	\$ 4	\$ —	\$ 6	\$ 402
Total allowance for credit losses	\$ 2,990	\$ 2,126	\$ 218	\$ 43	\$ 84	\$ 42	\$ 5,503
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	\$ 7,645	\$ 8,304	\$ 1,077	\$ 24	\$ 261	\$ 7	\$ 17,318
Cumulative effect of a change in accounting principle	(4,626)	(5,972)	(986)	(21)	(148)	(5)	(11,758)
Balance at January 1, 2023	\$ 3,019	\$ 2,332	\$ 91	\$ 3	\$ 113	\$ 2	\$ 5,560
Charge-offs	—	(352)	—	—	—	—	(352)
Recoveries	22	244	3	—	—	—	269
Provision for credit losses on loans	(255)	40	112	10	(21)	(1)	(115)
Balance at December 31, 2023	\$ 2,786	\$ 2,264	\$ 206	\$ 13	\$ 92	\$ 1	\$ 5,362
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Cumulative effect of a change in accounting principle	—	169	53	—	—	2	224
Balance at January 1, 2023	\$ —	\$ 169	\$ 53	\$ —	\$ —	\$ 2	\$ 224
Provision for unfunded commitments	35	191	16	—	—	2	244
Balance at December 31, 2023	\$ 35	\$ 360	\$ 69	\$ —	\$ —	\$ 4	\$ 468
Total allowance for credit losses	\$ 2,821	\$ 2,624	\$ 275	\$ 13	\$ 92	\$ 5	\$ 5,830

Prior to the adoption of CECL on January 1, 2023, the allowance for loan losses was based on probable and estimable losses incurred in the loan portfolio. A summary of changes in the allowance for loan losses and period-end loans including accrued interest is as follows:

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Activity related to the allowance for loan losses:							
Balance at December 31, 2021	\$ 7,301	\$ 9,551	\$ 545	\$ 16	\$ 277	\$ —	\$ 17,690
Charge-offs	(8)	(719)	—	—	(2)	—	(729)
Recoveries	68	171	16	—	2	—	257
Provision for loan losses	284	(699)	516	8	(16)	7	100
Balance at December 31, 2022	\$ 7,645	\$ 8,304	\$ 1,077	\$ 24	\$ 261	\$ 7	\$ 17,318
Allowance on loans evaluated for impairment:							
Individually	\$ 89	\$ 1,141	\$ —	\$ —	\$ —	\$ —	\$ 1,230
Collectively	7,556	7,163	1,077	24	261	7	16,088
Balance at December 31, 2022	\$ 7,645	\$ 8,304	\$ 1,077	\$ 24	\$ 261	\$ 7	\$ 17,318
Recorded investment in loans evaluated for impairment:							
Individually	\$ 18,002	\$ 7,281	\$ 9,678	\$ —	\$ 233	\$ —	\$ 35,194
Collectively	1,639,690	304,978	53,921	4,627	59,930	1,743	2,064,889
Balance at December 31, 2022	\$ 1,657,692	\$ 312,259	\$ 63,599	\$ 4,627	\$ 60,163	\$ 1,743	\$ 2,100,083

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain GSEs, including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the Association the right to be reimbursed for losses incurred or to sell designated loans to the guarantor in the event of default (typically four months past due), subject to certain conditions. The guaranteed balance of designated loans under these agreements was \$17,400, \$18,315 and \$20,481 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guaranteed commitments totaled \$5, \$29, and \$96 for 2024, 2023, and 2022, respectively. These amounts are classified as noninterest expense.

Loans held for sale were \$0, \$75, and \$20 at December 31, 2024, 2023, and 2022, respectively. Such loans are carried at the lower of cost or fair value.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

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 the year ended December 31, 2024, disaggregated by loan type and type of modification granted:

For the Year Ended December 31, 2024			
	Maturity Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 836	\$ 836	0.05%
Production and intermediate-term	2,479	2,479	0.70%
Agribusiness	7,791	7,791	7.80%
Rural residential real estate	63	63	0.10%
Total	<u>\$ 11,169</u>	<u>\$ 11,169</u>	0.48%

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024:

	Maturity Extension
	Financial Effect
Real estate mortgage	Added a weighted average 22.54 years to the life of loans
Production and intermediate-term	Added a weighted average 2.08 years to the life of loans
Agribusiness	Added a weighted average 0.66 years to the life of loans
Rural residential real estate	Added a weighted average 30.00 years to the life of loans

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that were modified during 2024 and defaulted during the period presented:

	For the Year Ended December 31, 2024
	Maturity Extension
Production and intermediate-term	\$ 82
Agribusiness	748
Total	<u>\$ 830</u>

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the year:

	December 31, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	\$ 836	\$ —	\$ —	\$ 836
Production and intermediate-term	2,397	82	—	2,479
Agribusiness	7,043	748	—	7,791
Rural residential real estate	63	—	—	63
Total	<u>\$ 10,339</u>	<u>\$ 830</u>	<u>\$ —</u>	<u>\$ 11,169</u>

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024 was \$39. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were \$592 at December 31, 2024.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2023. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) 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, 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 TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

The following table presents additional information regarding troubled debt restructurings that occurred during the period:

	Year Ended December 31, 2022*					
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total		Charge-offs
Pre-modification:						
Real estate mortgage	\$	—	\$	840	\$	840
Production and intermediate-term		250		2,891		286
Total	\$	250	\$	3,731	\$	286
Post-modification:						
Real estate mortgage	\$	—	\$	891	\$	891
Production and intermediate-term		250		2,843		286
Total	\$	250	\$	3,734	\$	286

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

Year Ended December 31, 2022*	
Defaulted Troubled Debt Restructurings	
Real estate mortgage	\$ 67
Production and intermediate-term	358
Total	\$ 425

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

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

	December 31, 2022*	
	Total TDRs	Nonaccrual TDRs
Real estate mortgage	\$ 8,222	\$ 4,253
Production and intermediate-term	3,480	2,055
Agribusiness	9,678	—
Total loans	\$ 21,380	\$ 6,308
Additional commitments to lend	\$ 1,466	

*Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Note 4 — Investments

Equity Investments in Other Farm Credit Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$34,324 for 2024, \$33,565 for 2023 and \$24,703 for 2022. The Association owned 6.11 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled \$47.0 billion and shareholders' equity totaled \$1.7 billion. The Bank's earnings were \$283 million for 2024. In addition, the Association had \$981 in investments related to other Farm Credit institutions at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2024	2023	2022
Land	\$ 3,829	\$ 3,918	\$ 3,937
Buildings and improvements	12,003	11,961	11,276
Furniture and equipment	6,450	7,128	6,600
	22,282	23,007	21,813
Less: accumulated depreciation	9,082	9,951	9,703
Total	\$ 13,200	\$ 13,056	\$ 12,110

Note 6 — Debt**Notes Payable to AgFirst Farm Credit Bank**

Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has 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, the Association's notes payable were within the specified limitations.

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan, based on the Bank's marginal cost of funds, capital position, operating costs and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA, which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon an agreement between the Bank and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31,		
	2024	2023	2022
Line of credit	\$ 1,918,000	\$ 1,868,000	\$ 1,970,000
Outstanding principal under the line of credit	1,851,854	1,709,056	1,617,603
Interest rate	3.75%	3.61%	2.82%

Note 7 — Members' Equity

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

- A. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C Common Stock for agricultural loans or Participation Certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be a minimum of 2 percent of the loan amount or \$1 thousand, or such higher amount as determined by the Board. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. 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 stock or participation certificates.

- B. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it 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.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

The capital regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of 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, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock 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, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio 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 investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

	Minimum	Capital	Minimum Requirement	Capital Ratios as of December 31,		
Ratio	Requirement	Conservation	including Capital	2024	2023	2022
		Buffer	Conservation Buffer			
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	19.94%	20.84%	21.10%
Tier 1 Capital	6.0%	2.5%	8.5%	19.94%	20.84%	21.10%
Total Capital	8.0%	2.5%	10.5%	20.19%	21.15%	21.93%
Permanent Capital	7.0%	0.0%	7.0%	19.99%	20.90%	21.28%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	20.61%	21.55%	21.89%
URE and UREE Leverage	1.5%	0.0%	1.5%	20.14%	21.06%	21.38%

* The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.

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

- C. **Description of Equities:** The Association is authorized to issue or have outstanding Class D Preferred Stock, Classes A and C Common Stock, Participation Certificates and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars (\$5.00) per share.

The Association had the following shares outstanding at December 31, 2024:

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
C Common/Voting	No	2,080,996	\$ 10,406
Participation Certificates/Nonvoting	No	140,629	703
Total Capital Stock and Participation Certificates		2,221,625	\$ 11,109

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board provided that minimum capital standards established by the FCA and the Board are met. Nonqualified retained surplus is considered to be permanently invested in the Association and as such, there is no plan to revolve or retire this surplus. All nonqualified distributions are tax deductible only when redeemed.

At December 31, 2024, allocated members' equity consisted of \$92,568 of nonqualified retained surplus.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

The patronage distributions accrued at year-end are based on estimates. The actual amounts distributed may vary from these estimates. Differences are reflected as distribution adjustments in the Consolidated Statements of Changes in Members' Equity.

Dividends

Dividends may be paid on stock and participation certificates as determined by the Board's resolution. Dividends may not be paid on common stock and participation certificates during any fiscal year with respect to which the Association has obligated itself to distribute earnings on a patronage basis pursuant to the bylaws. The rate of dividend paid on Class D Preferred Stock for any fiscal year may not be less than the rate of dividend paid on common stock or participation certificates for such year. All dividends shall be paid on a per share basis. Dividends on common stock and participation certificates shall be noncumulative without preference between classes.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Transfer

Common stocks and participation certificates may be transferred to persons or entities eligible to purchase or hold such equities under the bylaws. Class D Preferred Stock may be transferred in the manner set forth in the resolution authorizing its issuance.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Nonqualified allocated members equity beginning with the most recent allocation
2. Qualified allocated members equity beginning with the most recent allocation
3. Classes A and C Common Stock and Participation Certificates
4. Class D Preferred Stock

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed to the holders of the outstanding stock and participation certificates in the following order:

1. Holders of Class D Preferred Stock until an amount equal to the aggregate par value of shares of Class D Preferred Stock then outstanding has been distributed to the holders;
2. Holders of Class A Stock, Class C Stock, and Participation Certificates pro rata in proportion to the number of shares or units of each such class of stock and participation certificates then outstanding until an amount equal to the aggregate par value (or face value) of such shares or units has been distributed to the holders;
3. Holders of Allocated Surplus to the extent evidenced by qualified written notices of allocation, pro rata, on the basis of the oldest allocations first, until an amount equal to the total account has been distributed to such holders;
4. Holders of Allocated Surplus to the extent evidenced by nonqualified written notice of allocation, pro rata, on the basis of the oldest allocations first, until an amount equal to the total account has been distributed to such holders;
5. Any remaining assets of the Association after such distributions shall be distributed to Patrons, past and present, in proportion to which the aggregate patronage of each such Patron bears to the total patronage of all such parties insofar as practicable, unless as otherwise provided by law.

D. Accumulated Other Comprehensive Income (AOCI):

	Changes in Accumulated Other Comprehensive Income by Component (a)		
	For the Year Ended December 31,		
	2024	2023	2022
Employee Benefit Plans:			
Balance at beginning of period	\$ (22)	\$ (20)	\$ (37)
Other comprehensive income before reclassifications	2	(3)	15
Amounts reclassified from AOCI	1	1	2
Net current period OCI	3	(2)	17
Balance at end of period	\$ (19)	\$ (22)	\$ (20)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)			
	For the Year Ended December 31,			
	2024	2023	2022	Income Statement Line Item
Defined Benefit Pension Plans:				
Periodic pension costs	\$ (1)	\$ (1)	\$ (2)	See Note 9.
Amounts reclassified	\$ (1)	\$ (1)	\$ (2)	

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 8 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2, *Summary of Significant Accounting Policies* for a more complete description of the three levels.

The following tables summarize assets measured at fair value at period end:

	December 31, 2024					
	Fair Value Measurement Using			Total Fair Value		
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,324	\$ —	\$ —	\$ 1,324		
Nonrecurring assets						
Nonaccrual loans	\$ —	\$ —	\$ 2,595	\$ 2,595		
Other property owned	\$ —	\$ —	\$ 275	\$ 275		
	December 31, 2023					
	Fair Value Measurement Using			Total Fair Value		
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,175	\$ —	\$ —	\$ 1,175		
Nonrecurring assets						
Nonaccrual loans	\$ —	\$ —	\$ 950	\$ 950		
Other property owned	\$ —	\$ —	\$ 165	\$ 165		

	December 31, 2022					
	Fair Value Measurement Using					Total Fair Value
	Level 1	Level 2	Level 3			
Recurring assets						
Assets held in trust funds	\$ 1,207	\$ —	\$ —	\$ —	\$ —	\$ 1,207
Nonrecurring assets						
Impaired loans*	\$ —	\$ —	\$ 3,478	\$ —	\$ 3,478	\$ 3,478
Other property owned	\$ —	\$ —	\$ 749	\$ —	\$ 749	\$ 749

*Prior to adoption of CECL on January 1, 2023, the fair value of impaired loans included accruing restructured loans and loans past due 90 days and accruing.

Valuation Techniques

Assets held in trust funds

Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Nonaccrual loans

Fair values of nonaccrual loans are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. 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, and are therefore classified as Level 3.

Other property owned

For other property owned, the fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 9 — Employee Benefit Plans

The Association participates in three District sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, the AgFirst Farm Credit Retirement Plan which is a final average pay plan (FAP Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required to be filed. As such, the following information is neither available for nor applicable to the plans:

1. The Employer Identification Number (EIN) and three-digit Pension Plan Number
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
4. The expiration date(s) of collective-bargaining agreement(s).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$1,444 for 2024, \$1,753 for 2023, and \$2,425 for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP Plan was \$9,765, \$33,660,

and \$32,568, respectively. The FAP Plan was 98.52 percent, 95.43 percent, and 95.81 percent funded to the projected benefit obligation as of December 31, 2024, 2023, and 2022, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$665 for 2024, \$652 for 2023, and \$520 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was \$182,643, \$160,980, and \$167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes \$0.50 for each \$1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes \$1.00 for each \$1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were \$1,409, \$1,383, and \$1,345 for the years ended December 31, 2024, 2023, and 2022, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2024, 2023, and 2022, \$3, \$(2) and \$17, respectively, has been recognized as a net credit, a net debit, and a net credit to AOCI to reflect these elements.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

In addition to the multiemployer plans described above, the Association sponsors nonqualified supplemental retirement and 401(k) plans. The supplemental retirement plan is unfunded and had a projected benefit obligation of \$83 and a net under-funded status of \$83 at December 31, 2024. Assumptions used to determine the projected benefit obligation as of December 31, 2024 included a discount rate of 5.65 percent. The expenses of these nonqualified plans included in noninterest expenses were \$9, \$14, and \$9 for 2024, 2023, and 2022, respectively.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the 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 unaffiliated borrowers.

Total loans to such persons at December 31, 2024 amounted to \$7,523. During 2024, \$3,072 of new loans were made and repayments totaled \$2,932. In addition, net loans of \$996 were no longer classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 involved more than a normal risk of collectibility.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The 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.

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. At December 31, 2024, \$304,302 of commitments to extend credit and \$267 of commercial letters of credit were outstanding. At December 31, 2024, there was \$402 in reserve for unfunded commitments included in the Consolidated Balance Sheets.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, standby letters of credit outstanding totaled \$387 with expiration dates ranging from January 1, 2025 to November 1, 2025. The maximum potential amount of future payments that may be required under these guarantees was \$387.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 20	\$ 12	\$ 49
State	6	4	14
	<u>\$ 26</u>	<u>\$ 16</u>	<u>\$ 63</u>
Deferred:			
Federal	—	—	—
State	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Total provision (benefit) for income taxes	<u>\$ 26</u>	<u>\$ 16</u>	<u>\$ 63</u>

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31,		
	2024	2023	2022
Federal tax at statutory rate	\$ 8,573	\$ 8,301	\$ 8,906
State tax, net	5	(2)	14
Patronage distributions	(6,930)	(6,720)	(9,870)
Tax-exempt FLCAs earnings	(1,707)	(1,549)	—
Change in valuation allowance	98	(58)	1,258
Other	(13)	44	(245)
Provision (benefit) for income taxes	<u>\$ 26</u>	<u>\$ 16</u>	<u>\$ 63</u>

Deferred tax assets and liabilities are comprised of the following at:

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for loan losses	\$ 513	\$ 649	\$ 1,943
Annual leave	410	415	422
Nonaccrual loan interest	510	625	716
Deferred incentive	325	287	294
Net Operating Loss Carryforward	<u>2,886</u>	<u>2,491</u>	<u>2,491</u>
Gross deferred tax assets	4,644	4,467	5,866
Less: valuation allowance	<u>(3,402)</u>	<u>(3,303)</u>	<u>(4,711)</u>
Gross deferred tax assets, net of valuation allowance	<u>1,242</u>	<u>1,164</u>	<u>1,155</u>
Deferred income tax liabilities:			
Loan origination fees	(561)	(507)	(517)
Special patronage	(580)	(579)	(579)
Depreciation	(101)	(78)	(59)
Gross deferred tax liability	<u>(1,242)</u>	<u>(1,164)</u>	<u>(1,155)</u>
Net deferred tax asset (liability)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2024, deferred income taxes have not been provided by the Association on approximately \$1.6 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of \$3,402, \$3,303, and \$4,711 as of December 31, 2024, 2023 and 2022, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2024 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

2024					
	First	Second	Third	Fourth	Total
Net interest income	\$ 16,471	\$ 16,640	\$ 16,481	\$ 17,260	\$ 66,852
Provision for (reversal of) allowance for credit losses	320	274	(446)	(249)	(101)
Noninterest income (expense), net	(6,403)	(5,893)	(7,070)	(6,789)	(26,155)
Net income	\$ 9,748	\$ 10,473	\$ 9,857	\$ 10,720	\$ 40,798

2023					
	First	Second	Third	Fourth	Total
Net interest income	\$ 14,211	\$ 15,356	\$ 14,671	\$ 15,094	\$ 59,332
Provision for (reversal of) allowance for credit losses	673	181	308	(1,033)	129
Noninterest income (expense), net	(5,901)	(4,957)	(5,107)	(3,726)	(19,691)
Net income	\$ 7,637	\$ 10,218	\$ 9,256	\$ 12,401	\$ 39,512

2022					
	First	Second	Third	Fourth	Total
Net interest income	\$ 12,943	\$ 13,020	\$ 14,153	\$ 13,929	\$ 54,045
Provision for (reversal of) allowance for loan losses	—	600	—	(500)	100
Noninterest income (expense), net	(5,832)	(4,914)	(4,638)	3,788	(11,596)
Net income	\$ 7,111	\$ 7,506	\$ 9,515	\$ 18,217	\$ 42,349

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through March 11, 2025, which was the date the financial statements were issued.



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