FCS FINANCIAL
Growing Relationships. Creating Opportunities.™
A FARM CREDIT COOPERATIVE

Quarterly Report
March 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

FCS Financial, ACA	AgriBank, FCB
1934 East Miller Street	30 East 7th Street, Suite 1600
Jefferson City, MO 65101	St. Paul, MN 55101
(573) 635-7956	(651) 282-8800
www.myfcsfinancial.com	www.AgriBank.com
jeffersoncitymo@myfcsfinancial.com	FinancialReporting@AgriBank.com

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2024 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The United States Department of Agriculture (USDA) 2025 farm income forecast reflects a 21.7% increase in net cash farm income, rebounding from declines in 2023 and 2024, primarily driven by a $33.1 billion increase in government payments, bringing the total to $42.2 billion. While the livestock sector forecasts a modest 1.4% increase, receipts for corn and soybeans are projected to fall 4.3% and 6.6%. Overall production expenses are expected to decrease slightly by 0.6%, with feed expenses showing the largest decline; however, this reduction is offset by record-high costs for labor, livestock and poultry purchases.

The USDA's March 2025 Prospective Plantings Report revealed that farmers plan to increase corn acreage to 95.3 million acres nationally, a 5% increase from last year, while decreasing soybean acreage to 83.5 million acres, a 4% drop. In Missouri, corn planting is projected to increase 10% to 3.8 million acres, with soybean planting expected to fall by 3.4% to 5.7 million acres. Additionally, the March 2025 USDA Grain Stocks Report noted a 2.4% year-over-year decrease in corn stocks and a 3.5% increase in soybean stocks.

Cattle markets have continued to strengthen, with calf and fed cattle prices continuing their upward trend through the first quarter of 2025. The market strength has been primarily driven by declining cattle numbers, with no indications of herd rebuilding. The January 2025 USDA Cattle inventory Report revealed a 1% year-over-year drop in cattle and calves, reflecting ongoing herd contraction. The March 2025 USDA Cattle on Feed Report showed an 18% decrease in feedlot placements compared to the previous year, pointing to tighter supplies. Assuming demand holds steady, high prices are expected to continue throughout 2025.

According to the Bureau of Economic Analysis, the Personal Consumption Expenditures index, a key measure of inflation, rose 2.5% in February 2025 compared to the same month last year, remaining above the Federal Reserve's 2% target. Additionally, core inflation, which excludes volatile food and energy prices, climbed 2.8% over the same period. The Federal Reserve kept the federal funds rate unchanged in March 2025 and signaled two rate cuts for 2025, despite projecting elevated inflation and citing uncertainty about how government policies might affect inflation and economic growth.

Farmland values in the Association's territory reflected a stabilizing market during the first quarter of 2025, with some areas experiencing modest price increases and others maintaining steady values compared to the fourth quarter of 2024. Sales volume rose during the first quarter of 2025, consistent with historical trends. Key factors driving prices include soil fertility, acreage size, and location. Meanwhile, demand for wooded and recreational properties remains strong.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $7.2 billion at March 31, 2025, an increase of $205.5 million from December 31, 2024.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2024. Adversely classified loans increased to 2.7% of the portfolio at March 31, 2025, from 2.2% of the portfolio at December 31, 2024. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At March 31, 2025, $385.1 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**March 31, 2025**	December 31, 2024
Loans:		
Nonaccrual	**$ 47,502**	$ 39,639
Accruing loans 90 days or more past due	**--**	--
Total nonperforming loans	**47,502**	39,639
Other property owned	**829**	1,166
Total nonperforming assets	**$ 48,331**	$ 40,805
Total nonperforming loans as a percentage of total loans	**0.7%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**67.1%**	60.3%
Total delinquencies as a percentage of total loans[1]	**0.4%**	0.3%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2024, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to transfers within our agribusiness portfolio to nonaccrual. Nonaccrual loans remained at an acceptable level at March 31, 2025, and December 31, 2024.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default 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.

Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands) As of:	**March 31, 2025**	December 31, 2024
Allowance for credit losses on loans	**$ 18,581**	$ 15,870
Allowance for credit losses on loans as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**39.1%**	40.0%
Total nonperforming loans	**39.1%**	40.0%

The increase from December 31, 2024, was primarily related to specific reserves established within our agribusiness portfolio.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31,	2025	2024
Net income	**$ 32,625**	$ 31,430
Return on average assets	**1.7%**	1.9%
Return on average members' equity	**10.1%**	10.5%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31,	2025	2024	Increase (decrease) in net income
Net interest income	**$ 45,568**	$ 41,597	**$ 3,971**
Provision for credit losses	**3,512**	1,397	**(2,115)**
Non-interest income	**11,386**	10,004	**1,382**
Non-interest expense	**20,534**	18,557	**(1,977)**
Provision for income taxes	**283**	217	**(66)**
Net income	**$ 32,625**	$ 31,430	**$ 1,195**

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. We also fund our portfolio from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at March 31, 2025, or December 31, 2024.

Total members' equity increased $19.9 million from December 31, 2024, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2024 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	March 31, 2025	December 31, 2024	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**13.4%**	14.3%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**13.4%**	14.3%	6.0%	2.5%	8.5%
Total capital ratio	**13.6%**	14.5%	8.0%	2.5%	10.5%
Permanent capital ratio	**13.4%**	14.3%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**14.0%**	15.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**13.9%**	14.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2024 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2025, Quarterly Report of FCS Financial, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

Rick Krueger
Chief Financial Officer
FCS Financial, ACA

May 8, 2025

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)

As of:	March 31, 2025	December 31, 2024
	(Unaudited)	
ASSETS		
Loans	**$ 7,223,841**	$ 7,018,365
Allowance for credit losses on loans	**18,581**	15,870
Net loans	**7,205,260**	7,002,495
Investment in AgriBank, FCB	**259,290**	259,290
Investment securities	**99,462**	69,845
Accrued interest receivable	**93,893**	90,862
Other assets	**102,391**	113,365
Total assets	**$ 7,760,296**	$ 7,535,857
LIABILITIES		
Note payable to AgriBank, FCB	**$ 6,311,013**	$ 6,091,777
Accrued interest payable	**58,994**	58,143
Patronage distribution payable	**12,913**	40,592
Other liabilities	**78,410**	66,314
Total liabilities	**6,461,330**	6,256,826
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**12,651**	12,601
Unallocated retained earnings	**1,287,206**	1,267,357
Accumulated other comprehensive loss	**(891)**	(927)
Total members' equity	**1,298,966**	1,279,031
Total liabilities and members' equity	**$ 7,760,296**	$ 7,535,857

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FCS Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31,	**2025**	2024
Interest income	**$ 104,560**	$ 90,073
Interest expense	**58,992**	48,476
Net interest income	**45,568**	41,597
Provision for credit losses	**3,512**	1,397
Net interest income after provision for credit losses	**42,056**	40,200
Non-interest income		
Patronage income	**7,520**	7,231
Financially related services income	**298**	321
Fee income	**2,453**	2,447
Other non-interest income	**1,115**	5
Total non-interest income	**11,386**	10,004
Non-interest expense		
Salaries and employee benefits	**10,275**	9,881
Other operating expense	**10,259**	8,676
Total non-interest expense	**20,534**	18,557
Income before income taxes	**32,908**	31,647
Provision for income taxes	**283**	217
Net income	**$ 32,625**	$ 31,430
Other comprehensive income		
Employee benefit plans activity	**$ 36**	$ 34
Total other comprehensive income	**36**	34
Comprehensive income	**$ 32,661**	$ 31,464

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2023	$ 1	$ 12,280	$ 1,180,107	$ (797)	$ 1,191,591
Net income	--	--	31,430	--	31,430
Other comprehensive income	--	--	--	34	34
Unallocated retained earnings designated for patronage distributions	--	--	(10,748)	--	(10,748)
Capital stock and participation certificates issued	--	219	--	--	219
Capital stock and participation certificates retired	--	(196)	--	--	(196)
Balance at March 31, 2024	$ 1	$ 12,303	$ 1,200,789	$ (763)	$ 1,212,330
Balance at December 31, 2024	$ --	$ 12,601	$ 1,267,357	$ (927)	$ 1,279,031
Net income	**--**	**--**	**32,625**	**--**	**32,625**
Other comprehensive income	**--**	**--**	**--**	**36**	**36**
Unallocated retained earnings designated for patronage distributions	**--**	**--**	**(12,776)**	**--**	**(12,776)**
Capital stock and participation certificates issued	**--**	**278**	**--**	**--**	**278**
Capital stock and participation certificates retired	**--**	**(228)**	**--**	**--**	**(228)**
Balance at March 31, 2025	**$ --**	**$ 12,651**	**$ 1,287,206**	**$ (891)**	**$ 1,298,966**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2025, are not necessarily indicative of the results to be expected for the year ending December 31, 2025. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2024.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of FCS Financial, ACA and its subsidiaries FCS Financial, FLCA and FCS Financial, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standard to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Throughout Note 2 accrued interest receivable on loans of $93.3 million at March 31, 2025, and $90.0 million at December 31, 2024, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Loans by Type

(dollars in thousands)

As of:	**March 31, 2025**		December 31, 2024	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 4,087,273**	**56.6%**	$ 3,955,122	56.4%
Production and intermediate-term	**921,415**	**12.8%**	1,005,681	14.3%
Agribusiness	**1,547,771**	**21.4%**	1,454,267	20.7%
Other	**667,382**	**9.2%**	603,295	8.6%
Total	**$ 7,223,841**	**100.0%**	$ 7,018,365	100.0%

The other category is primarily composed of rural infrastructure related loans and other diversified industries in our Capital Markets portfolio.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **As of March 31, 2025**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	**$ 5,426**	**$ --**	**$ 5,426**	**$ 4,081,847**	**$ 4,087,273**
Production and intermediate-term	**2,517**	**13,861**	**16,378**	**905,037**	**921,415**
Agribusiness	**5,386**	**--**	**5,386**	**1,542,385**	**1,547,771**
Other	**2,833**	**--**	**2,833**	**664,549**	**667,382**
Total	**$ 16,162**	**$ 13,861**	**$ 30,023**	**$ 7,193,818**	**$ 7,223,841**

As of December 31, 2024		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Total
Real estate mortgage	$	2,530	$	--	$	2,530	$	3,952,592	$	3,955,122
Production and intermediate-term		13,790		507		14,297		991,384		1,005,681
Agribusiness		431		1,197		1,628		1,452,639		1,454,267
Other		--		32		32		603,263		603,295
Total	$	16,751	$	1,736	$	18,487	$	6,999,878	$	7,018,365

There were no loans 90 days or more past due and still accruing interest at March 31, 2025, or December 31, 2024.

Nonaccrual Loans

Nonaccrual Loans Information

	As of March 31, 2025				For the Three Months Ended March 31, 2025	
(in thousands)		Amortized Cost		Amortized Cost Without Allowance		Interest Income Recognized
Nonaccrual loans:						
Real estate mortgage	**$**	**3,202**	**$**	**3,202**	**$**	**358**
Production and intermediate-term		**15,909**		**2,060**		**69**
Agribusiness		**27,073**		**9,653**		**32**
Other		**1,318**		**205**		**3**
Total	**$**	**47,502**	**$**	**15,120**	**$**	**462**

	As of December 31, 2024				For the Three Months Ended March 31, 2024	
		Amortized Cost		Amortized Cost Without Allowance		Interest Income Recognized
Nonaccrual loans:						
Real estate mortgage	$	3,011	$	2,744	$	60
Production and intermediate-term		14,788		963		25
Agribusiness		20,539		9,526		--
Other		1,301		222		4
Total	$	39,639	$	13,455	$	89

Reversals of interest income on loans that transferred to nonaccrual status were not material for the three months ended March 31, 2025, or 2024.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Loans that both modify and are paid off or charged-off during the period, resulting in an amortized cost balance of zero at the end of the period, are not included in the disclosures below.

Loan Modifications at Amortized Cost

(dollars in thousands) **For the three months ended March 31, 2025**		Term Extension		Payment Deferral		Combination - Interest Rate Reduction and Term Extension		Total	Percentage of Total Loans
Production and intermediate-term	**$**	**4,710**	**$**	**--**	**$**	**831**	**$**	**5,541**	**0.1%**
Agribusiness		**270**		**--**		**--**		**270**	**0.0%**
Other		**--**		**31**		**--**		**31**	**0.0%**
Total	**$**	**4,980**	**$**	**31**	**$**	**831**	**$**	**5,842**	**0.1%**
Loan modifications granted as a percentage of total loans		**0.1%**		**0.0%**		**0.0%**		**0.1%**	

For the three months ended March 31, 2024	Term Extension	Payment Deferral	Combination - Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans
Production and intermediate-term	$ 381	$ --	$ 605	$ 986	0.0%
Agribusiness	3,597	--	--	3,597	0.1%
Total	$ 3,978	$ --	$ 605	$ 4,583	0.1%
Loan modifications granted as a percentage of total loans	0.1%	--	0.0%	0.1%	

Financial Effect of Loan Modifications

For the three months ended March 31, 2025	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Production and intermediate-term				
Term extension		**11**		
Combination - interest rate reduction and term extension	**1.1%**	**13**		
Agribusiness				
Term extension		**10**		
Other				
Payment deferral			**6**	

For the three months ended March 31, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Production and intermediate-term				
Term extension		12		
Combination - interest rate reduction and term extension	0.1%	12		
Agribusiness				
Term extension		12		
Principal forgiveness				5,214

There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2025, in which the modifications were within twelve months preceding the default. We had loans to borrowers experiencing financial difficulty with payment deferral in the real estate mortgage loan category of $116 thousand that defaulted during the three months ended March 31, 2024, in which the modifications were within the twelve months preceding the default.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications

(in thousands) **As of March 31, 2025**	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	**$ 738**	**$ --**	**$ --**	**$ 738**
Production and intermediate-term	**13,815**	**264**	**--**	**14,079**
Agribusiness	**15,474**	**--**	**--**	**15,474**
Other	**31**	**--**	**--**	**31**
Total	**$ 30,058**	**$ 264**	**$ --**	**$ 30,322**

As of March 31, 2024	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ 1,276	$ --	$ 116	$ 1,392
Production and intermediate-term	10,340	--	34	10,374
Agribusiness	14,747	--	--	14,747
Total	$ 26,363	$ --	$ 150	$ 26,513

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at March 31, 2025, or 2024.

Additional commitments were $3.6 million at March 31, 2025, and $7.8 million at December 31, 2024, to lend to borrowers experiencing financial difficulty whose loans were modified during the three months ended March 31, 2025, and during the year ended December 31, 2024, respectively.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) Three months ended March 31,	**2025**	2024
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 15,870**	$ 11,158
Provision for credit losses on loans	**3,342**	1,543
Loan recoveries	**132**	2
Loan charge-offs	**(763)**	(4)
Balance at end of period	**$ 18,581**	$ 12,699
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 990**	$ 1,260
Provision for credit losses on unfunded commitments	**170**	(146)
Balance at end of period	**$ 1,160**	$ 1,114
Total allowance for credit losses	**$ 19,741**	$ 13,813

The change in the allowance for credit losses on loans from December 31, 2024, was primarily driven by specific reserves established within our agribusiness portfolio.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $99.5 million at March 31, 2025, and $69.8 million at December 31, 2024. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA as of March 31, 2025, and December 31, 2024. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investment securities at March 31, 2025, or December 31, 2024.

Our investments are all asset-backed securities (ABS) consisting of either mortgage-backed securities (MBS), which are generally longer-term investments, or non-mortgage related ABS, which are generally shorter-term investments. MBS generally have contractual maturities greater than 10 years.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $1.1 million for the three months ended March 31, 2025. We held no investment securities as of March 31, 2024.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2025**	Amortized Cost
Five to ten years	**$ 58,409**
More than ten years	**41,053**
Total	**$ 99,462**

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2024 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2024 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2025, or December 31, 2024.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 22,690**	**$ 22,690**
Other property owned	**--**	**--**	**862**	**862**

As of December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 17,891	$ 17,891
Other property owned	--	--	1,213	1,213

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral’s estimated fair value. Typically, the process 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, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 8, 2025, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.