2024 ANNUAL REPORT

Helping farmers, ranchers and rural communities succeed for generations.

Photo by Jessica G., Warren County, Mo.

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

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FCS Financial, ACA

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

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

Dear FCS Financial Member:

We are excited to share this 2024 Annual Report with FCS Financial Shareholders. As a member-owned cooperative dedicated to serving agriculture and rural communities in Missouri, FCS Financial remains committed to supporting our member-owners and ensuring they have a consistent, reliable, and affordable source of credit and related services through all agricultural cycles.

We began and ended 2024 with continued volatility and uncertainty. A year ago, interest rates were projected to drop by up to 2.0% and we remained unsure of the volatility of input costs and commodity markets. Interest rates did indeed fall, but not nearly to the extent expected. Despite those challenges, we saw agricultural producers throughout the state push through and show great resiliency. As a cooperative, FCS Financial typically reflects the same successes and challenges as its member-owners. Despite some headwinds, the Association continues to have a strong loan portfolio finishing the year better than forecasted with 97.7% credit quality in our owned and managed loan volume (which includes loans in our Consolidated Statements of Condition as well as loan participations interests sold as part of AgriBank asset pool programs) classified as either Acceptable or Special Mention. Capital levels remained above regulatory requirements and continue to allow us to support our member-owners as they pursue opportunities for future growth.

FCS Financial had a year of tremendous growth in 2024. We experienced over 15% growth in net principal of owned and managed accrual loans. This is the latest in a string of years with robust portfolio growth. Due to the current growth trajectory, FCS Financial will continue to participate in loan pool programs with AgriBank (our wholesale funding bank) as a capital management strategy. We intend to increase our participation in those loan pool programs in 2025 to enhance our ability to support the operations of our member-owners. FCS Financial retains the servicing of those loans with the earnings generally coming back to the Association in the form of patronage from AgriBank.

Net income for the Association in 2024 was $127.6 million, or 5.7% over 2023. Those earnings allow FCS Financial to retain a portion to build capital for continued lending activity and maintain an appropriate level of reserves. As a cooperative, it also allows us to return a portion of those earnings back to our member-owners in the form of patronage. In December, your Board of Directors declared a cash patronage distribution from 2024 earnings of $37.0 million, which equates to an average of approximately 0.80% of eligible member-owner borrowings from FCS Financial. This brings the total patronage amount distributed by FCS Financial to $329.0 million since we began the patronage program in 2006. This allows FCS Financial to invest back into the operations and rural communities that invest in us and illustrates the true spirit of the cooperative model – a key advantage of choosing FCS Financial as your source of financing.

During 2024, the Association maintained a strong focus on supporting the agricultural industry and our rural communities. Through our *Connect* program, FCS Financial offered multiple agricultural and economic seminars as educational opportunities to young and beginning farmers. Our most recent *Connect* class had a record number of young and beginning producers highlighting the strength of the future of agriculture in the State of Missouri. Our Shaping Rural Missouri and Youth in Ag programs provided funding to 4-H and FFA members doing service projects in their communities. We awarded college scholarships to support Missouri's youth seeking higher education. In addition, FCS Financial Rural Community and Agricultural Foundation committed to a record level of granted funds to organizations working on long-term projects intended to grow the agricultural industry and support rural communities. We are honored to support our local communities through each of these efforts.

As we look at 2025 and beyond, we are truly excited about what we see for FCS Financial and its member-owners. As with any new year, we expect there to be a mix of challenges and opportunities. Your cooperative is well positioned to execute on the opportunities and face the challenges. Your Board of Directors and Association will continue to put the long-term sustainability and success of the organization at the top of their list of priorities. The Association is making significant investments in new technology and human capital to better serve both the generations that have been with us for decades as well as new member-owners just getting started.

FCS Financial is tremendously proud to be your lending cooperative. We value the trust you have placed in us and pledge to work each day to support your future.

Thank you for allowing FCS Financial and our team to serve you. We wish you a happy, healthy, and successful 2025.

Sincerely,

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

March 7, 2025

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

FCS Financial, ACA

(dollars in thousands)

As of December 31,	**2024**	2023	2022	2021	2020
Condensed Consolidated Statement of Condition Data					
Loans	**$7,018,365**	$6,031,485	$5,983,848	$5,468,056	$4,867,415
Allowance for credit losses on loans	**15,870**	11,158	17,423	16,854	16,850
Net loans	**7,002,495**	6,020,327	5,966,425	5,451,202	4,850,565
Investment in AgriBank, FCB	**259,290**	224,516	166,091	134,343	110,034
Investment securities	**69,845**	--	--	--	--
Other assets	**204,227**	174,181	148,740	133,457	119,201
Total assets	**$7,535,857**	$6,419,024	$6,281,256	$5,719,002	$5,079,800
Obligations with maturities of one year or less	**$6,256,826**	$147,161	$108,077	$80,737	$64,961
Obligations with maturities greater than one year	**--**	5,080,272	5,062,214	4,596,666	4,039,862
Total liabilities	**6,256,826**	5,227,433	5,170,291	4,677,403	4,104,823
Protected members' equity	**--**	1	3	4	6
Capital stock and participation certificates	**12,601**	12,280	12,310	12,472	12,168
Unallocated retained earnings	**1,267,357**	1,180,107	1,098,652	1,029,123	962,803
Accumulated other comprehensive loss	**(927)**	(797)	--	--	--
Total members' equity	**1,279,031**	1,191,591	1,110,965	1,041,599	974,977
Total liabilities and members' equity	**$7,535,857**	$6,419,024	$6,281,256	$5,719,002	$5,079,800

For the year ended December 31,	**2024**	2023	2022	2021	2020
Condensed Consolidated Statement of Income Data					
Net interest income	**$170,153**	$160,776	$139,998	$122,222	$111,842
Provision for credit losses	**12,693**	9,503	--	--	--
Other expenses, net	**29,879**	30,552	28,125	19,078	20,027
Net income	**$127,581**	$120,721	$111,873	$103,144	$91,815
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	1.9%	1.9%	2.0%	1.9%
Return on average members' equity	**10.3%**	10.5%	10.4%	10.2%	9.7%
Net interest income as a percentage of average earning assets	**2.6%**	2.7%	2.5%	2.4%	2.5%
Net charge-offs (recoveries) as a percentage of average loans	**0.1%**	0.1%	(0.0%)	(0.0%)	0.0%
At Year End					
Members' equity as a percentage of total assets	**17.0%**	18.6%	17.7%	18.2%	19.2%
Allowance for credit losses on loans as a percentage of loans	**0.2%**	0.2%	0.3%	0.3%	0.3%
Common equity tier 1 ratio	**14.3%**	15.5%	15.4%	16.4%	17.4%
Tier 1 capital ratio	**14.3%**	15.5%	15.4%	16.4%	17.4%
Total capital ratio	**14.5%**	15.7%	15.6%	16.7%	17.7%
Permanent capital ratio	**14.3%**	15.6%	15.4%	16.4%	17.4%
Tier 1 leverage ratio	**15.0%**	16.7%	16.4%	17.3%	18.3%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$44,969**	$42,373	$36,728	$30,704	$27,507

MANAGEMENT'S DISCUSSION AND ANALYSIS

FCS Financial, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA, and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2025, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 55 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the customers the System serves.

The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes 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 "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- economic fluctuations, including inflationary indicators, in the agricultural, international, rural, and farm-related business sectors
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- actions taken by the Federal Reserve and U.S. Treasury in implementing monetary policy
- cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- credit, interest rate, and liquidity risks inherent in our lending activities
- disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- length and severity of an epidemic or pandemic
- changes in our assumptions for determining the allowance for credit losses and fair value measurements
- industry outlooks for agricultural conditions

AGRICULTURAL AND ECONOMIC CONDITIONS

The 2024 Missouri crop season concluded with a near record corn crop, attributed to ideal weather conditions during the growing season. Soybean yields were average due to late planting and late season drought. According to United States Department of Agriculture (USDA) National Agricultural Statistics Service estimates, the 2024 Missouri corn yield stands at 182 bushels per acre, representing a 19% annual increase, which is the second highest on record. The soybean yield is estimated at 47 bushels per acre, slightly below the five-year average.

Corn and soybean prices reached four-year lows during harvest due to strong production across the U.S. and significant carryover stocks from the prior year. However, corn prices rebounded to close the year, driven by lower projected 2024/2025 ending stocks because of strong export sales and robust ethanol demand for corn, according to the December 2024 USDA World Agricultural Supply and Demand Estimates Report. In contrast, soybean prices remained flat through year-end due to large global supplies and increasing South American production.

Cattle markets exhibited strong performance throughout 2024, with calf and fed cattle prices continuing their upward trend through year-end. The market strength has been primarily driven by declining cattle numbers, with no indications of herd rebuilding. Elevated prices are anticipated to persist throughout 2025, provided that demand remains robust. Drought conditions reached their peak in October 2024, with 74% of the state experiencing moderate to extreme drought, according to the National Oceanic and Atmosphere Administration U.S. Drought Monitor System. However, steady rains throughout November 2024 significantly improved conditions, reducing the affected area to 13% by year-end.

The USDA revised its farm income forecast in December 2024 to reflect a $6.0 billion (4.1%) decline from 2023, and 22.6% decline from the peak in 2022. While the livestock sector saw stronger receipts (8.4% increase), the forecast painted a challenging picture for crop producers as corn and soybean receipts are expected to fall 20.8% and 12.3%, respectively. Farmers are expected to spend slightly less on production in 2024 (1.7% decrease), but labor and interest expenses are likely to remain elevated.

Inflation increased slightly in November 2024 as the Personal Consumption Expenditures Index climbed to 2.4%, remaining above the Federal Reserve's 2% target, while core inflation also increased to 2.8%. The Federal Reserve cut the benchmark federal funds rate another 25 basis points in December 2024, following a 50-basis point cut in September 2024, but signaled fewer rate cuts in 2025 due to persistent inflation. In late December 2024, Congress passed a second one-year extension of the 2018 Farm Bill and the American Relief Act of 2025, which includes $9.7 billion in economic aid for row crop farmers.

Farmland values in Missouri remained stable due to steady to positive sales prices overall, although some lower prices were observed regionally in the fourth quarter of 2024. The volume of sales during this period increased, aligning with historical trends.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $7.0 billion as of December 31, 2024, an increase of $986.9 million from December 31, 2023.

Components of Loans

(in thousands)

As of December 31,	**2024**	2023	2022
Accrual loans:			
Real estate mortgage	**$3,952,111**	$3,442,871	$3,569,782
Production and intermediate-term	**990,893**	816,984	686,940
Agribusiness	**1,433,728**	1,240,230	1,250,692
Other	**601,994**	514,763	462,616
Nonaccrual loans	**39,639**	16,637	13,818
Total loans	**$7,018,365**	$6,031,485	$5,983,848

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

The increase in total loans from December 31, 2023, was primarily driven by growth in our territory with additional growth coming from our Capital Markets portfolio. Partially offsetting this increase was activity related to asset pool programs.

We may purchase or sell participation interests with other parties to diversify risk, manage principal and accrued interest on loans, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Loan Participations Purchased and Sold

(in thousands)

As of December 31,	**2024**	2023	2022
Participations purchased	**$2,644,847**	$2,340,110	$1,999,507
Participations sold	**(985,767)**	(892,164)	(236,698)

We have no loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interest that are held in lieu of retaining a subordinated participation interest in the loans sold.

The Association participates in asset pool programs to effectively leverage District capital and other cooperative benefits, as well as manage concentration risk and portfolio growth. During 2024, we sold AgriBank participations of $131.1 million, representing a participation interest across the majority of our loan portfolio. These loan participations were added to the asset pool program established by AgriBank in 2023. In the past, we sold AgriBank participation interests primarily in real estate loans as part of asset pool programs. On September 1, 2023, we purchased the loans totaling $33.5 million from these prior asset pool programs back from AgriBank. Additionally, on the same day, we sold AgriBank participations of $654.0 million, representing a participation interest across the majority of our loan portfolio. The total outstanding participation interests in loans sold to AgriBank as part of asset pool programs were $794.1 million, $717.3 million, and $102.2 million as of December 31, 2024, 2023, and 2022, respectively.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Additionally, borrower tax planning strategies resulted in an increase of production and intermediate-term loans at the end of the year, which are generally followed by sharp pay-downs the following quarter.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. In addition, we offer leasing through Farm Credit Leasing Services Corporation. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve 102 counties in Missouri. As of December 31, 2024, 67.4% of our total loan portfolio was in Missouri. The remainder of our portfolio was purchased outside of Missouri to support rural America and to diversify our portfolio risk.

Agricultural Industry Concentrations

As of December 31,	**2024**	2023	2022
Cash grains	**33.0%**	33.6%	34.3%
Livestock	**24.2%**	24.6%	25.0%
Agribusiness	**11.2%**	12.3%	11.8%
Poultry and eggs	**7.6%**	7.0%	6.0%
Landlords	**4.9%**	4.9%	5.5%
Rural utilities	**4.4%**	4.6%	4.4%
Other	**14.7%**	13.0%	13.0%
Total	**100.0%**	100.0%	100.0%

Industry categories are based on the borrower's primary intended industry at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2023. Adversely classified loans increased to 2.2% of the portfolio as of December 31, 2024, from 1.8% of the portfolio as of December 31, 2023. 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. As of December 31, 2024, $335.1 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Effective January 1, 2023, we adopted Accounting Standards Update 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(dollars in thousands) As of December 31,	**2024**	2023	2022
Loans:			
Nonaccrual	**$39,639**	$16,637	$13,818
Accruing loans 90 days or more past due	**--**	289	--
Total nonperforming loans	**39,639**	16,926	13,818
Other property owned	**1,166**	68	--
Total nonperforming assets	**$40,805**	$16,994	$13,818
Total nonperforming loans as a percentage of total loans	**0.6%**	0.3%	0.2%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.3%	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**60.3%**	57.3%	70.7%
Total delinquencies as a percentage of total loans[1]	**0.3%**	0.2%	0.2%

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

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Our nonperforming assets have increased from December 31, 2023, 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 loans within our Capital Markets portfolio that transferred to nonaccrual. Nonaccrual loans remained at an acceptable level as of December 31, 2024, 2023, and 2022.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

Effective January 1, 2023, 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. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses incurred on loans in our portfolio that were probable and estimable as of December 31, 2022.

Allowance for Credit Losses on Loans Coverage Ratios

As of December 31,	**2024**	2023	2022
Allowance for credit losses on loans as a percentage of:			
Loans	**0.2%**	0.2%	0.3%
Nonaccrual loans	**40.0%**	67.1%	126.1%
Total nonperforming loans	**40.0%**	65.9%	126.1%
Net charge-offs (recoveries) as a percentage of average loans	**0.1%**	0.1%	(0.0%)
Adverse assets to capital and allowance for credit losses on loans	**12.2%**	9.2%	8.7%

Total allowance for credit losses on loans was $15.9 million, $11.2 million, and $17.4 million as of December 31, 2024, 2023, and 2022, respectively. The increase from December 31, 2023, was primarily related to specific reserves established on loans within our Capital Markets portfolio during 2024.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities beginning the third quarter of 2024. Investment securities totaled $69.8 million as of 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 at December 31, 2024.

Effective January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment model for investment securities to incorporate an allowance for credit losses on investment securities. There was no allowance for credit losses on investment securities as of December 31, 2024, as all of our investment portfolio carries a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. Additional information regarding the CECL adoption is included in Note 2 to the accompanying Consolidated Financial Statements.

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31,	**2024**	2023	2022
Net income	**$127,581**	$120,721	$111,873
Return on average assets	**1.9%**	1.9%	1.9%
Return on average members' equity	**10.3%**	10.5%	10.4%

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 and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31,			Increase (decrease) in net income	
(in thousands)	**2024**	2023	2022	**2024 vs 2023**	2023 vs 2022
Net interest income	**$170,153**	$160,776	$139,998	**$9,377**	$20,778
Provision for credit losses	**12,693**	9,503	--	**(3,190)**	(9,503)
Non-interest income	**49,539**	48,045	41,311	**1,494**	6,734
Non-interest expense	**79,151**	78,260	69,276	**(891)**	(8,984)
Provision for income taxes	**267**	337	160	**70**	(177)
Net income	**$127,581**	$120,721	$111,873	**$6,860**	$8,848

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31,	**2024 vs 2023**	2023 vs 2022
Changes in volume	**$11,158**	$7,357
Changes in interest rates	**(1,877)**	13,945
Changes in nonaccrual interest income and other	**96**	(524)
Net change	**$9,377**	$20,778

Net interest income included income on nonaccrual loans that totaled $511 thousand, $415 thousand, and $938 thousand in 2024, 2023, and 2022, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.6%, 2.7%, and 2.5% in 2024, 2023, and 2022, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Credit Losses

The "Provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The change in the provision for credit losses was primarily due to specific reserves established on loans within our Capital Markets portfolio. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Expense

Components of Non-Interest Expense

(dollars in thousands)

For the year ended December 31,	**2024**	2023	2022
Salaries and employee benefits	**$40,024**	$38,498	$36,404
Other operating expense:			
Purchased and vendor services	**16,940**	14,840	11,206
Communications	**791**	830	778
Occupancy and equipment	**5,671**	6,254	4,303
Advertising and promotion	**2,301**	2,098	2,231
Examination	**1,818**	1,595	1,435
Farm Credit System insurance	**5,274**	8,758	9,129
Other	**4,584**	4,115	3,786
Other non-interest expense	**1,748**	1,272	4
Total non-interest expense	**$79,151**	$78,260	$69,276
Operating rate[1]	**1.2%**	1.3%	1.2%

[1]Salaries and employee benefits and other operating expense divided by average earning assets.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. As of December 31, 2024, we had $1.9 billion available under our line of credit. We generally apply excess cash to this line of credit. 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.

Note Payable Information

(dollars in thousands)

For the year ended December 31,	**2024**	2023	2022
Average balance	**$5,468,718**	$5,039,582	$4,762,211
Average interest rate	**3.9%**	3.4%	2.0%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

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.

CAPITAL ADEQUACY

Total members' equity was $1.3 billion, $1.2 billion, and $1.1 billion as of December 31, 2024, 2023, and 2022, respectively. Total members' equity increased $87.4 million from December 31, 2023, primarily due to net income for the year partially offset by patronage distribution accruals.

The 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.

Regulatory Capital Requirements and Ratios

As of December 31,	**2024**	2023	2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**14.3%**	15.5%	15.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.3%**	15.5%	15.4%	6.0%	2.5%	8.5%
Total capital ratio	**14.5%**	15.7%	15.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.3%**	15.6%	15.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**15.0%**	16.7%	16.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.8%**	16.5%	16.2%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of retained earnings and allowance for credit losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. The decrease in the permanent capital ratio was primarily due to loan growth experienced during 2024. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 7 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 11 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is to remain above 13.0%, as defined in our 2025 capital plan.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2025.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A GFA, as described in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA 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

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank retained earnings. As of December 31, 2024, we were required by AgriBank to maintain an investment equal to 3.1% of the average quarterly balance of our note payable. The required investment will remain unchanged for 2025 at 3.1%. In addition to the required investment based on the note payable, we are also required to hold additional investment in AgriBank for asset pool programs we participate in, which are typically capitalized at a higher rate that is mutually agreed upon in the asset pool program agreements.

As an AgDirect, LLP association partial owner, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

We purchase certain business services, primarily financial reporting, from AgriBank. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations, which involves purchasing participation interests in loans to eligible borrowers. The CMG focuses on generating revenue and portfolio growth for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth.

Agri-Access: We participate in the Agri-Access asset pool program which focuses on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the U.S. The program is facilitated by another AgriBank District association where all loans and leases in the program are originated and serviced. We pay the facilitating association fees to originate and service the loans. We sell to AgriBank our entire interest in the loans associated with Agri-Access. As part of this program, we receive patronage income at the sole discretion of the AgriBank Board of Directors.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $207 thousand, $340 thousand, and $355 thousand as of December 31, 2024, 2023, and 2022, respectively.

SunStream Business Services: We have a relationship with SunStream Business Services (SunStream), a System service corporation, which involves purchasing the following services: financial and retail information technology, collateral, tax reporting, and insurance. As of December 31, 2024, 2023, and 2022, our investment in SunStream was $1.9 million. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $50.0 million. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2024, 2023, and 2022, our investment in Foundations was $32 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

UBE: Unincorporated Business Entity (UBE)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $24.4 million, $20.6 million, and $17.1 million as of December 31, 2024, 2023, and 2022, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Comprehensive Income.

PW PropCo Holdings, LLC: As of December 31, 2024, we held a minority non-controlling interest in a limited liability company established for the purpose of acquiring and selling collateral acquired through the loan collection process, primarily for legal liability purposes. The name of this LLC is PW PropCo Holdings, LLC.

Programs

We are involved in the following programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBE section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT

FCS Financial, ACA

We prepare the Consolidated Financial Statements of FCS Financial, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared 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

March 7, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FCS Financial, ACA

The FCS Financial, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective 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 and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 2013 framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

Rick Krueger
Chief Financial Officer
FCS Financial, ACA

March 7, 2025

REPORT OF AUDIT COMMITTEE

FCS Financial, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of FCS Financial, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2024, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended the audited Consolidated Financial Statements be included in the Annual Report for the year ended December 31, 2024.

Troy D. Norton
Chairperson of the Audit Committee
FCS Financial, ACA

Additional Audit Committee members:
Curtis Delgman
Andy Kapp
Jay Moreland
Randy Pace

March 7, 2025

Report of Independent Auditors

To the Board of Directors of FCS Financial, ACA:

Opinion

We have audited the accompanying consolidated financial statements of FCS Financial, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2024, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in members' equity and 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.

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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

Minneapolis, Minnesota
March 7, 2025

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)

As of December 31,	**2024**	2023	2022
ASSETS			
Loans	**$7,018,365**	$6,031,485	$5,983,848
Allowance for credit losses on loans	**15,870**	11,158	17,423
Net loans	**7,002,495**	6,020,327	5,966,425
Investment in AgriBank, FCB	**259,290**	224,516	166,091
Investment securities	**69,845**	--	--
Accrued interest receivable	**90,862**	70,775	60,020
Other assets	**113,365**	103,406	88,720
Total assets	**$7,535,857**	$6,419,024	$6,281,256
LIABILITIES			
Note payable to AgriBank, FCB	**$6,091,777**	$5,080,272	$5,062,214
Accrued interest payable	**58,143**	45,329	33,768
Patronage distribution payable	**40,592**	45,230	42,446
Other liabilities	**66,314**	56,602	31,863
Total liabilities	**6,256,826**	5,227,433	5,170,291
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Protected members' equity	**--**	1	3
Capital stock and participation certificates	**12,601**	12,280	12,310
Unallocated retained earnings	**1,267,357**	1,180,107	1,098,652
Accumulated other comprehensive loss	**(927)**	(797)	--
Total members' equity	**1,279,031**	1,191,591	1,110,965
Total liabilities and members' equity	**$7,535,857**	$6,419,024	$6,281,256

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FCS Financial, ACA

(in thousands)

For the year ended December 31,	**2024**	2023	2022
Interest income	**$385,474**	$333,273	$236,146
Interest expense	**215,321**	172,497	96,148
Net interest income	**170,153**	160,776	139,998
Provision for credit losses	**12,693**	9,503	--
Net interest income after provision for credit losses	**157,460**	151,273	139,998
Non-interest income			
Patronage income	**31,534**	34,260	28,683
Financially related services income	**4,511**	4,502	4,794
Fee income	**11,631**	9,067	7,472
Other non-interest income	**1,863**	216	362
Total non-interest income	**49,539**	48,045	41,311
Non-interest expense			
Salaries and employee benefits	**40,024**	38,498	36,404
Other operating expense	**37,379**	38,490	32,868
Other non-interest expense	**1,748**	1,272	4
Total non-interest expense	**79,151**	78,260	69,276
Income before income taxes	**127,848**	121,058	112,033
Provision for income taxes	**267**	337	160
Net income	**$127,581**	$120,721	$111,873
Other comprehensive loss			
Employee benefit plans activity	**($130)**	($797)	$ --
Total other comprehensive loss	**(130)**	(797)	--
Comprehensive income	**$127,451**	$119,924	$111,873

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2021	$4	$12,472	$1,029,123	$ --	$1,041,599
Net income	--	--	111,873	--	111,873
Unallocated retained earnings designated for patronage distributions	--	--	(42,344)	--	(42,344)
Capital stock and participation certificates issued	--	786	--	--	786
Capital stock and participation certificates retired	(1)	(948)	--	--	(949)
Balance as of December 31, 2022	3	12,310	1,098,652	--	1,110,965
Cumulative effect of change in accounting principle	--	--	5,891	--	5,891
Net income	--	--	120,721	--	120,721
Other comprehensive loss	--	--	--	(797)	(797)
Unallocated retained earnings designated for patronage distributions	--	--	(45,157)	--	(45,157)
Capital stock and participation certificates issued	--	727	--	--	727
Capital stock and participation certificates retired	(2)	(757)	--	--	(759)
Balance as of December 31, 2023	1	12,280	1,180,107	(797)	1,191,591
Net income	**--**	**--**	**127,581**	**--**	**127,581**
Other comprehensive loss	**--**	**--**	**--**	**(130)**	**(130)**
Unallocated retained earnings designated for patronage distributions	**--**	**--**	**(40,331)**	**--**	**(40,331)**
Capital stock and participation certificates issued	**--**	**1,066**	**--**	**--**	**1,066**
Capital stock and participation certificates retired	**(1)**	**(745)**	**--**	**--**	**(746)**
Balance as of December 31, 2024	**$ --**	**$12,601**	**$1,267,357**	**($927)**	**$1,279,031**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FCS Financial, ACA

(in thousands)

For the year ended December 31,	2024	2023	2022
Cash flows from operating activities			
Net income	**$127,581**	$120,721	$111,873
Depreciation on premises and equipment	**2,710**	2,833	1,633
Loss (gain) on sale of premises and equipment, net	**4**	(12)	(3)
Net amortization of premiums on loans and investment securities	**305**	--	22
Provision for credit losses	**12,693**	9,503	--
Stock patronage received from AgriBank, FCB	**(7,760)**	(8,054)	(19,074)
Loss (gain) on other property owned, net	**22**	(2)	--
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(26,299)**	(14,882)	(16,128)
(Increase) decrease in other assets	**(7,314)**	(13,069)	4,222
Increase in accrued interest payable	**12,814**	11,561	17,832
Increase (decrease) in other liabilities	**1,072**	(2,282)	2,892
Net cash provided by operating activities	**115,828**	106,317	103,269
Cash flows from investing activities			
Increase in loans, net	**(983,925)**	(26,336)	(512,220)
Purchases of investment in AgriBank, FCB, net	**(27,014)**	(50,371)	(12,674)
Purchases of investment in other Farm Credit institutions, net	**(3,701)**	(3,498)	(2,724)
Purchases of investment securities	**(70,150)**	--	--
Proceeds from sales of other property owned	**3,255**	9	--
Purchases of premises and equipment, net	**(560)**	(1,511)	(4,170)
Net cash used in investing activities	**(1,082,095)**	(81,707)	(531,788)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**1,011,505**	18,058	465,548
Patronage distributions paid	**(44,969)**	(42,373)	(36,728)
Capital stock and participation certificates retired, net	**(269)**	(295)	(301)
Net cash provided by (used in) financing activities	**966,267**	(24,610)	428,519
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Exchange of non-cash assets or liabilities	**$8,510**	$24,067	$1,000
Supplemental information			
Interest paid	**$202,507**	$160,936	$78,316
Taxes paid, net	**600**	277	269

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FCS Financial, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2025, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 55 borrower-owned cooperative lending institutions (associations). The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. The AgriBank District associations consist of Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund reach the “secure base amount”, which is defined in the Farm Credit Act as 2.0% of the aggregate outstanding insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums and, under certain circumstances, is required to transfer excess funds to establish Allocated Insurance Reserves Accounts (AIRAs). The FCSIC may also distribute all or a portion of the AIRAs to the System banks, which AgriBank passes on as income to the associations. The basis for assessing premiums is insured debt. Nonaccrual loans and impaired investment securities are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in 102 counties in the state of Missouri.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries and holds certain types of investments.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals. In addition, we offer leasing through Farm Credit Leasing Services Corporation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

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

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

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 remains contractually past due until certain modifications are completed 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.

Generally, loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, and the interest is determined to be both uncollectible and the loss is known, we immediately reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on nonaccrual loans is applied to reduce the carrying amount in the loan, except in those cases where the collection of the carrying amount is fully expected and certain other criteria are met. In these circumstances, interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

Loan modifications may be 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. In situations when more than two types of modifications are granted on the same loan we only report the two most material modification types.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not have otherwise considered, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all the conditions have been met to be accounted for as a sale.

Allowance for Credit Losses: Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses (ACL) comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Allowance for Credit Losses on Loans

Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL 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 ACLL is increased through provisions for credit losses on loans and loan recoveries and is decreased through reversals of provision for credit losses on loans and loan charge-offs. The provision activity is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts.

We employ a disciplined process and methodology to establish the 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. When a loan does not share risk characteristics with other loans, expected credit loss is 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. 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 ACLL. For more information see the Collateral Dependent Loans policy in the significant accounting policies section of this report.

In estimating the pooled component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. For reporting purposes, the portfolio is classified by loan type. We utilize a model to calculate an expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the loss given default, based on historical experience. Loan borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments.

In order to calculate this estimated migration of loans from performing to loss, we utilize a single economic scenario over a reasonable and supportable forecast period of three years. The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, real gross domestic product levels, housing price index, and agricultural land values. Subsequent to the forecast period, our model applies a smoothed reversion to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast. Consideration of these factors, as well as the imprecision inherent in the process and methodology 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.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on quarterly evaluation of factors such as loan loss history, estimated probability of default, estimated loss given default, portfolio quality, and current economic and environmental conditions.

Allowance for Credit Losses on Unfunded Commitments
Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in “Other liabilities” in the Consolidated Statements of Condition. The related provision is included as part of the “Provision for credit losses” in the Consolidated Statements of Comprehensive Income. 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 allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Allowance for Credit Losses on Investment Securities
Quarterly, we evaluate the held-to-maturity investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses on investment securities is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the United States (U.S.) government or other governmental agencies, we have not recognized an allowance for credit losses on investment securities as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

Collateral Dependent Loans: Collateral dependent loans are loans secured by collateral, including but not limited to real estate, equipment, inventory, livestock, and income-producing property. We measure the expected credit losses based on the fair value of collateral at the reporting date when we determine that foreclosure is probable. Under the fair value practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

The fair value of the collateral is adjusted for the estimated costs 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 our appraisal policy, the fair value of collateral-dependent loans is based upon in-house or independent third-party appraisals or on in-house collateral valuations. 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.

Additionally, when a borrower is experiencing financial difficulty, we apply the fair value practical expedient measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized by the FCA to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investment securities. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We consider an investment security contractually past due when any payment of principal or interest required by the investment security is not received on or before the due date. The accrual of interest income is suspended for investments that are in default or for which the collectability of principal or interest is doubtful. When an investment security is in default and the interest is determined to be uncollectible, we immediately reverse any accrued interest.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in “Other assets” in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses on loans. Revised estimates to the fair value less costs 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. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in “Other non-interest expense” in the Consolidated Statements of Comprehensive Income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in “Other assets” in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Depreciation and maintenance and repair expenses are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

Leases: We are the lessee in operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded in the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in “Other assets” in the Consolidated Statements of Condition and the lease liabilities are included in “Other liabilities” in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income.

We participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefit eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Beginning in 2023, we participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. Service costs are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are included in "Other assets" in the Consolidated Statements of Condition and deferred tax liabilities are included in "Other liabilities" in the Consolidated Statements of Condition. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: 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 loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. We evaluate the need for an allowance for credit losses on unfunded commitments, which is included in "Other liabilities" in the Consolidated Statements of Condition. For more information see the allowance for credit losses on unfunded commitments policy in the significant accounting policies section of this report.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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 3: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands) As of December 31,	**2024**		2023		2022	
	Amortized Cost	%	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$3,955,122**	**56.4%**	$3,453,988	57.2%	$3,578,199	59.8%
Production and intermediate-term	**1,005,681**	**14.3%**	819,736	13.6%	688,425	11.5%
Agribusiness	**1,454,267**	**20.7%**	1,242,034	20.6%	1,254,479	21.0%
Other	**603,295**	**8.6%**	515,727	8.6%	462,745	7.7%
Total	**$7,018,365**	**100.0%**	$6,031,485	100.0%	$5,983,848	100.0%

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

Throughout Note 3 accrued interest receivable on loans of $90.0 million and $70.8 million as of December 31, 2024, and 2023, respectively, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Portfolio Concentrations

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions. We lend primarily within agricultural industries.

As of December 31, 2024, amortized cost on loans plus commitments, reduced by government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 4.1% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. 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 may include real estate, equipment, inventory, livestock, and income-producing property.

Participations

We may purchase or sell participation interests with other parties to diversify risk, manage portfolio size, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(in thousands) **As of December 31, 2024**	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	 Sold	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased	 Sold
Real estate mortgage	**($427,636)**	**$261,256**	**($59,069)**	**$143,753**	**$405,009**	**($486,705)**
Production and intermediate-term	**(76,799)**	**186,631**	**(10,324)**	**--**	**186,631**	**(87,123)**
Agribusiness	**(214,900)**	**1,443,094**	**(115,423)**	**6,831**	**1,449,925**	**(330,323)**
Other	**(81,616)**	**603,282**	**--**	**--**	**603,282**	**(81,616)**
Total	**($800,951)**	**$2,494,263**	**($184,816)**	**$150,584**	**$2,644,847**	**($985,767)**

As of December 31, 2023	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased	Total Participations Sold
Real estate mortgage	($380,299)	$204,461	($60,473)	$145,903	$350,364	($440,772)
Production and intermediate-term	(68,092)	160,244	(14,494)	--	160,244	(82,586)
Agribusiness	(194,749)	1,276,142	(94,733)	7,343	1,283,485	(289,482)
Other	(79,324)	546,017	--	--	546,017	(79,324)
Total	($722,464)	$2,186,864	($169,700)	$153,246	$2,340,110	($892,164)

As of December 31, 2022	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Non-Farm Credit Institutions Participations Purchased	Total Participations Purchased	Total Participations Sold
Real estate mortgage	($107,069)	$318,388	($53,336)	$130,470	$448,858	($160,405)
Production and intermediate-term	--	4,516	(8,460)	--	4,516	(8,460)
Agribusiness	--	1,121,760	(67,833)	7,823	1,129,583	(67,833)
Other	--	416,550	--	--	416,550	--
Total	($107,069)	$1,861,214	($129,629)	$138,293	$1,999,507	($236,698)

Credit Quality and Delinquency

Credit risk arises from the potential inability of a borrower to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. We manage credit risk associated with our lending activities through an analysis of the credit risk profile of an individual borrower based on management established underwriting standards and board approved lending policies. The evaluation of the borrower's credit risk profile may include analysis of several factors including, but not limited to, credit history, repayment capacity, financial position, and collateral. Real estate mortgage loans must be secured by first liens on the real estate. As required by the FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

We use a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing loss given default. Probability of default is our assumption of the probability that a borrower will experience a default during the life of the loan. Each of the 14 probability of default categories carries a distinct percentage of default probability and is associated with a FCA Uniform Classification System credit quality category. The loss given default is our assumption as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified as nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. We review the probability of default category periodically in accordance with our policy, or when a credit action is taken.

We utilize the FCA Uniform Classification System, which categorizes loans into five credit quality categories:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (special mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss as of December 31, 2024, 2023, or 2022.

The probability of default rate of the acceptable category reflects almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to special mention and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

Credit Quality of Loans at Amortized Cost[1]

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2024	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$3,858,561**	**97.6%**	**$64,319**	**1.6%**	**$32,242**	**0.8%**	**$3,955,122**	**100.0%**
Production and intermediate-term	**949,238**	**94.4%**	**24,971**	**2.5%**	**31,472**	**3.1%**	**1,005,681**	**100.0%**
Agribusiness	**1,312,232**	**90.2%**	**59,490**	**4.1%**	**82,545**	**5.7%**	**1,454,267**	**100.0%**
Other	**584,405**	**96.8%**	**10,075**	**1.7%**	**8,815**	**1.5%**	**603,295**	**100.0%**
Total	**$6,704,436**	**95.5%**	**$158,855**	**2.3%**	**$155,074**	**2.2%**	**$7,018,365**	**100.0%**

As of December 31, 2023	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$3,379,651	97.8%	$33,342	1.0%	$40,995	1.2%	$3,453,988	100.0%
Production and intermediate-term	786,747	96.0%	15,936	1.9%	17,053	2.1%	819,736	100.0%
Agribusiness	1,175,174	94.6%	18,132	1.5%	48,728	3.9%	1,242,034	100.0%
Other	497,249	96.4%	15,575	3.0%	2,903	0.6%	515,727	100.0%
Total	$5,838,821	96.8%	$82,985	1.4%	$109,679	1.8%	$6,031,485	100.0%

As of December 31, 2022	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$3,515,576	97.2%	$50,240	1.4%	$51,895	1.4%	$3,617,711	100.0%
Production and intermediate-term	679,648	96.9%	11,361	1.6%	10,524	1.5%	701,533	100.0%
Agribusiness	1,223,214	97.0%	2,534	0.2%	34,789	2.8%	1,260,537	100.0%
Other	461,175	99.4%	2,318	0.5%	594	0.1%	464,087	100.0%
Total	$5,879,613	97.3%	$66,453	1.1%	$97,802	1.6%	$6,043,868	100.0%

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **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	Accruing Loans 90 Days or More Past Due
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**	**$7,018,365**	**$ --**

As of December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$1,600	$4,986	$6,586	$3,447,402	$3,453,988	$ --
Production and intermediate-term	1,264	1,558	2,822	816,914	819,736	289
Agribusiness	1,693	3	1,696	1,240,338	1,242,034	--
Other	162	--	162	515,565	515,727	--
Total	$4,719	$6,547	$11,266	$6,020,219	$6,031,485	$289

As of December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$1,887	$828	$2,715	$3,614,996	$3,617,711	$ --
Production and intermediate-term	456	340	796	700,737	701,533	--
Agribusiness	7,733	--	7,733	1,252,804	1,260,537	--
Other	57	--	57	464,030	464,087	--
Total	$10,133	$1,168	$11,301	$6,032,567	$6,043,868	$ --

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Nonaccrual Loans

Nonaccrual Loans by Loan Type

(in thousands) As of December 31,	**2024**	2023	2022
Real estate mortgage	**$3,011**	$11,117	$8,416
Production and intermediate-term	**14,788**	2,752	1,485
Agribusiness	**20,539**	1,804	3,787
Other	**1,301**	964	130
Total	**$39,639**	$16,637	$13,818

Additional Nonaccrual Loans Information

(in thousands)	As of December 31, 2024 Amortized Cost Without Allowance	For the year ended December 31, 2024 Interest Income Recognized
Real estate mortgage	**$2,744**	**$418**
Production and intermediate-term	**963**	**84**
Agribusiness	**9,526**	**--**
Other	**222**	**9**
Total	**$13,455**	**$511**

	As of December 31, 2023 Amortized Cost Without Allowance	For the year ended December 31, 2023 Interest Income Recognized
Real estate mortgage	$6,183	$149
Production and intermediate-term	1,470	40
Agribusiness	--	226
Other	356	--
Total	$8,009	$415

Reversals of interest income on loans that transferred to nonaccrual status were not material for the years ended December 31, 2024, or 2023.

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. 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 year ended December 31, 2024**	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Combination - Interest Rate Reduction and Term Extension	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	**$ --**	**$ --**	**$118**	**$ --**	**$621**	**$ --**	**$739**	**0.01%**
Production and intermediate-term	**--**	**9,769**	**--**	**--**	**735**	**--**	**10,504**	**0.15%**
Agribusiness	**--**	**18,293**	**--**	**3,180**	**1,306**	**--**	**22,779**	**0.32%**
Total	**$ --**	**$28,062**	**$118**	**$3,180**	**$2,662**	**$ --**	**$34,022**	**0.48%**
Loan modifications granted as a percentage of total loans	**--**	**0.40%**	**0.00%**	**0.04%**	**0.04%**	**--**	**0.48%**	

For the year ended December 31, 2023	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Combination - Interest Rate Reduction and Term Extension	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	$ --	$1,042	$342	$ --	$90	$ --	$1,474	0.02%
Production and intermediate-term	374	8,133	--	--	361	1,210	10,078	0.17%
Agribusiness	--	8,256	6,850	--	--	--	15,106	0.25%
Total	$374	$17,431	$7,192	$ --	$451	$1,210	$26,658	0.44%
Loan modifications granted as a percentage of total loans	0.01%	0.28%	0.12%	--	0.01%	0.02%	0.44%	

Financial Effect of Loan Modifications

For the year ended December 31, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Payment deferral			**8**	
Combination - interest rate reduction and term extension	**0.9%**	**316**		
Production and intermediate-term				
Term extension		**10**		
Combination - interest rate reduction and term extension	**0.1%**	**12**		
Agribusiness				
Term extension		**24**		
Principal forgiveness				**574**
Combination - interest rate reduction and term extension	**0.5%**	**12**		

For the year ended December 31, 2023	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Term extension		49		
Payment deferral			7	
Principal forgiveness				53
Combination - interest rate reduction and term extension	0.4%	104		
Production and intermediate-term				
Interest rate reduction	0.1%			
Term extension		8		
Payment deferral			6	
Principal forgiveness				50
Combination - interest rate reduction and term extension	1.6%	14		
Combination - term extension and payment deferral		10	10	
Agribusiness				
Term extension		11		
Payment deferral			6	

We had loans to borrowers experiencing financial difficulty with payment deferral in the real estate mortgage loan category of $109 thousand that defaulted during the year ended December 31, 2024, in which the modifications were within twelve months preceding the default. There were no loans to borrowers experiencing financial difficulty that defaulted during the year ended December 31, 2023, in which the modifications were within 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 December 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	**$739**	**$ --**	**$ --**	**$739**
Production and intermediate-term	**10,481**	**23**	**--**	**10,504**
Agribusiness	**22,779**	**--**	**--**	**22,779**
Total	**$33,999**	**$23**	**$ --**	**$34,022**

As of December 31, 2023	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	$1,474	$ --	$ --	$1,474
Production and intermediate-term	9,339	705	34	10,078
Agribusiness	15,106	--	--	15,106
Total	$25,919	$705	$34	$26,658

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material as of December 31, 2024, or 2023.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans were modified during the years ended December 31, 2024, and 2023 were $7.8 million and $5.6 million, 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 U.S. net farm income, U.S. real gross domestic product, and 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) As of December 31,	**2024**	2023	2022
Allowance for Credit Losses on Loans			
Balance at beginning of year	**$11,158**	$17,423	$16,854
Cumulative effect of change in accounting principle	**--**	(8,687)	--
Provision for credit losses on loans	**12,963**	9,331	--
Loan recoveries	**18**	471	632
Loan charge-offs	**(8,269)**	(7,380)	(63)
Balance at end of year	**$15,870**	$11,158	$17,423
Allowance for Credit Losses on Unfunded Commitments			
Balance at beginning of year	**$1,260**	$ --	$ --
Cumulative effect of change in accounting principle	**--**	1,088	--
Provision for credit losses on unfunded commitments	**(270)**	172	--
Balance at end of year	**$990**	$1,260	$ --
Total allowance for credit losses	**$16,860**	$12,418	$17,423

The change in the allowance for credit losses on loans from December 31, 2023, was primarily driven by specific reserves established on loans within our Capital Markets portfolio during 2024.

Changes in Allowance for Credit Losses on Loans by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2023	**$4,012**	**$1,729**	**$4,115**	**$1,302**	**$11,158**
Provision for credit losses on loans	**189**	**3,312**	**9,132**	**330**	**12,963**
Loan recoveries	**3**	**9**	**6**	**--**	**18**
Loan charge-offs	**(1,284)**	**(863)**	**(5,572)**	**(550)**	**(8,269)**
Balance as of December 31, 2024	**$2,920**	**$4,187**	**$7,681**	**$1,082**	**$15,870**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2022	$4,754	$3,455	$8,081	$1,133	$17,423
Cumulative effect of change in accounting principle	(1,477)	(2,892)	(3,851)	(467)	(8,687)
Provision for credit losses on loans	686	2,445	5,361	839	9,331
Loan recoveries	49	16	406	--	471
Loan charge-offs	--	(1,295)	(5,882)	(203)	(7,380)
Balance as of December 31, 2023	$4,012	$1,729	$4,115	$1,302	$11,158

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2021	$5,293	$3,558	$7,206	$797	$16,854
Provision for credit losses on loans	(536)	(675)	875	336	--
Loan recoveries	3	629	--	--	632
Loan charge-offs	(6)	(57)	--	--	(63)
Balance as of December 31, 2022	$4,754	$3,455	$8,081	$1,133	$17,423

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Risk Loans: Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of December 31,	2022
Nonaccrual loans:	
Current as to principal and interest	$9,768
Past due	4,050
Total nonaccrual loans	13,818
Accruing restructured loans	2,531
Accruing loans 90 days or more past due	--
Total risk loans	$16,349
Volume with specific allowance	$4,305
Volume without specific allowance	12,044
Total risk loans	$16,349
Total specific allowance	$1,161

For the year ended December 31,	2022
Income on accrual risk loans	$121
Income on nonaccrual loans	938
Total income on risk loans	$1,059
Average risk loans	$14,464

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

	As of December 31, 2022			For the year ended December 31, 2022	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$96	$96	$3	$550	$ --
Production and intermediate-term	422	440	388	335	--
Agribusiness	3,787	3,892	770	2,372	--
Other	--	--	--	--	--
Total	$4,305	$4,428	$1,161	$3,257	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$8,874	$9,490	$ --	$7,263	$829
Production and intermediate-term	1,251	1,868	--	1,939	145
Agribusiness	1,790	3,188	--	1,866	85
Other	129	169	--	139	--
Total	$12,044	$14,715	$ --	$11,207	$1,059
Total impaired loans:					
Real estate mortgage	$8,970	$9,586	$3	$7,813	$829
Production and intermediate-term	1,673	2,308	388	2,274	145
Agribusiness	5,577	7,080	770	4,238	85
Other	129	169	--	139	--
Total	$16,349	$19,143	$1,161	$14,464	$1,059

[1]The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

[2]Unpaid principal balance represents the contractual principal balance of the loan.

Year End Recorded Investments by Loan Type

(in thousands) As of December 31, 2022	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Ending balance: individually evaluated for impairment	$3	$388	$770	$ --	$1,161
Ending balance: collectively evaluated for impairment	$4,751	$3,067	$7,311	$1,133	$16,262
Recorded investment in loans outstanding:					
Ending balance	$3,617,711	$701,533	$1,260,537	$464,087	$6,043,868
Ending balance: individually evaluated for impairment	$8,970	$1,673	$5,577	$129	$16,349
Ending balance: collectively evaluated for impairment	$3,608,741	$699,860	$1,254,960	$463,958	$6,027,519

Troubled Debt Restructurings: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

There were no TDRs that occurred during the year ended December 31, 2022.

There were no TDRs that defaulted during the year ended December 31, 2022, in which the modification was within twelve months of the reporting period.

TDRs Outstanding

(in thousands) As of December 31,	2022
Accrual status:	
Real estate mortgage	$553
Production and intermediate-term	188
Agribusiness	1,790
Total TDRs in accrual status	$2,531
Nonaccrual status:	
Real estate mortgage	$364
Production and intermediate-term	129
Agribusiness	--
Total TDRs in nonaccrual status	$493
Total TDRs:	
Real estate mortgage	$917
Production and intermediate-term	317
Agribusiness	1,790
Total TDRs	$3,024

Note: Accruing loans include accrued interest receivable.

NOTE 4: INVESTMENT IN AGRIBANK

Our investment in AgriBank was $259.3 million, $224.5 million, and $166.1 million as of December 31, 2024, 2023, and 2022, respectively. As of December 31, 2024, we were required by AgriBank to maintain an investment equal to 3.1% of the average quarterly balance of our note payable. We are also required to hold AgriBank stock based on a contractual agreement under any asset pool program in which we participate. The required investment amount varies by asset pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at AgriBank by distributing all available AgriBank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $69.8 million as of December 31, 2024. We held no investment securities as of December 31, 2023. 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 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 as of 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 $924 thousand in 2024.

Contractual Maturities of Investment Securities

(in thousands) **As of December 31, 2024**	Amortized Cost
Five to ten years	**$35,268**
More than ten years	**34,577**
Total	**$69,845**

NOTE 6: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is at a variable rate as governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands) As of December 31,	**2024**	2023	2022
Line of credit	**$8,000,000**	$8,000,000	$8,000,000
Outstanding principal under the line of credit	**6,091,777**	5,080,272	5,062,214
Interest rate	**3.9%**	3.7%	2.9%

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 GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. As of December 31, 2024, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 7: MEMBERS’ EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer’s total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. Typically, the aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31,	**2024**	2023	2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**14.3%**	15.5%	15.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.3%**	15.5%	15.4%	6.0%	2.5%	8.5%
Total capital ratio	**14.5%**	15.7%	15.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.3%**	15.6%	15.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**15.0%**	16.7%	16.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.8%**	16.5%	16.2%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets are calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for credit losses on loans and the allowance for credit losses on investment securities, if applicable, as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.

- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans, unfunded commitments, and investment securities subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated retained earnings not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31,	**2024**	2023	2022
Class A common stock (protected)	**--**	256	543
Class C common stock (at-risk)	**2,426,221**	2,373,379	2,383,612
Participation certificates (at-risk)	**94,034**	82,612	78,379
Series 1 participation certificates (protected)	**--**	6	6

Under our bylaws, we are also authorized to issue Class B, Class D, and Class E common stock and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. As of December 31, 2024, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed pro rata to holders of Class F preferred stock and then pro rata to holders of all common stock and participation certificates.

In the event of impairment, losses will be absorbed pro rata first by all classes of common stock and participation certificates and then by preferred stock; however, protected stock will be retired at par value regardless of impairment.

All classes of common stock and participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $40.6 million, $45.2 million, and $42.4 million as of December 31, 2024, 2023, and 2022, respectively. The patronage distributions are paid in cash, generally during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

NOTE 8: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31,	**2024**	2023	2022
Current:			
Federal	**$480**	$272	$644
Total current	**$480**	$272	$644
Deferred:			
Federal	**($213)**	$65	($484)
Total deferred	**($213)**	$65	($484)
Provision for income taxes	**$267**	$337	$160
Effective tax rate	**0.2%**	0.3%	0.1%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands) For the year ended December 31,	**2024**	2023	2022
Federal tax at statutory rates	**$26,848**	$25,422	$23,527
Patronage distributions	**(1,561)**	(458)	(89)
Effect of non-taxable entity	**(25,091)**	(24,643)	(23,286)
Other	**71**	16	8
Provision for income taxes	**$267**	$337	$160

Refer to the income taxes policy in Note 2 for information on exemptions related to our non-taxable entity.

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands) As of December 31,	**2024**	2023	2022
Allowance for credit losses on loans	**$322**	$203	$1,896
Accrued incentive	**412**	392	370
Accrued patronage income not received	**(84)**	(154)	--
Accrued pension asset	**(1,530)**	(1,541)	(1,663)
Other assets	**478**	484	553
Other liabilities	**(519)**	(518)	(517)
Deferred tax (liabilities) assets, net	**($921)**	($1,134)	$639
Gross deferred tax assets	**$1,212**	$1,079	$2,819
Gross deferred tax liabilities	**($2,133)**	($2,213)	($2,180)

A valuation allowance for the deferred tax assets was not necessary as of December 31, 2024, 2023, or 2022.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $24.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.2 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions as of December 31, 2024. In addition, we believe we are no longer subject to income tax examinations for years prior to 2021.

NOTE 9: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2024 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans for which AgriBank and District associations are participating employers. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: We participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers’ retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands) As of December 31,	2024	2023	2022
Funded (unfunded) status	**$55,397**	($31,065)	($87,688)
Projected benefit obligation	**1,096,604**	1,245,052	1,204,130
Fair value of plan assets	**1,152,001**	1,213,987	1,116,442
Accumulated benefit obligation	**1,011,357**	1,140,936	1,083,610

For the year ended December 31,	2024	2023	2022
Total plan expense	**$41,090**	$55,535	$30,475
Our allocated share of plan expenses	**2,279**	3,099	1,503
Contributions by participating employers	**40,000**	45,000	90,385
Our allocated share of contributions	**2,216**	2,493	4,800

The funded (unfunded) status reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding.

Benefits paid to participants in the District were $127.5 million in 2024. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2025 is $14.7 million. Our allocated share of these pension contributions is expected to be $756 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: Beginning in 2023, we participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands) As of December 31,	2024	2023
Our unfunded status	**($1,271)**	($936)

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded status is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. We had no cash contributions and paid no benefits during 2024 and 2023.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for these plans, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $2.1 million, $2.0 million, and $2.0 million in 2024, 2023, and 2022, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding as of December 31, 2024, involved more than a normal risk of collectability. There were no material related party transactions other than the loan transactions disclosed in the following related party loans information table.

Related Party Loans Information

(in thousands)

As of December 31,	**2024**	2023	2022
Total related party loans	**$15,866**	$14,966	$20,242
For the year ended December 31,	**2024**	2023	2022
Advances to related parties	**$5,400**	$9,047	$7,183
Repayments by related parties	**4,793**	4,856	9,468

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding table are related to those considered related parties at each respective year end.

As described in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown in the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $31.4 million, $34.2 million, and $28.5 million in 2024, 2023, and 2022, respectively. Patronage income for 2024, 2023, and 2022 was received in cash and AgriBank stock.

In addition, we received compensation from AgriBank for servicing loans of $1.4 million, $487 thousand, and $86 thousand in 2024, 2023, and 2022, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

We purchase certain business services, primarily financial reporting, from AgriBank. We also purchase the following services from SunStream Business Services (SunStream): financial and retail information technology, collateral, tax reporting, and insurance. In addition, we purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the following table in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands)

As of December 31,	**2024**	2023	2022
Investment in AgriBank	**$259,290**	$224,516	$166,091
Investment in AgDirect, LLP	**24,403**	20,569	17,055
Investment in SunStream	**1,875**	1,875	1,875
Investment in Foundations	**32**	32	32
For the year ended December 31,	**2024**	2023	2022
AgriBank District purchased services	**$2,673**	$2,268	$2,185

NOTE 11: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, 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.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on 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 loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. As of December 31, 2024, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $1.5 billion. Additionally, we had $29.0 million of issued standby letters of credit as of December 31, 2024.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they have off-balance sheet credit risk because their contractual amounts are not reflected on the balance sheet until funded or drawn upon. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties, amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

We guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $50.0 million. The term of the line of credit is 36 months, scheduled to mature on June 30, 2027, and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. The outstanding balance on the SunStream line of credit as of December 31, 2024, was $29.8 million.

NOTE 12: 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 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 as of December 31, 2024, 2023, or 2022.

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

As of December 31, 2023	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans	$ --	$ --	$5,758	$5,758
Other property owned	--	--	71	71

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans	$ --	$ --	$3,301	$3,301
Other property owned	--	--	--	--

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 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 7, 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 2024 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

FCS Financial, ACA
(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Jefferson City	Owned	Headquarters
Jefferson City	Leased	Corporate
Cameron	Owned	Branch
Chillicothe	Owned	Branch
Columbia	Owned	Branch
Farmington	Leased	Branch
Hannibal	Owned	Branch
Harrisonville	Owned	Branch
Higginsville	Owned	Branch
Jefferson City	Owned	Branch
Joplin	Owned	Branch
Lebanon	Leased	Branch
Macon	Owned	Branch
Marshall	Owned	Branch
Maryville	Owned	Branch
Mexico	Owned	Branch
Nevada	Owned	Branch
O'Fallon	Owned	Branch
St. Joseph	Owned	Branch
Sedalia	Owned	Branch
Springfield	Owned	Branch
Union	Leased	Branch
West Plains	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is included in Note 11 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2024.

Description of Capital Structure

Information regarding our capital structure is included in Note 7 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is included in Notes 6, 7, 8, 9, and 11 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management’s Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Board of Directors as of December 31, 2024, including business experience during the last five years

Name	Principal occupation and other business affiliations
Kenneth Bergmann **Chairperson** **Board Service Began:** 2010 **Current Term Expires:** 2027	**Principal occupation:** Self-employed grain and livestock farmer Executive Vice President: S&H Farm Supply
Scott Brown **Outside Director** **Board Service Began:** 2024 **Current Term Expires:** 2028	**Principal occupation:** Associate Extension Professor Emeritus: College of Agriculture, Food and Natural Resources, Division of Applied Social Sciences, University of Missouri
Glen Cope **Board Service Began:** 2018 **Current Term Expires:** 2025	**Principal occupation:** Self-employed cattle farmer **Other business affiliations:** Chairman: MFA Oil Board of Directors, energy cooperative
Vance Crowe **Outside Director** **Board Service Began:** 2024 **Current Term Expires:** 2025	**Principal occupation:** CEO: Articulate Ventures LLC, a marketing and public relations firm **Other business affiliations:** Founder/Owner: Legacy Interviews, video services
Curtis Delgman **Board Service Began:** 2023 **Current Term Expires:** 2027	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Vice Chair: Missouri Farm Bureau, Agritourism Committee
Dan Devlin **Board Service Began:** 2009 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Member: Knox County Soil and Water Conservation District Board, soil and water conservation Member: University of Missouri Greenley Research Center Advisory Board, evaluates new technology and crop management systems Vice Chairman: University of Missouri - Northern Missouri Research Extension and Education Center Advisory Council, focuses on research and education needs of local community Member: St. Joseph Church Finance Committee Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, a community grant foundation
Sherry Jones **Board Service Began:** 2012 **Current Term Expires:** 2028	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Member: Missouri Agricultural and Small Business Development Authority Board of Directors, agriculture loans and grants Vice President: Livingston County Farm Bureau Board of Directors, advocate for farmer-members Member: Calvary Baptist Church Finance Committee Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, a community grant foundation Member: Farmers' Electric Cooperative Board of Directors, rural electric
Andy Kapp **Board Service Began:** 2021 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer
David Meneely **Outside Director** **Board Service Began:** 1990 **Current Term Expires:** 2025	**Principal occupation:** County Executive Director: Livingston County Farm Service Agency - retired
Jay Moreland **Board Service Began:** 2024 **Current Term Expires:** 2028	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Member: Central Cass County Fire Protection District Board of Directors, fire and ambulance service Member: Missouri Holstein Association Board of Directors, promotes breeding and showing of Holstein cattle

Name	Principal occupation and other business affiliations
Troy D. Norton **Outside Director** **Board Service Began:** 2013 **Current Term Expires:** 2027	**Principal occupation:** CPA: member-owner of Williams-Keepers, LLC, public accounting and business consulting firm **Other business affiliations:** Treasurer: The Food Bank for Central & Northeast Missouri Board of Directors, a regional disaster and hunger relief network
Randy Pace **Board Service Began:** 2020 **Current Term Expires:** 2028	**Principal occupation:** Self-employed beef cattle and poultry farmer **Other business affiliations:** Treasurer: Howell County Soil and Water Conservation District Board of Directors, soil and water conservation Vice Chairman: West Vue, Inc. Board of Directors, independent living facility Member: Howell-Oregon Electric Cooperative Board of Directors, rural electric Member: Farm Service Agency County Committee, administration of local Federal farm programs Member: MFA Oil Board of Directors, energy cooperative
Rick Rehmeier **Board Service Began:** 2011 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Advisory Committee, President: FCS Financial Rural Community and Agriculture Foundation, a community grant foundation Advisor/Investor: Heritage Community Bank
Dale Ridder **Board Service Began:** 2019 **Current Term Expires:** 2027	**Principal occupation:** Self-employed grain and livestock farmer Public School Administrator, retired **Other business affiliations:** President: Hermann Area District Hospital Board of Directors, healthcare Chairman: Gasconade County Industrial Development Authority, promotes economic development Member: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Don Schlesselman **Board Service Began:** 2022 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Chairman: MFA, Inc. Board of Directors, farm supply and marketing cooperative Congregation President: St. Paul's Lutheran Church
Beth Schnitker **Vice Chairperson** **Board Service Began:** 2018 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer Agent: New York Life Insurance Company **Other business affiliations:** Member: Audrain County Cattlemen's Association Board of Directors, promotes beef within the community Member: AgriBank Nominating Committee, responsible for identifying, evaluating, and nominating candidates for election to the AgriBank board of directors Vice Chair: Audrain Soil and Water Conservation District Board of Directors, soil and water conservation

Pursuant to our bylaws, directors are paid an annual retainer of $17,875 for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $700 per day. The directors are also compensated $0.50 per mile honorarium for travel time. In recognition of the additional duties and responsibilities, the Chairperson and Vice Chairperson received an additional annual retainer of $10,725 and $4,125, respectively. Committee chairpersons are paid an additional annual retainer of $4,125. All retainers are paid semi-annually in January and July.

Information regarding compensation paid to each director who served during 2024 follows:

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2024
Kenneth Bergmann	11.0	24.0	$2,800	Governance & Compensation	$49,342
Scott Brown[1]	2.0	1.0	--	Governance & Compensation	2,208
Michael L. Cook[2]	8.0	10.0	1,750	Governance & Compensation	24,650
Glen Cope	9.0	16.0	2,100	Risk	34,594
Vance Crowe[1]	2.0	1.0	--	Risk	2,352
Curtis Delgman	11.0	18.0	2,450	Audit	37,041
Dan Devlin	11.0	12.0	2,100	Risk	32,315
Sherry Jones	11.0	32.0	2,450	Risk	47,877
Andy Kapp	10.0	22.0	2,450	Audit	40,302
David Meneely	11.0	22.0	6,575	Risk	43,988
Jay Moreland[3]	7.0	11.0	700	Audit	21,340
Troy D. Norton	11.0	22.0	7,625	Audit	42,073
Randy Pace	11.0	32.0	2,450	Audit	48,200
Rick Rehmeier	11.0	20.0	6,925	Governance & Compensation	42,397
Dale Ridder	11.0	49.0	2,800	Governance & Compensation	57,738
Don Schlesselman	11.0	25.0	2,100	Audit ($1,750) Risk ($350)	42,667
Beth Schnitker	10.0	39.0	2,450	Governance & Compensation	53,467
Jared Wareham[4]	4.0	3.0	700	Risk	11,738
					$634,289

[1]Term commenced November 2024
[2]Term expired October 2024
[3]Term commenced June 2024
[4]Term expired June 2024

Senior Officers

Senior Officers as of December 31, 2024, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Robert Guinn Chief Executive Officer	**Business experience:** Chief Executive Officer from January 2023 to present Executive Vice President, Chief Marketplace Officer from September 2020 to December 2022 Vice President, Traditional and Part-time Farmers from 2010 to August 2020 **Other business affiliations:** Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, a community grant foundation Member: The College of Agriculture, Food and Natural Resources Foundation, promotes agriculture education and research in Missouri
John Bandy General Counsel	**Business experience:** General Counsel from August 2016 to present
Jeff Houts Executive Vice President, Chief Operations Officer	**Business experience:** Executive Vice President, Chief Operations Officer from March 2010 to present **Other business affiliations:** Member: Missouri Farmers Care Executive Committee, agriculture advocacy and education Member: Houts Bayview Farms, LLC Board of Directors Member: SunStream Board of Directors, District technology provider
Dennis Hunsberger Executive Vice President, Chief Information Officer	**Business experience:** Executive Vice President, Chief Information Officer from March 2016 to present
Matt Huster Chief Credit Officer	**Business experience:** Chief Credit Officer from November 2024 to present Vice President, Managing Director - Financial Analyst Manager, Rabobank from January 2022 to November 2024 Vice President, Business Risk, Rabobank from March 2018 to January 2022

Name and Position	Business experience and other business affiliations
Jason Kirchner Chief Risk Officer	**Business experience:** Chief Risk Officer from January 2024 to present Vice President Internal Audit and Review from August 2020 to December 2023 Vice President Senior Audit Manager, Central Bancompany from January 2013 to August 2020
Rick Krueger Chief Financial Officer	**Business experience:** Chief Financial Officer from October 2023 to present Vice President Accounting Operations, Compeer Financial, ACA from July 2017 to September 2023 **Other business affiliations:** Advisory Committee, Treasurer: FCS Financial Rural Community and Agriculture Foundation, a community grant foundation
Chad Roberts Executive Vice President, Chief Marketplace Officer	**Business experience:** Executive Vice President, Chief Marketplace Officer from February 2023 to present Senior Vice President, Traditional and Part-time Farmers January 2023 Vice President, Traditional and Part-time Farmers from November 2020 to December 2022 Senior Vice President, Director of Bank Training at UMB Bank, National Association from January 2017 to October 2020

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our CEO and senior officers compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO and senior officers compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO and senior officers are compensated with a mix of base salary and annual incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of goals in the annual incentive plan while keeping in mind their responsibilities to our members. Base salary and the annual incentive plan are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO and senior officer base salaries reflect the officer's experience and level of responsibility. Base salaries are subject to review and approval by the Governance and Compensation Committee of our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Annual Incentive Plan: The CEO and senior officer incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall Association performance include return on assets, loan volume, and credit quality. Additionally, performance criteria related to personal performance include attainment of personal objectives and performance ratings serve as qualifiers to be eligible to participate annually. We calculate the incentives after the end of the plan year (the plan year is the calendar year)**.** We pay out the incentives within 90 days of year end.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO and senior officers based on continuous dates of service with the Association or, in certain situations, with other participating District employers. These plans are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 9 to the accompanying Consolidated Financial Statements.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO and senior officers based on job criteria or similar plans available to all employees.

Compensation to the CEO and Senior Officers

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites[1]	Other	Total
Robert Guinn, CEO	**2024**	**$470**	**$193**	**$2**	**$372**	**$1,037**
Robert Guinn, CEO	2023	450	171	77	1,031	1,729
David D. Janish, CEO, Emeritus[2]	2023	86	--	2	81	169
David D. Janish, CEO	2022	502	281	7	65	855
Aggregate Number of Senior Officers, excluding CEO						
Nine[3]	**2024**	**$1,687**	**$555**	**$22**	**$473**	**$2,737**
Seven[4]	2023	1,502	492	19	878	2,891
Nine[5]	2022	1,532	646	19	(508)	1,689

[1]Includes amounts related to relocation expenses for the CEO in 2023.

[2]David D. Janish's compensation is through February 28, 2023, his retirement date.

[3]Includes compensation for two individuals that retired in the first quarter of 2024 and one individual that joined the Association as a senior officer in November 2024.

[4]Includes a full year of compensation for one individual that was promoted to senior officer in February 2023 and compensation for one individual that joined the Association as a senior officer in October 2023.

[5]Includes compensation for one individual that retired in February 2022. Also includes compensation for one senior officer that ended employment with the Association in March 2022 and one individual that joined the Association as a senior officer in March 2022.

The Farm Credit Administration (FCA) Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers included in the above table be available and disclosed to our members upon request.

The amount in the “Other” category in the preceding table primarily includes:

- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 9 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association’s future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Employer match on defined contribution plans available to all employees.
- Employer match on District-wide Nonqualified Deferred Compensation plan which is available for the CEO and other employees meeting certain eligibility criteria.
- Amounts related to vacation payouts to former senior officers in 2024, former CEO in 2023, and former senior officers in 2022.

No tax reimbursements are made to the CEO and senior officers.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits can also be significantly impacted by changes in interest rates as of the measurement date.

Pension Benefits Attributable to the CEO and Senior Officers

(dollars in thousands) **2024** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Robert Guinn, CEO	AgriBank District Retirement Plan	**33.8**	**$2,258**	**$ --**
	AgriBank District Pension Restoration Plan	**33.8**	**137**	**--**
Aggregate Number of Senior Officers, excluding CEO				
Four	AgriBank District Retirement Plan	**35.1**	**$4,541**	**$878**

Senior officers in the above table includes those who retired during the year.

The change in composition of the aggregate number of senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is included in Note 10 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

1934 East Miller Street
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com
jeffersoncitymo@myfcsfinancial.com

The total directors' travel, subsistence, and other related expenses were $262 thousand, $156 thousand, and $152 thousand in 2024, 2023, and 2022, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2025, or at any time during 2024.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2024 were $107 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers (YBS)

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is included in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

FCS Financial, ACA

(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the date the loan is originally made.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less of experience at farming or ranching, or producing or harvesting aquatic products as of the date the loan is originally made.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $350 thousand in annual gross cash farm income of agricultural or aquatic products at the date the loan is originally made.

Demographics*

We have used the 2017 United States Department of Agriculture (USDA) Ag Census as our source of demographic data for Young, Beginning, and Small Farmers. We have 89,916 farmers in our 102 county territory. Of these farmers, 12.7%, or 11,454, are young farmers, 28.5%, or 25,577, are beginning farmers, and 92.8%, or 83,474, are small farmers. The census data is as of 2017 whereas our portfolio data is based on the number of loans in the current year.

Mission Statement

Our Young, Beginning, and Small Farmer's mission is to be the lender of choice by providing industry leading financial services, agricultural expertise, and cooperative educational opportunities to help them succeed in the marketplace.

Quantitative Targets and Qualitative Goals

We will strive to maintain a portfolio mix of young, beginning, and small farmers that matches the marketplace based on recent USDA Ag Census data.

Related services continue to be offered and sold to young, beginning, and small farmers on a statewide basis through our normal delivery channels. We are also a participating lender for the Missouri Linked Deposit Program which offers, among others, a program for beginning farmers. Additionally, we participate in the financial assistance program for beginning farmers that is administered through the Missouri Department of Agriculture's Agricultural and Small Business Development Authority. Special educational meetings are held periodically for promotional and educational purposes.

New Customers	2024 Goals	2024 Actual
New young farmer customers:	202	308
New beginning farmer customers:	373	468
New small farmer customers:	470	642

Portfolio Goals (dollars in millions)	2024 Goals	2024 Actual
Number of young farmer customers:	3,502	3,594
Number of beginning farmer customers:	5,436	5,448
Number of small farmer customers:	9,229	9,312
Young farmer volume:	$969	$1,128
Beginning farmer volume:	$1,284	$1,428
Small farmer volume:	$1,716	$1,916
Young farmers with guaranteed loans:	636	672
Beginning farmers with guaranteed loans:	645	680
Small farmers with guaranteed loans:	708	728
Guaranteed young farmer volume:	$171	$184
Guaranteed beginning farmer volume:	$179	$188
Guaranteed small farmer volume:	$165	$164

The FCS Financial *Connect* (*Connect*) program continues to deliver significant value to participants. Through its focus on credit standards, cooperative representation, communication, and knowledge sharing, *Connect* empowers producers to achieve their full potential.

Connect's impact extends beyond providing loans to YBS producers. The program fosters a supportive environment where participants can learn, network with peers, and connect with experts. In 2024, FCS Financial hosted the successful *Connect* Ag Seminar and will continue this momentum with the Empowered Women, Empower Ag seminar in March 2025. These events offer producers valuable opportunities to strengthen their business resiliency and expand their professional networks.

FCS Financial maintains a strong online presence through Facebook, YouTube, and Instagram, effectively reaching YBS farmers. The Association's website features a dedicated page for YBS producers with links to relevant programs, opportunities, and educational content.

Our commitment to YBS producers is further demonstrated through:

- **Targeted Programs and Seminars:** We host programs and seminars tailored to Vo-Ag classes, young farmers, and other organizations.
- **Promotional Materials and Advertising:** All YBS program materials include information about related services. Specific advertising campaigns target YBS publications.
- **Dedicated Content:** Our customer magazine, *HeartBeat*, features YBS-focused content in each issue, and we distribute e-newsletters specifically for this segment.
- **Grant and Scholarship Programs:** We offer grant programs for eligible 4-H and FFA chapters, academic scholarships, and the Ag Youth Funding program for 4-H and FFA members.

Annual stockholder advisory meetings include a dedicated YBS customer committee to address the unique needs of this segment. FCS Financial actively seeks opportunities to collaborate with agribusinesses and academic institutions to provide joint educational programs for YBS producers. In 2024, we focused on strengthening relationships with organizations that have robust agricultural education programs. Funds were allocated to enhance existing public relations and educational initiatives.

FCS Financial remains dedicated to supporting the success of young, beginning, and small producers. We will continue to invest in programs, resources, and partnerships that empower the next generation of agriculture leaders.

Safety and Soundness of the Program

On June 20, 2002, we approved a policy that directed the establishment of programs to provide credit and closely related services to young, beginning, and small farmers, ranchers, or producers or harvesters of aquatic products. Implementation of this policy supported the availability of sound, adequate, and constructive credit and related services for YBS. On September 1, 2002, we implemented our YBS program. Our YBS policy was approved in November 2005. We monitor this program on an ongoing quarterly basis. The overall results of our YBS program have been favorable since implementation. We review its performance on an annual basis and make any necessary changes.

*There are several differences in the methods by which the demographic and FCA Young, Beginning, and Small Farmer data is presented: Young farmers are defined by the FCA as 35 years old or less. The USDA demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Ag Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers but may also include experienced farmers who have recently changed farmsteads. The FCA Small Farmer definition matches closely with the USDA delineation. The USDA Ag Census is the best source of demographic information within the Association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess Association targets and goals.

FUNDS HELD PROGRAM

FCS Financial, ACA
(Unaudited)

The Association offers a Funds Held Program (Funds Held) that provides for borrowers to make advance payments on designated real estate loans and intermediate-term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and borrower provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the borrower has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, moneys in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the borrower must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed the lesser of two times the estimated annual payment or the unpaid balance of the related loan(s).

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. The interest rate paid is the Federal Funds Target rate plus 0.50%.

Interest rates are currently reported on each borrower’s year end loan statement.

Withdrawals

Money in Funds Held may be withdrawn for the following items, depending on the borrower’s loan program:

- Borrowers with real estate loans and intermediate-term loans closed under the loan programs may use Funds Held for future installments, insurance, or real estate taxes on collateral for the respective loan, as well as for other eligible loan purposes.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the borrowers.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, borrowers having balances in Funds Held shall be notified according to FCA Regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS Financial representative.

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