Building a Stronger Rural America, *Together.*

ALABAMA FARM CREDIT

2024 Annual Report

ALABAMA FARM CREDIT

Together We Grow.

Growing Forward

Meet our Young Farmer Advisory Committee

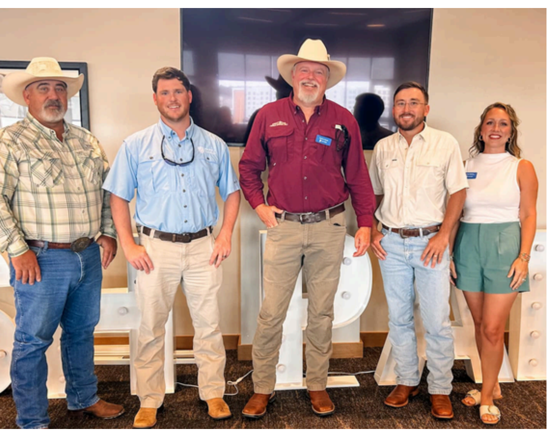
Alabama Farm Credit's Young Farmer Advisory Committee has been very busy as they close out their 3rd year. With the continuation and growth of Ag Night, involvement in scholarship initiatives, and overall ambassadorship of AFC, the year has been full of many achievements.

The committee hosted its 2nd annual statewide Ag Night at a Huntsville Trash Pandas game in August. The event continues to grow in attendance and advocacy outreach efforts. Beyond its initial impacts, all proceeds raised at the event went straight to the Together We Grow Foundation, adding to their scholarship fund for students pursuing a future in ag.

The contributions this group brings to the association is invaluable in furthering the future of agriculture as we know it.

Livestock Risk Protection (LRP)
Farm Shield's newest product offering is a federally subsidized program designed to shield from declining market prices. LRP determines indemnities using area pricing and is available on a per head basis.

Scottsboro, Alabama
The grand opening of our newest branch has officially occurred, so now members in Jackson & North DeKalb counties can enjoy our historic building in the heart of downtown Scottsboro.



BUILDING STRONGER COMMUNITIES

Investing in our communities means investing in our collective well-being. Throughout our 108-year history, Alabama Farm Credit has sought meaningful ways to give back to our community. Relationally, financially, and strategically, we continue to build on new opportunities and embrace change while adhering to a dedication to the land, farmers, and ranchers of North Alabama.

In 2024, we supported communities in the following ways:

- Donated $10,000 to Auburn University College of Agriculture, $5,000 to the College of Agricultural, Life and Natural Sciences at Alabama A&M University, $2,000 to the beginning farm program at Wallace State University

- Raised over $30,000 for the Together We Grow Foundation scholarship fund

- Donated over $58,000 to local youth programs including FFA and 4-H chapters, high school athletic groups, and Young Cattlemen's events.

Board of Directors

Matthew Christjohn,
Chairman

Stewart McGill,
Vice Chairman

John Adams

Winston Bryant

Rickey Cornutt

David Daily

Hugh Harris

Jordyn Upchurch

Senior Management

Mel Koller, CEO

Jody Campbell, CRO

Kedric Karkosh, CFO

Together We Grow.

ALABAMA FARM CREDIT

Dear Valued Member,

As we step into a new year, we reflect with gratitude on both the successes and challenges of the past. One theme stands out—resiliency. Our agricultural producers and employees have faced evolving conditions with courage and tenacity, proving time and again that together, we can adapt and thrive.

The past twelve months have reinforced the strength of our association, built on the dedication of our team and the unwavering confidence you place in us. Together, we have navigated a dynamic and shifting market, and we are proud to report meaningful progress toward our long-term goals.

For 108 years, Alabama Farm Credit has been rooted in the strength of our members. Your trust continues to inspire us to grow, innovate, and strive for excellence in serving you.

This year, we reached important milestones that strengthened our position as a leader in agricultural financing:

- Investing in Our Communities: We expanded scholarship opportunities and deepened our support for local organizations, helping to cultivate the next generation of agricultural leaders.
- Enhancing Member Experience: Our commitment to personalized, responsive service remains at the forefront, ensuring we meet your needs with care and professionalism.
- Innovating Financial Solutions: We introduced new and refined tools to address the changing landscape of agriculture, ensuring our members have the support they need to succeed.

Your partnership has been integral to these achievements, and together, we are building a legacy of strength and sustainability for generations to come.

Looking ahead to 2025, our top priority is ensuring our members get the financing they need in these uncertain times. For the first time in years, we are seeing commercial banks retreat from agricultural lending. This is exactly what we were built for. Alabama Farm Credit will be here—steadfast and ready—to support our members through these challenges.

Together We Grow.

ALABAMA FARM CREDIT

Being a reliable financial partner is our core mission. Ensuring that Alabama's agricultural producers have access to the resources they need remains our top priority, today and for generations to come.

As we move forward, please know that your loyalty and trust are the foundation of everything we do. Many of you have been part of the Alabama Farm Credit family for generations, and it is your dedication that lights the way for our shared future.

Thank you for choosing Alabama Farm Credit as your partner in agriculture. Together, we will honor past achievements, embrace the present, and cultivate a strong and prosperous future.

Sincerely,

Mel Koller
Alabama Farm Credit
CEO

Matt Christjohn
Alabama Farm Credit
Chairman


It’s your farm, let us protect it.
FARM SHIELD
Crop Insurance | Pasture Insurance | Livestock Insurance
farmshieldinsurance.com

ALABAMA FARM CREDIT, ACA

Table of Contents

Report of Management.. 2

Report on Internal Control Over Financial Reporting 3

Report of Audit Committee.. 4

Five-Year Summary of Selected Consolidated Financial Data.. 5

Management's Discussion and Analysis of Financial Condition
and Results of Operations (Unaudited).. 7

Report of Independent Auditors.. 15

Consolidated Financial Statements 17

Notes to Consolidated Financial Statements.. 22

Disclosure Information and Index (Unaudited) 57

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Farm Credit, ACA, are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants. They also consider internal controls to the extent necessary to design aduit procedures that comply with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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

/s/ Mel Koller, Chief Executive Officer/President
March 7, 2025

/s/ Matthew Christjohn, DVM, Chairman, Board of Directors
March 7, 2025

/s/ Kedric Karkosh, Chief Financial Officer
March 7, 2025

/s/ John R Adams, CPA, Chairman, Audit Committee
March 7, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. In making the assessment, management used the framework in Internal Control—Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

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

/s/ Mel Koller, Chief Executive Officer
March 7, 2025

/s/ Kedric Karkosh, Chief Financial Officer
March 7, 2025

REPORT OF AUDIT COMMITTEE

The Audit Committee is composed of John R. Adams, CPA, Stewart McGill, Matthew Christjohn, DVM, and David Daily In 2024, six Committee meetings were held. The Committee oversees the scope of Alabama Farm Credit, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Alabama Farm Credit, ACA's website. The Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) for 2024.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of Alabama Farm Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's audited consolidated financial statements for the year ended December 31, 2024 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence. The Committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in the Association's Annual Report to Stockholders for the year ended December 31, 2024.

/s/ John R. Adams, CPA, Chairman
March 7, 2025

/s/ Stewart McGill, Member
March 7, 2025

/s/ Matthew Christjohn, DVM, Member
March 7, 2025

/s/ David Daily, Member
March 7, 2025

ALABAMA FARM CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(unaudited)

(Dollars in thousands)

	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Cash	$ 10	$ 11	$ 18	$ 11	$ 11
Investments	29,863	-	-	-	-
Loans	1,144,868	1,084,857	1,059,917	1,023,903	974,928
Less: allowance for credit losses on loans	5,132	3,267	2,819	3,222	4,039
Net loans	1,139,736	1,081,590	1,057,098	1,020,681	970,889
Investment in and receivable from the Farm Credit Bank of Texas	27,151	19,774	19,131	19,399	16,623
Other property owned, net	675	1,024	1,785	1,170	546
Other assets	34,638	31,983	24,102	22,441	18,047
Total assets	$ 1,232,073	$ 1,134,382	$ 1,102,134	$ 1,063,702	$ 1,006,116
Liabilities					
Obligations with maturities of one year or less	$ 12,419	$ 17,865	$ 20,190	$ 18,125	$ 15,909
Obligations with maturities greater than one year	1,060,854	968,492	938,769	908,025	859,434
Total liabilities	1,073,273	986,357	958,959	926,150	875,343
Members' Equity					
Capital stock and participation certificates	3,492	3,435	3,498	3,440	3,126
Unallocated retained earnings	155,098	144,297	139,389	134,111	127,741
Accumulated other comprehensive income (loss)	210	293	288	1	(94)
Total members' equity	158,800	148,025	143,175	137,552	130,773
Total liabilities and members' equity	$ 1,232,073	$ 1,134,382	$ 1,102,134	$ 1,063,702	$ 1,006,116
Statement of Income Data					
Net interest income	$ 28,317	$ 27,291	$ 26,253	$ 26,351	$ 25,208
(Provision for credit losses) credit loss reversal	(1,948)	62	64	604	(116)
Income from the Farm Credit Bank of Texas	6,124	5,538	8,291	7,178	4,975
Other noninterest income	2,421	1,899	1,245	1,232	1,166
Noninterest expense	(18,030)	(19,613)	(17,398)	(16,632)	(12,675)
Net income (loss)	$ 16,884	$ 15,177	$ 18,455	$ 18,733	$ 18,558
Key Financial Ratios for the Year					
Return on average assets	1.5%	1.4%	1.6%	1.8%	2.0%
Return on average members' equity	10.8%	10.2%	12.6%	13.1%	13.8%
Net interest income as a percentage of average earning assets	2.6%	2.6%	2.4%	2.6%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%	0.0%	0.0%

ALABAMA FARM CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(unaudited)

(dollars in thousands)

	2024	2023	2022	2021	2020
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	12.9%	13.0%	13.0%	12.3%	13.0%
Debt as a percentage of members' equity	675.9%	666.3%	669.8%	673.3%	669.4%
Allowance for credit losses on loans as a percentage of loans	0.3%	0.3%	0.3%	0.3%	0.4%
Common equity tier 1 ratio	11.6%	12.1%	11.8%	13.0%	13.6%
Tier 1 capital ratio	11.6%	12.1%	11.8%	13.0%	13.6%
Total capital ratio	12.1%	12.5%	12.1%	13.4%	14.0%
Permanent capital ratio	11.7%	12.2%	11.9%	12.1%	12.6%
Tier 1 leverage ratio	11.5%	11.8%	11.4%	12.3%	12.5%
UREE leverage ratio	11.2%	11.5%	11.1%	13.3%	13.7%
Net Income Distribution					
Patronage dividends:					
Cash	$ 9,442	$ 13,268	$ 12,281	$ 10,803	$ 9,880

The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2024. For more information, see Note 11, "Members Equity," in the accompanying consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

(dollars in thousands except as noted)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Alabama Farm Credit, ACA, including its wholly owned subsidiaries, Alabama Farm Credit, PCA and Alabama Farm Credit, FLCA (Association) for the years ended December 31, 2024, 2023 and 2022, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income of borrowers;
- disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary, government and fiscal policy; and
- credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Commodity Review and Outlook:

The Association's largest commodity concentration in its portfolio continues to be poultry. Approximately 29.6 percent of the Association's portfolio is dependent on poultry as the primary source of repayment. The industry has stable demand for poultry products. Hatchability continues to be a concern for the industry, and it was 79.5 percent as of January 2, 2025. Cumulative chicks placed were up 2 percent in 2024 compared to 2023. At the end of 2024, prices for whole birds were above three-year average prices. Whole bird prices experienced less seasonality compared with three-year average price trends. Lower corn and soybean prices have also reduced input costs, leading to a much more profitable year for integrators compared to 2023. The supply of chicken in cold storage is well below 2023 levels, and consumer demand for poultry remains strong. Both factors should continue to put upward pressure on poultry prices. The Association continues to experience some isolated concerns in its portfolio as evidenced by some due date changes to better match the individual growers' batch sales. Management feels that this loan servicing is due primarily to changes in poultry markets where integrators are adjusting their bird size/placements as the market dictates. Management anticipates these concerns will correct themselves with the stable demand for poultry. Additionally, the LIFO revolver program should help resolve some of these issues.

Avian influenza, or bird flu, continues to be of concern to the Association. There have been waves of outbreaks in 2024, and while the broiler industry has been mostly isolated from these issues, there was a broiler farm in the Association's territory that contracted avian influenza in December 2024. However, strict biosecurity measures within the state and the Association have helped to prevent the spread of the disease, and to date no farms in the Association's portfolio have been affected. The State Department of Agriculture and Industries and all poultry integrators have mandatory strict biosecurity requirements for all farms. The Association also has biosecurity guidelines for poultry farm inspections during high-risk conditions. The Association will continue to monitor any changes regarding outbreaks and any impact to the loan portfolio on an ongoing basis during the upcoming months.

Significant Events:

In January 2024, the Association approved a patronage distribution to its stockholders. The Association was able to distribute $9,442 to its members due to strong earnings during 2023. The distribution was made in March 2024.

In January 2025, the Farm Credit Bank of Texas Board approved a change to the Bank's capitalization policy. Through 2024, associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.0 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

Patronage Refunds Received From Farm Credit Bank of Texas:

In December 2024, the Association received a direct loan patronage of $3,479 from the Farm Credit Bank of Texas ("Bank"), representing 34.9 basis points on the average daily balance of the Association's direct loan with the Bank. Also, the Association received a patronage of $2,518 from the Bank, representing 191 basis points on the Association's average balance of participations in the Bank's patronage pool program. During 2024, the Bank discontinued the patronage on the Association's stock investment in the Bank. In 2023, the stock investment patronage equaled $598.

For more than 30 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Patronage Refunds by Association:

In December 2024, the Association accrued a $6,154 patronage distribution to its stockholders. The payment resolution was approved in January 2025 and will be disbursed in March 2025. The Association was able to return these funds to its members due to strong earnings over the past three years.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $1,144,868, $1,084,857, and $1,059,917 as of December 31, 2024, 2023 and 2022, respectively, is described more fully in detailed tables in Note 4, "Loans and Allowance for Credit Losses on Loans," in the accompanying consolidated financial statements.

Purchase and Sales of Loans:

During 2024, 2023, and 2022, the Association was participating in loans with other lenders. As of December 31, 2024, 2023, and 2022, these participations totaled $159,700, $130,789, and $92,990, or 13.9 percent, 12.1 percent, and 8.8 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $16,220, $13,504, and $2,500, or 1.4 percent, 1.2 percent, and 0.2 percent of loans, respectively. The Association has also sold participations of $156,744, $164,748, and $113,948 as of December 31, 2024, 2023, and 2022, respectively.

Investments Section:

The Association's held-to-maturity investments are comprised of SBA Securities (loan pools). The principal investment is guaranteed by the United States Treasury. The investments are held for the purpose of asset diversification and risk management.

The following is a summary of investments that are held to maturity.

	SBA Pool Securities				
Year	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
December 31, 2024	$ 29,863	-	$ 117	$ 29,670	5.583%
December 31, 2023	-	-	-	-	-
December 31, 2022	-	-	-	-	-

Risk Exposure:

Nonpeforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

The following table illustrates the Association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

Nonperforming Assets

	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
Nonaccrual loans	$ 5,564	84.8%	$ 3,525	74.8%	$ 5,147	67.8%
Accruing loans 90 days or more past due	321	4.9%	164	3.5%		
Formerly restructured					659	8.7%
Total nonperforming loans	$ 5,885		$ 3,689		$ 5,806	
Other property owned, net	675	10.3%	1,023	21.7%	1,785	23.5%
	$ 6,560	100.0%	$ 4,712	100.0%	$ 7,591	100.0%

At December 31, 2024, 2023, and 2022, nonperforming loans were $5,885, $3,689, and $5,806, representing 0.5 percent, 0.3 percent, and 0.5 percent of loan volume, respectively.

The Association had four properties in other property owned at the beginning of 2024. During 2024, the Association acquired two additional properties from various counties in north Alabama. The Association sold four properties during 2024, resulting in a net decrease of $349. At December 31, 2024, the Association held two properties with a carrying value of $675, net of allowance, which consisted of 60 acres of land.

Counterparty risk is continually monitored by management of the Association. The Association's primary counterparty risk comes from poultry integrators with which its borrowers are associated and participation loans. Because the

Association has approximately 29.6 percent of its portfolio concentrated in poultry, it mitigates inherent risks in the poultry markets and the integrators by utilization of government guarantees. At December 31, 2024, approximately 24.0 percent of the Association's poultry loans were government guaranteed. Also, the Association's lending territory has multiple integrators, which would minimize the risk of counterparty failure or lack of performance. Management analyzes the financial position and performance of these integrators by regularly gathering updated financials and other reports that are made available to the public. The Association, in the normal course of business, has participation loans with other Farm Credit associations and Farm Credit banks.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

To help mitigate and diversify credit risk, the Association has employed practices including credit guarantees and engaging in loan participations. At December 31, 2024, the Association had approximately $104,951, or 9.2 percent, of its portfolio that had guarantees with the Farm Service Agency (FSA) or the Small Business Administration (SBA).

Allowance for Credit Losses on Loans:

The Association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $5,532, $3,267, and $2,819 at December 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2024, was $16,884 as compared to $15,414 for the year ended December 31, 2023, reflecting an increase of $1,470 or 9.5 percent. The Association's net income for the year ended December 31, 2022, was $18,455. Net income decreased $3,040 or 16.5 percent, in 2023 versus 2022.

Net interest income for 2024, 2023, and 2022 was $28,317, $27,280, and $26,253, respectively, reflecting increases of $1,016 or 3.6 percent, for 2024 versus 2023 and $1,053 or 3.9 percent, for 2023 versus 2022. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2024		2023		2022	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	$ 1,107,433	$ 67,149	$ 1,063,275	$ 58,946	$ 1,079,142	$ 48,367
Investments	2,575	168	-	-	-	-
Total interest-earning assets	1,110,008	67,317	1,063,275	58,946	1,079,142	48,367
Interest-bearing liabilities	994,595	39,000	948,400	31,666	966,342	22,114
Impact of capital	$ 115,413		$ 114,875		$ 112,800	
Net interest income		$ 28,317		$ 27,280		$ 26,253

	2024 Average Yield	2023 Average Yield	2022 Average Yield
Yield on loans	6.06%	5.54%	4.48%
Yield on investments	6.54%	0.00%	0.00%
Total yield on interest-earning assets	6.06%	5.54%	4.48%
Cost of interest-bearing liabilities	3.92%	3.34%	2.29%
Interest rate spread	2.14%	2.21%	2.19%

	2024 vs. 2023			2023 vs. 2022		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	$ 2,448	$ 5,755	$ 8,203	$ (711)	$ 11,290	$ 10,579
Interest income - investments	-	168	168	-	-	-
Total interest income	2,448	5,923	8,371	(711)	11,290	10,579
Interest expense	1,541	5,814	7,355	(411)	9,937	9,526
Net interest income	$ 907	$ 109	$ 1,016	$ (300)	$ 1,353	$ 1,053

Interest income for 2024 increased by $8,371 compared to 2023, primarily due to an increase in average loan volume combined with an increase in loan yields. Interest expense for 2024 increased by $7,355 compared to 2023 due to an increase in interest rates on the Association's direct note with the Bank. The interest rate spread decreased by 6 basis points to 2.14 percent in 2024 from 2.21 percent in 2023, primarily because of an increase in cost of funds on the Association's note with the Farm Credit Bank of Texas. The interest rate spread increased by 2 basis points to 2.21 percent in 2023 from 2.19 percent in 2022, primarily because of higher spreads on new loan originations.

Noninterest income for 2024 increased by $978 or 12.9 percent, compared to 2023, due primarily to an increase in direct note patronage income from the Bank. Noninterest income for 2023 decreased by $1,967 or 20.6 percent, compared to 2022.

Provisions for loan losses increased by $1,850, or 33.4 percent, compared to 2023, due primarily to an increase in the specific allowance on impaired loans.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. The $1,465 decrease in operating expenses for 2024 as compared to 2023 includes a decrease in purchased services as well as advertising, and public and member relations.

For the year ended December 31, 2024, the Association's return on average assets was 1.5 percent, as compared to 1.4 percent, and 1.7 percent for the years ended December 31, 2023, and 2022, respectively. For the year ended December 31, 2024, the Association's return on average members' equity was 10.8 percent, as compared to 10.2 percent, and 12.7 percent for the years ended December 31, 2023, and 2022, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,057,328, $965,495 and $936,447 as of December 31, 2024, 2023 and 2022, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.8 percent, 2.5 percent, and 1.6 percent at December 31, 2024, 2023 and 2022, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to growth in the Association's loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $118,997, $124,482, and $117,965 at December 31, 2024, 2023 and 2022, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2024, was $1,230,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2025. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $158,800, $148,025 and $143,175 at December 31, 2024, 2023 and 2022, respectively.

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

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk weighted-assets.
- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and allowance for credit losses on unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in-capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, capital distributions and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

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

	2024	2023	2022	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent Capital Ratio	11.7%	12.2%	11.9%	7.0%
Common Equity Tier 1 Ratio	11.6%	12.1%	11.8%	7.5%
Tier 1 Capital Ratio	11.6%	12.1%	11.8%	7.5%
Total Capital Ratio	12.1%	12.5%	12.1%	11.0%
Tier 1 Leverage Ratio	11.5%	11.8%	11.4%	5.4%
UREE Leverage Ratio	11.2%	11.5%	11.1%	2.0%

Regulatory Matters:

At December 31, 2024, the Association was not under written agreements with the Farm Credit Administration.

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weighting and the federal banking regulators. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and, therefore, do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than $500 thousand. The effective date of the final rule has been extended to January 1, 2026, from the original effective date of January 1, 2025.

On July 9, 2024, the FCA issued a revised bookletter to provide instruction to System institutions regarding the capital treatment of certain rural water and wastewater (RWW) facility exposures. The revised bookletter, which supersedes the original version published on November 8, 2018, continues to assign a 50 percent or 75 percent risk weight to certain RWW exposures that meet specified criteria.

On July 11, 2024, the FCA issued a revised bookletter to provide guidance to System institutions on implementing effective processes for managing investments and related risks.

On October 5, 2024, the FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the necessary actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish institution board reporting requirements. The final rule became effective on January 1, 2025.

On October 10, 2024, the FCA approved a proposed rule that would require System Associations that meet certain asset thresholds/conditions as well as all System Banks to obtain an annual audit of their internal controls over financial reporting (ICFR), in conjunction with their financial statements, known as an integrated audit. All System Banks currently obtain an integrated audit, so this rule would merely formalize that requirement. System Associations that fall within the requirements will generally have three fiscal years to obtain an audit. The proposed rule was published in the Federal Register on November 29, 2024. The rule is subject to a revised public comment period deadline of March 31, 2025 (from an original deadline of January 28, 2025).

In 2024, 2023, and 2022, the Association paid patronage/dividend distributions of $9,442, $13,267, and $12,295, respectively. In January 2025, the board of directors approved a $6,154 patronage distribution to be paid in March 2025. See Note 11, "Members Equity," in the accompanying consolidated financial statements for further information.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 10, "Note Payable to the Bank," in the accompanying consolidated financial statements.

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

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 10, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 14, "Related Party Transactions," in the accompanying consolidated financial statements, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 30 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Alabama Farm Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

PricewaterhouseCoopers LLP, 835 West 6th Street, Suite 1600, Austin, Texas 78703
T: (512) 477 1300, www.pwc.com/us

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Austin, Texas
March 7, 2025

ALABAMA FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31, 2024	December 31, 2023	December 31, 2022
Assets			
Cash	$ 10	$ 11	$ 18
Investments	29,863	-	-
Loans	1,144,868	1,084,857	1,059,916
Less: allowance for credit losses on loans	5,132	3,267	2,819
Net loans	$ 1,139,736	$ 1,081,590	$ 1,057,097
Accrued interest receivable	13,416	12,146	9,131
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	19,754	17,959	18,202
Other	7,397	1,815	929
Deferred taxes, net	-	-	-
Other property owned, net	675	1,024	1,785
Premises and equipment	15,846	15,558	13,788
Other assets	5,376	4,279	1,184
Total assets	$ 1,232,073	$ 1,134,382	$ 1,102,134
Liabilities			
Note payable to the Farm Credit Bank of Texas	$ 1,057,328	$ 965,495	$ 936,447
Advance conditional payments	5	1,227	179
Accrued interest payable	3,525	3,004	2,321
Drafts outstanding	65	43	77
Dividends payable	5,981	9,343	13,186
Other liabilities	6,369	7,245	6,749
Total liabilities	$ 1,073,273	$ 986,357	$ 958,959
Members' Equity			
Capital stock and participation certificates	$ 3,492	$ 3,435	$ 3,498
Unallocated retained earnings	155,098	144,298	139,389
Accumulated other comprehensive income (loss)	210	292	288
Total members' equity	158,800	148,025	143,175
Total liabilities and members' equity	$ 1,232,073	$ 1,134,382	$ 1,102,134

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
Interest Income			
Loans	$ 67,149	$ 58,947	$ 48,368
Investments	168	-	-
Total interest income	$ 67,317	$ 58,947	$ 48,368
Interest Expense			
Note payable to the Farm Credit Bank of Texas	$ 38,996	$ 31,641	$ 22,115
Advance conditional payments	4	15	-
Total interest expense	39,000	31,656	22,115
Net interest income	$ 28,317	$ 27,291	$ 26,253
Provision for credit losses (credit loss reversal)	1,948	(62)	(64)
Net interest income after provision for credit losses (credit loss reversal)	$ 26,369	$ 27,353	$ 26,317
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	$ 6,124	$ 5,538	$ 8,291
Loan fees	592	507	1,074
Financially related services income	970	672	6
Gain on other property owned, net	28	84	(157)
Gain on sale of premises and equipment, net	129	9	67
Other noninterest income	702	627	255
Total noninterest income	$ 8,545	$ 7,437	$ 9,536
Noninterest Expenses			
Salaries and employee benefits	$ 10,282	$ 10,225	$ 9,212
Directors' expense	385	387	399
Purchased services	1,547	1,814	1,189
Travel	935	1,101	1,079
Occupancy and equipment	1,639	1,745	1,320
Communications	346	353	335
Advertising	500	565	503
Public and member relations	579	765	480
Supervisory and exam expense	407	284	355
Insurance Fund premiums	796	1,686	1,636
Other noninterest expense	614	688	890
Total noninterest expenses	18,030	19,613	17,398
Income before income taxes	$ 16,884	$ 15,177	$ 18,455
Provision for (benefit from) income taxes	-	-	-
NET INCOME	$ 16,884	$ 15,177	$ 18,455
Other comprehensive income:			
Change in postretirement benefit plans	(82)	4	287
Other comprehensive income, net of tax	(82)	4	287
COMPREHENSIVE INCOME	$ 16,802	$ 15,181	$ 18,742

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(Dollars in thousands)

	Capital Stock/ Participation Certificates	Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 3,439	$ 134,111	$ 1	$ 137,551
Net income		18,455		18,455
Other comprehensive income			287	287
Capital stock/participation certificates and allocated retained earnings issued	537			537
Capital stock/participation certificates and allocated retained earnings retired	(478)			(478)
Dividends declared		(13,177)		(13,177)
Balance at December 31, 2022	$ 3,498	$ 139,389	$ 288	$ 143,175
Net income		15,181		15,181
Other comprehensive income			4	4
CECL Adjustment	-	(829)		(829)
Capital stock/participation certificates issued	320			320
Capital stock/participation certificates and allocated retained earnings retired	(383)			(383)
Dividends declared		(9,443)		(9,443)
Balance at December 31, 2023	$ 3,435	$ 144,298	$ 292	$ 148,025
Net income		16,884		16,884
Other comprehensive income			(82)	(82)
Capital stock/participation certificates issued	395			395
Capital stock/participation certificates and allocated retained earnings retired	(338)			(338)
Dividends declared		(6,084)		(6,084)
Balance at December 31, 2024	$ 3,492	$ 155,098	$ 210	$ 158,800

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 16,884	$ 15,177	$ 18,455
Provision for loan losses (loan loss reversal)	1,849	(92)	(64)
Provision for acquired property	-	156	-
Gain on other property owned, net	(77)	(303)	103
Depreciation	853	1,056	955
Amortization (accretion) of net (premiums) discounts in investments	(442)	(650)	(713)
Loss (gain) on sale of premises and equipment, net	129	(141)	(68)
Increase in accrued interest receivable	(1,272)	(3,015)	(218)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	(6,371)	(98)	343
Increase in other assets	(154)	(3,049)	(454)
Increase in accrued interest payable	522	682	912
(Decrease) increase in other liabilities	(2,188)	1,461	1,445
Net cash provided by operating activities	$ 9,733	$ 11,184	$ 20,696
Cash flows from investing activities:			
Increase in loans, net	$ (60,375)	$ (24,982)	$ (37,759)
Cash recoveries of loans previously charged off	-	4	204
Increase in advance conditional payments			
Proceeds from purchase of investment in the Farm Credit Bank of Texas	(1,795)	(545)	(75)
Investment securities held-to-maturity	(27,777)	-	-
Premiums on HTM securities	(2,087)	-	-
Purchases of premises and equipment	(1,373)	(3,073)	(2,151)
Proceeds from sales of premises and equipment	102	389	118
Proceeds from sales of other property owned	1,102	1,428	1,385
Net cash used in investing activities	$ (92,203)	$ (26,779)	$ (38,278)

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

ALABAMA FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	$ 91,833	$ 28,956	$ 29,830
Increase (decrease) in drafts outstanding	23	(34)	(12)
Issuance of capital stock and participation certificates	395	319	537
Retirement of capital stock and participation certificates	(338)	(383)	(478)
Cash dividends paid	(9,444)	(13,268)	(12,288)
Net cash provided by financing activities	$ 82,469	$ 15,590	$ 17,589
Net (decrease) increase in cash	(1)	(7)	7
Cash at the beginning of the year	11	18	11
Cash at the end of the year	$ 10	$ 11	$ 18
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	$ 676	$ 519	$ 2,105
Loans charged off	12	1	510
Accumulated other comprehensive income (loss)	(82)	4	287
Patronage distributions declared	6,154	9,443	13,268
Net increase (decrease) in FSA receivable	(122)	(46)	156
reserve for credit losses on unfunded commitments	(5)	324	32
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 38,474	$ 30,959	$ 21,203

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

ALABAMA FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Farm Credit, ACA (Agricultural Credit Association), including its wholly owned subsidiaries, Alabama Farm Credit, PCA and Alabama Farm Credit, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Blount, Calhoun, Cherokee, Clay, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Randolph, Shelby, St. Clair, Talladega, Walker, and Winston in the state of Alabama.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2024, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2024, the District consisted of the Bank, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses, by FCSIC, of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as FCSIC in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0 percent level. As required by the Farm Credit Act, as amended, FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance, and providing additional services to borrowers, such as financial management services and an investment bond program.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. The Bank's Annual Report to Stockholders discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the Bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned, and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis. Actual results could differ from those estimates.

The accounting and reporting policies of the Association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. The consolidated financial statements include the accounts of Alabama Farm Credit, PCA and Alabama Farm Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

The Association recently adopted, effective January 1, 2023, the "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets carried at amortized cost and certain off-Balance Sheet credit exposures. This framework requires management to consider in its estimate of the allowance for credit losses relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amended existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities.

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the institution's financial condition, results of operations or cash flows but will impact the income tax disclosures.

The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. System institutions are currently assessing the potential impact of this standard on it's disclosures.

B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. Investments: In accordance with the Farm Credit Administration regulations, the Association, with the approval of the Bank, may purchase and hold investments to manage risks. The Association must identify and evaluate how the investments that it purchases contribute to management of its risks. Only securities that are issued by or are unconditionally guaranteed or insured as to the timely payment of principal and interest by the United States Government or its agencies are investments that the Association may acquire. The total amount of investments allowed must not exceed 10 percent of the Association's total outstanding loans.

The Association's investments include SBA Pooled Securities issued by the Small Business Administration for which the Association has the intent and ability to hold to maturity and that are consequently classified as held to maturity. Held-to-maturity investments are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Held-to-maturity investments are presented net of an allowance for credit losses on investments. No allowance is necessary for these investments as they are 100 percent guaranteed by the United States Government.

In assessing whether a credit loss exists for held-to-maturity investments, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount the fair value is less than amortized cost basis.

With respect to certain classes of debt securities, primarily U.S. Treasuries and government guaranteed agency securities, management considers the history of credit losses, current conditions and reasonable and supportable forecasts, that may indicate that the expectation that nonpayment of the amortized cost basis is or continues to be zero, even if the U.S. government were technically default. Therefore, for those securities, system institutions do not record expected credit losses.

D. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the recorded investment in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable The Association elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the balance sheet. The Association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses 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.

Allowance for Credit Losses Effective January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-Balance Sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the balance sheet.

Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default.)

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The Bank also considers loan and borrower characteristics, such as internal risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments.

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

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the Condensed Combined Statement of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

E. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

   In January 2025, the Board approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

F. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

G. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

H. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

I. Employee Benefit Plans: Substantially all employees of the Association may be eligible to participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

   Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2024, made on their behalf into various investment alternatives.

   The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $530, $498, and $445 for the years ended December 31, 2024, 2023, and 2022 respectively. For the DB plan, the Association recognized pension costs of $60, $100, and $278 for the years ended December 31, 2024, 2023, and 2022, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $378, $350, and $325 for the years ended December 31, 2024, 2023, and 2022, respectively.

   In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $27 thousand, $36 thousand, and $25 thousand for the years ended December 31, 2024, 2023, and 2022, respectively.

   In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet.

J. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

K. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

L. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

   Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

   Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

   Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

   The fair value disclosures are presented in Note 15, "Fair Value Measurements."

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — INVESTMENTS:

Held-to-Maturity Investments: In the last quarter of 2024, the Association purchased investments in nine SBA investment pools. The following is a summary of investments that are held to maturity as of December 31, 2024. There were no investment securities held by the Association during the years ending December 31, 2023 or 2022.

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
SBA Investments	$ 29,863	$ -	$ 117	$ 29,670	5.6%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments Held-to-Maturity at December 31, 2024:

Description	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Total
Amortized Cost	$ -	$ -	$ 8,996	$ 20,867	$ 29,863
Fair Value	-	-	8,958	20,712	29,670
Weighted Average Yield	-	-	5.9%	5.4%	5.7%

NOTE 4 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

	2024		2023		2022	
Loan Type	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 813,083	71.0%	$ 783,843	72.3%	$ 815,503	77.1%
Production and intermediate-term	163,582	14.3%	156,567	14.4%	124,586	11.8%
Agribusiness:						
Loans to cooperatives	3,806	0.3%	5,550	0.5%	2,652	0.3%
Processing and marketing	87,081	7.6%	68,338	6.3%	60,555	5.7%
Farm-related business	29,691	2.6%	28,319	2.6%	25,467	2.4%
Communication	10,234	0.9%	4,668	0.4%	3,555	0.3%
Energy	4,995	0.4%	4,993	0.5%	337	0.0%
Water and waste-water	9,323	0.8%	9,417	0.9%	6,515	0.6%
Rural residential real estate	14,423	1.3%	16,792	1.5%	18,350	1.7%
Agricultural export finance	8,650	0.8%	6,370	0.6%	2,396	0.1%
Total	$ 1,144,868	100.0%	$ 1,084,857	100.0%	$ 1,059,916	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2024:

	In District		System Entities Outside the District		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real Estate Mortgage	$ 3,754	$ 124,619	$ -	$ -	$ 3,754	$ 124,619
Production & Intermediate Term	44,867	12,584	-	-	44,867	12,584
Agribusiness	64,134	17,516	13,743	938	77,877	18,454
Communication	7,757	-	2,477	-	10,234	-
Energy	4,995	-	-	-	4,995	-
Water & Waste Disposal	9,323	-	-	-	9,323	-
Rural Residential Real Estate	-	1,087	-	-	-	1,087
International	8,650	-	-	-	8,650	-
Total	$ 143,480	$ 155,806	$ 16,220	$ 938	$ 159,700	$ 156,744

Credit Quality

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

The entity uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

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

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

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31, 2024, 2023 and 2022:

	2024	2023	2022
Real estate mortgage			
Acceptable	97.3%	97.2%	97.1%
OAEM	1.3%	1.3%	1.5%
Substandard/doubtful	1.4%	1.5%	1.4%
	100.0%	100.0%	100.0%
Production and intermediate term			
Acceptable	99.2%	98.4%	98.5%
OAEM	0.5%	0.9%	1.1%
Substandard/doubtful	0.3%	0.7%	0.5%
	100.0%	100.0%	100.0%
Loans to cooperatives			
Acceptable	100.0%	100.0%	100.0%
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0%	100.0%	100.0%
Processing and marketing			
Acceptable	94.8%	97.3%	98.5%
OAEM	3.7%	2.7%	-
Substandard/doubtful	1.5%	-	1.5%
	100.0%	100.0%	100.0%
Farm-related business			
Acceptable	100.0%	100.0%	100.0%
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0%	100.0%	100.0%
Communication			
Acceptable	100.0%	100.0%	100.0%
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0%	100.0%	100.0%
Energy			
Acceptable	100.0%	100.0%	-
OAEM	-	-	-
Substandard/doubtful	-	-	100.0%
	100.0%	100.0%	100.0%
Water and waste-water			
Acceptable	100.0%	100.0%	100.0%
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0%	100.0%	100.0%
Rural residential real estate			
Acceptable	95.8%	96.8%	98.4%
OAEM	2.1%	0.4%	-
Substandard/doubtful	2.1%	2.8%	1.6%
	100.0%	100.0%	100.0%
Agricultural export finance			
Acceptable	100.0%	100.0%	100.0%
OAEM	-	-	-
Substandard/doubtful	-		-
	100.0%	100.0%	100.0%
Total Loans			
Acceptable	97.5%	97.5%	97.5%
OAEM	1.3%	1.2%	1.3%
Substandard/doubtful	1.2%	1.3%	1.2%
	100.0%	100.0%	100.0%

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Nonaccrual loans:			
Real estate mortgage	$ 4,174	$ 3,181	$ 3,496
Production and intermediate-term	28	246	390
Agribusiness	1,328	-	923
Energy	-	-	338
Rural residential real estate	34	117	-
Total nonaccrual loans	5,564	3,544	5,147
Accruing restructured loans:			
Real estate mortgage	-	-	660
Total accruing restructured loans:	-	-	660
Accruing loans 90 days or more past due:			
Real estate mortgage	-	162	-
Production and intermediate-term	322	-	-
Total accruing loans 90 days or more past due	322	162	-
Other property owned	675	1,024	1,785
Total nonperforming assets	$ 6,561	$ 4,730	$ 7,592

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

	December 31, 2024			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ 1,895	$ 2,280	$ 4,175	$ 71
Production and intermediate-term	$ 28	$ -	$ 28	$ 6
Rural residential real estate	$ -	$ 34	$ 34	$ -
Total nonaccrual loans	$ 1,923	$ 2,314	$ 4,237	$ 77

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

County	2024	2023	2022
DeKalb	9.1%	9.8%	10.9%
Cullman	7.6%	5.7%	5.8%
Lawrence	7.0%	7.8%	7.9%
Limestone	6.4%	6.7%	5.9%
Madison	5.0%	5.5%	5.7%
Marshall	4.0%	4.6%	5.7%
Morgan	4.0%	4.3%	4.2%
Cherokee	3.5%	3.9%	4.1%
Other counties with less than 4%	34.7%	38.4%	35.7%
Other States	18.7%	13.3%	14.1%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2024		2023		2022	
Operation/Commodity	Amount	%	Amount	%	Amount	%
Poultry and eggs	$ 372,401	32.5%	$ 361,729	33.3%	$ 366,993	34.6%
Livestock, except dairy and poultry	197,026	17.2%	190,855	17.6%	185,973	17.5%
Timber	172,017	15.0%	147,028	13.6%	156,655	14.8%
Other	403,424	35.2%	385,245	35.5%	350,295	33.1%
Total	$ 1,144,868	100.0%	$ 1,084,857	100.0%	$ 1,059,916	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2024:

December 31, 2024:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 10,949	$ 970	$ 11,919	$ 801,144	$ 813,063	$ -
Production and intermediate-term	2,435	367	2,802	160,780	163,582	322
Loans to cooperatives	-	-	-	3,806	3,806	-
Processing and marketing	-	1,327	1,327	85,754	87,081	-
Farm-related business	1,311	-	1,311	28,380	29,691	-
Communication	-	-	-	10,234	10,234	-
Energy	-	-	-	4,995	4,995	-
Water and waste-water	-	-	-	9,323	9,323	-
Rural residential real estate	497	-	497	13,926	14,423	-
Agricultural export finance	-	-	-	8,650	8,650	-
Total	$ 15,192	$ 2,664	$ 17,856	$ 1,126,992	$ 1,144,848	$ 322

December 31, 2023:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 5,084	$ 513	$ 5,597	$ 778,246	$ 783,843	$ 162
Production and intermediate-term	743	229	972	155,595	156,567	-
Loans to cooperatives	-	-	-	5,550.29	5,550	-
Processing and marketing	-	-	-	68,338	68,338	-
Farm-related business	-	-	-	28,319	28,319	-
Communication	-	-	-	4,668	4,668	-
Energy	-	-	-	4,993	4,993	-
Water and waste-water	-	-	-	9,417	9,417	-
Rural residential real estate	38	117	155	16,637	16,792	-
Agricultural export finance	-	-	-	6,370	6,370	-
Total	$ 5,865	$ 859	$ 6,724	$ 1,078,133	$ 1,084,857	$ 162

December 31, 2022:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 7,889	$ 1,789	$ 9,678	$ 805,825	$ 815,503	$ -
Production and intermediate-term	324	303	628	123,958	124,586	-
Loans to cooperatives	-	-	-	2,652	2,652	-
Processing and marketing	279	303	582	59,973	60,555	-
Farm-related business	-	-	-	25,467	25,467	-
Communication	-	-	-	3,555	3,555	-
Energy	-	1	1	336	337	-
Water and waste-water	-	-	-	6,515	6,515	-
Rural residential real estate	539	-	539	17,811	18,350	-
Agricultural export finance	-	-	-	2,396	2,396	-
Total	$ 9,031	$ 2,396	$ 11,428	$ 1,048,488	$ 1,059,916	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily agribusiness and energy loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2024 and 2023, disaggregated by loan type and type of modification granted.

	Year Ended December 31, 2024									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Deferral & Principal Forgiveness
Real estate mortgage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-terr	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Water and waste-water	-	-	-	-	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Year Ended December 31, 2023									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Deferral & Principal Forgiveness
Real estate mortgage	$ 219	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-terr	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Water and waste-water	-	-	-	-	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-	-	-	-	-
Total	$ 219	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2024, and December 31, 2023, was $0, and $2 thousand, respectively.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty as of December 31, 2024, and December 31, 2023, that were modified on or after January 1, 2023, the date of the adoption of the guidance noted above:

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2024	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy	-	-	-
Water and waste-water	-	-	-
Agricultural export finance	-	-	-
Rural residential real estate	-	-	-
Lease receivables	-	-	-
Mission-related investments	-	-	-
Total	$ -	$ -	$ -

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2023	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ -	$ 219	$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy	-	-	-
Water and waste-water	-	-	-
Agricultural export finance	-	-	-
Rural residential real estate	-	-	-
Lease receivables	-	-	-
Mission-related investments	-	-	-
Total	$ -	$ 219	$ -

The tables above exclude loans that were modified and subsequently charged-off within the previous twelve months

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022:

	For the Year Ended December 31, 2022	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$ 660	$ -
Production and intermediate-term	-	-
Total	$ 660	$ -

* Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

Additional commitments to lend to borrowers whose loans have been modified in TDRs was $0 at December 31, 2022.

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

	December 31, 2022	
	Loans Modified as TDR	TDR in Nonaccrual Status*
Real estate mortgage	$ 660	$ -
Production and intermediate-term	-	-
Total	$ 660	$ -

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

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of the Association's lending and leasing limit base but the Association's board of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2024, and December 31, 2023, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communications	Energy, Water & Wastewater	Rural Residential Real Estate	International	Total
Allowance for Credit Losses on Loans:								
Balance at December 31, 2023	$ (2,660)	$ (251)	$ (299)	$ (8)	$ (19)	$ (56)	$ (7)	$ (3,300)
Charge-offs	(9)	(2)	-	-	-	(1)	-	(12)
Recoveries	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	(234)	(51)	(1,523)	(7)	4	(2)	(7)	(1,820)
Balance at December 31, 2024	$ (2,903)	$ (304)	$ (1,822)	$ (15)	$ (15)	$ (59)	$ (14)	$ (5,132)
Allowance for Credit Losses on Unfunded Commitments:								
Balance at December 31, 2023	$ (1)	$ (300)	$ (97)	$ (1)	$ (1)	$ -	$ (4)	$ (404)
Provision for credit losses (credit loss reversal)	(2)	(5)	9	-	1	-	1	4
Balance at December 31, 2024	$ (3)	$ (305)	$ (88)	$ (1)	$ -	$ -	$ (3)	$ (400)

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for Credit Losses on Loans:								
Balance at December 31, 2022	$ (2,347)	$ (121)	$ (256)	$ (2)	$ (73)	$ (17)	$ (3)	$ (2,819)
Cumulative effect of a change in accounting principle	(455)	(4)	(64)	(1)	(2)	(11)	(1)	(538)
Balance at January 1, 2023	(2,802)	(125)	(320)	(3)	(75)	(28)	(4)	(3,357)
Charge-offs	1	-	-	-	-	-	-	1
Recoveries	(1)	-	-	-	-	-	-	(1)
Provision for loan losses (loan loss reversal)	178	(126)	21	(5)	56	(31)	(3)	90
Balance at December 31, 2023	$ (2,624)	$ (251)	$ (299)	$ (8)	$ (19)	$ (59)	$ (7)	$ (3,267)
Allowance for Credit Losses on Unfunded Commitments:								
Balance at December 31, 2022	$ (1)	$ (35)	$ (44)	$ -	$ -	$ -	$ (1)	$ (81)
Cumulative effect of a change in accounting principle	(2)	(117)	(111)	-	-	-	(4)	(234)
Balance at January 1, 2023	(3)	(152)	(155)	-	-	-	(5)	(315)
Provision for unfunded commitments	2	(148)	58	(1)	(1)	-	1	(89)
Balance at December 31, 2023	$ (1)	$ (300)	$ (97)	$ (1)	$ (1)	$ -	$ (4)	$ (404)

The allowance for credit losses as of December 31, 2024, was $5,132, reflecting an increase of $1,865 from December 31, 2023. The increase was driven by the following scenarios: a baseline scenario which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2024; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario.

NOTE 5 — LEASES

The Association evaluates arrangements at inception to determine if they meet lease criteria. All leases with an initial term of twelve months or less are not reported on the balance sheet and are expensed as incurred. Operating leases are reported in other assets for ROU (right-of-use) assets and other liabilities for lease liabilities on the balance sheet.

ROU assets represent the Association's right to use the leased asset for the lease term while lease liabilities represent the Association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based upon the present value of the lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise the option. Lease expense is recognized on a straight-line basis over the lease term. As the leases do not provide an implicit rate, the Association uses its incremental borrowing rate in effect on the lease commencement date in determining the present value of lease payments.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Association maintains a lease for its insurance division, Farm Shield, in Meredianville, Alabama, which currently expires in April 2029. The lease is for approximately 2,500 square feet of office space at approximately $17 per square foot during the lease term. The lease includes CAM (Common Area Maintenance) costs of $731 per month. This is considered to be a practical expedient and has been included in calculating the ROU asset and liability. The lease included a de minimis amount of tenant improvement allowance lease incentive of $10 thousand. This amount has not been included in the ROU asset or liability because several attempts have been made to collect this from the landlord and collectability is questionable. Instead, the Association has recorded the $10 thousand as a receivable from the landlord while reducing leasehold improvements capitalization.

The Association currently leases copiers and other office equipment through one lease covering multiple locations in Alabama and which currently expires in April 2027. These leases have been recording as operating leases in other assets as ROU assets and other liability for lease liabilities on the balance sheet. The Association also leases postage machines. The postage machine leases did not meet the criteria to be capitalized as either an operating lease or finance lease and are expensed each month as incurred.

The components of ROU assets and liabilities associated with leases are as follows:

Lease Type	Balance Sheet Classification	As of December 31 2024	2023	2022
Operating lease	Operating lease right of use asset: Building	$ 213	$ -	$ -
Operating lease	Operating lease right of use asset: Other	168	-	-
Total Lease assets		$ 381	$ -	$ -
Operating lease	Operating lease right of use liability: Building	$ 215	$ -	$ -
Operating lease	Operating lease right of use liability: Other	169	-	-
Total lease assets		$ 384	$ -	$ -

The components of lease expense associated with ROU assets are as follows:

Lease Type	Income Statement Classification	As of December 31 2024	2023	2022
Operating lease	Operating lease right of use lease expense:			
	Building	$ 40	$ -	$ -
	Other	50	-	-

Future minimum lease payments under non-cancellable leases as of December 31, 2024, were as follows:

	Operating Leases
2025	$ 115
2026	121
2027	76
2028	54
2029	18
Thereafter	-
Total lease payments	$ 384

NOTE 6 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 3.8 percent, 3.6 percent, and 3.9 percent of the issued stock of the Bank as of December 31, 2024, 2023, and 2022. As of those dates, the Bank's assets totaled $39.5 billion, $37.3 billion, and $36.0 billion and members' equity totaled $1.8 billion, $1.7 billion, and $1.6 billion. The Bank's earnings were $222.0 million, $199.9 million, and $270.0 million during 2024, 2023, and 2022.

NOTE 7 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2024	2023	2022
Land and improvements	$ 1,958	$ 1,663	$ 1,884
Building and improvements	14,396	12,187	10,179
Furniture and equipment	1,367	1,256	1,218
Computer equipment and software	896	848	741
Automobiles	1,659	2,066	1,965
Construction in progress	16	1,373	1,032
	20,292	19,393	17,020
Accumulated depreciation	(4,446)	(3,835)	(3,232)
Total	$ 15,846	$ 15,558	$ 13,788

NOTE 8 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net, consists of the following for the years ended December 31:

	2024	2023	2022
Gain (loss) on sale, net	$ 77	$ 303	$ (103)
Carrying value adjustments	-	-	-
Operating income (expense), net	(49)	(219)	(54)
Net gain (loss) on other property owned	$ 28	$ 84	$ (157)

The Association had four properties in other property owned at the beginning of 2024. During 2024, the Association acquired two additional properties from various counties in north Alabama. The Association sold four properties during 2024, resulting in a net decrease of $349, including a gain of $77. At December 31, 2024, the Association held two properties with a carrying value of $675, net of allowance, which consisted of 60 acres of land.

NOTE 9 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2024	2023	2022
Guaranteed loan receivables	$ 286	$ 164	$ 117
Investment in FCS Association captive insurance	679	654	657
Other	4,411	3,461	410
Total	$ 5,376	$ 4,279	$ 1,184

Other liabilities comprised the following at December 31:

	2024	2023	2022
Accumulated postretirement benefit obligation	$ 1,830	$ 1,685	$ 1,643
Accounts payable, other	1,886	2,488	2,352
FCS Insurance premium	867	1,460	1,636
Accrued annual leave	630	554	479
Other	1,156	1,058	639
Total	$ 6,369	$ 7,245	$ 6,749

NOTE 10 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2024, 2023 and 2022, was $1,057,328 at 2.8 percent, $965,495 at 2.5 percent and $936,447 at 1.6 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, 2023 and 2022, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2024, was $1,183,517, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2024, 2023 and 2022, the Association was/was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 11 — MEMBERS' EQUITY:

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

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans) and participation certificates (for rural home and farm-related business loans) is equal to 2.0 percent of the loan amount, prior to 2004. In March 2004, on new loans only, the Association changed its stock investment requirement to the lesser of 2.0 percent of the loan amount or $1,000. In November 2005, the board of directors approved a stock reduction to equalize the stock of all borrowers to 2.0 percent or $1,000, whichever is less.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2024, 2023 and 2022, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings The following dividends and patronage distributions were declared and paid in 2024, 2023 and 2022, respectively:

Date Declared	Date Paid	Patronage
December 31, 2024	March 2025	$6,154
December 31, 2023	March 2024	$9,442
December 31, 2022	March 2023	$13,268

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2023, the Association is not prohibited from retiring stock or distributing earnings.

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

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2024
Common equity tier 1 ratio	4.5%	7.0%	11.6%
Tier 1 capital ratio	6.0%	8.5%	11.6%
Total capital ratio	8.0%	10.5%	12.1%
Permanent capital ratio	7.0%	7.0%	11.7%
Non-risk-weighted:			
Tier 1 leverage ratio	7.0%	8.0%	11.5%
UREE leverage ratio	1.5%	1.5%	11.2%

Risk-weighted assets have been defined by FCA Regulations as the statement of condition assets and off-Balance Sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-weighted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-weighted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 154,147	$ 154,147	$ 154,147	$ 154,147
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,483	3,483	3,483	3,483
Allowance for loan losses and reserve for credit losses subject to certain limitations			5,306	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(19,510)	(19,510)	(19,510)	(19,510)
Other regulatory required deductions	(3,744)	(3,744)	(3,744)	(3,744)
	$ 134,376	$ 134,376	$ 139,682	$ 134,376
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,158,729	$ 1,158,729	$ 1,158,729	$ 1,158,729
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(19,510)	(19,510)	(19,510)	(19,510)
Allowance for loan losses				(4,881)
	$ 1,139,219	$ 1,139,219	$ 1,139,219	$ 1,134,338

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

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 154,147	$ 154,147
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,483	
Amount of allocated investments in other System institutions	(19,510)	(19,510)
Other regulatory required deductions	(3,744)	(3,744)
	$ 134,376	$ 130,893
Denominator:		
Total Assets	$ 1,197,329	$ 1,197,329
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(27,538)	(27,538)
	$ 1,169,791	$ 1,169,791

The FCA's capital adequacy regulations require the Association to achieve permanent capital and common equity tier 1 capital of at least 7.0 percent of risk-adjusted assets and off-balance-sheet commitments (less than 14 months). Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to stockholders unless prescribed capital standards are met.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

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

	2024	2023	2022
Class A stock	-	-	-
Class B stock	657	642	655
Participation certificates	42	44	45
Total	699	686	700

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

Accumulated Other Comprehensive Income (Loss)			
December 31, 2024	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 210	$ -	$ 210
December 31, 2023	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 292	$ -	$ 292
December 31, 2022	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 288	$ -	$ 288

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

	2024	2023	2022
Accumulated other comprehensive income (loss) at January 1	$ 292	$ 288	$ 857
Amortization of actuarial (gain) loss included in salaries and employee benefits	(82)	4	(569)
Accumulated other comprehensive income at December 31	$ 210	$ 292	$ 288

NOTE 12 — INCOME TAXES:

The provision for (benefit from) income taxes follow for the years ended December 31:

	2024	2023	2022
Federal tax at statutory rate	$ 3,546	$ 3,188	$ 3,876
State tax, net	1,097	987	1,199
Effect of nontaxable FLCA subsidiary	(5,869)	(5,087)	(5,699)
Change in valuation allowance	1,226	912	624
Provision for (benefit from) income taxes	$ -	$ -	$ -

Deferred Tax Assets	2024	2023	2022
Allowance for loan losses	$ 572	$ 142	$ 41
Loss carryforwards	5,247	4,373	3,540
Deferred origination fees	(532)	(448)	(423)
Gross deferred tax assets	5,287	4,067	3,158
Deferred tax asset valuation allowance	(5,287)	(4,067)	(3,158)
Net deferred tax asset (liability)	$ -	$ -	$ -

The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of the Association and FCLA subsidiary earnings. The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income.

The Association recorded valuation allowances of $5,287, $4,067, and $3,158 during 2024, 2023, and 2022, respectively. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 13 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, “Summary of Significant Accounting Policies.” The structure of the District’s DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan

- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association made contributions to this plan in the amount of $27,124, $30,967, and $24,742 for the years ended December 31, 2024, 2023, and 2022. There were no payments made from the Supplemental 401(k) Plan to active employees during 2024, 2023, and 2022.

The DB Plan is non-contributory, and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2024.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
Funded status of plan	75.7 %	73.3 %	70.9 %
Association's contribution	$ 60	$ 100	$ 278
Percentage of Association's contribution to total contributions	1.6 %	1.5 %	2.7 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 76.2 percent, 74.1 percent, and 71.8 percent at December 31, 2024, 2023, and 2022, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost sharing basis predicated on length of employment service. Employees hired before this date, which have reached the age requirement and have 25 years of service, will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves, but will be responsible for 100 percent of the premium.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2024	2023	2022
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	$ 1,726	$ 1,644	$ 1,900
Service cost	27	25	30
Interest cost	93	84	59
Plan participants' contributions	4	4	4
Actuarial loss (gain)	29	20	(296)
Benefits paid	(50)	(51)	(53)
Accumulated postretirement benefit obligation, end of year	$ 1,829	$ 1,726	$ 1,644
Change in Plan Assets			
Company contributions	45	47	49
Plan participants' contributions	4	4	4
Benefits paid	(50)	(51)	(53)
Plan assets at fair value, end of year	$ (1)	$ -	$ -
Funded status of the plan	$ (1,829)	$ (1,726)	$ (1,644)
Amounts Recognized on the Balance Sheets			
Other liabilities	$ (1,830)	$ (1,726)	$ (1,644)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	$ (177)	$ -	$ -
Prior service cost (credit)	(33)	(210)	(238)
Net transition obligation (asset)	-	(41)	(50)
Total	$ (210)	$ (251)	$ (288)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	12/31/2024	12/31/2023	12/31/2022
Discount rate	5.35%	5.50%	5.20%
Interest crediting rate			
Health care cost trend rate assumed for next year (pre-/post-65) - medical	9.20%/10.80%	7.50%/8.40%	7.20%/7.70%
Health care cost trend rate assumed for next year - Rx			7.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034/2034	2034/2034	2030/2030

Total Cost	2024	2023	2022
Service cost	$ 27	$ 27	$ 30
Interest cost	93	93	59
Unrecognized prior service cost	(9)	(9)	(9)
Unrecognized net loss (gain)	(4)	(4)	-
Net postretirement benefit cost	$ 107	$ 107	$ 80
Other Comprehensive Income			
Net actuarial loss (gain)	$ 29	$ 20	$ (296)
Amortization of prior service cost	9	9	9
Recognition of prior service cost	4	7	-
Amortization of transition liability (asset)	-	-	-
Total recognized in other comprehensive income	$ 42	$ 36	$ (287)
AOCI Amounts Expected to be Amortized Into Expense in 2025			
Unrecognized prior service cost	-	(9)	(9)
Unrecognized net loss (gain)	-	(4)	(7)
Total	$ -	$ (13)	$ (16)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	12/31/2023	12/31/2022	12/31/2021
Discount rate	5.50%	5.50%	3.15%
Interest crediting rate			
Health care cost trend rate assumed for next year (pre-/post-65) - medical	7.50%/8.40%	7.5%/8.40%	6.80%/6.00%
Health care cost trend rate assumed for next year - Rx			6.80%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2033/2033	2034/2034	2030/2030

Expected Future Cash Flows	
Expected Benefit Payments (net of employee contributions)	
Fiscal 2025	$ 57
Fiscal 2026	66
Fiscal 2027	75
Fiscal 2028	86
Fiscal 2029	99
Fiscal 2030–2034	615
Expected Contributions	
Fiscal 2025	$ 57

NOTE 14 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2024, 2023, and 2022 for the Association amounted to $21,104, $37,315, and $42,824. During 2024, 2023, and 2022, $15,668, $22,198, and $19,323 of new loans were made, and repayments totaled $14,626, $19,074, and $19,610, respectively. In the opinion of management, no such loans outstanding at December 31, 2024, 2023, and 2022 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled $681, $1,548, and $1,728 in 2024, 2023, and 2022, respectively.

The Association entered into a transaction for the hosting of the Athens Branch customer appreciation dinner in 2022 with Tate Farms, of which Stewart McGill is a partner. Mr. McGill had no interest in the transaction. Total amount paid to Tate Farms for the catering, rental and customer giveaways totaled $16 thousand. The Association has utilized the Tate Farms venue for this annual event since 2013, which was prior to Mr. McGill becoming a board member in 2016.

The Association received patronage payments from the Bank totaling $6,124, $5,538, and $8,291 during 2024, 2023, and 2022, respectively.

NOTE 15 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

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

December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,763	$ 1,763
Other property owned	-	-	675	675

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 766	$ 766
Other property owned	-	-	1,024	1,024

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,127	$ 1,127
Other property owned	-	-	1,785	1,785

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2024				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10	$ 10	$ -	$ -	$ 10
Investments	$ -	$ -	$ 29,863	$ -	$ 29,863
Net loans	1,139,736	-	-	1,083,166	1,083,166
Total	$ 1,139,746	$ 10	$ 29,863	$ 1,083,166	$ 1,113,039
Liabilities:					
Note payable to Bank	$ 1,057,328	$ -	$ -	$ 1,006,567	$ 1,006,567
Total	$ 1,057,328	$ -	$ -	$ 1,006,567	$ 1,006,567

	December 31, 2023				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 11	$ 11	$ -	$ -	$ 11
Investments	$ -	$ -	$ -	$ -	$ -
Net loans	1,080,824	-	-	1,016,284	1,016,284
Total	$ 1,080,835	$ 11	$ -	$ 1,016,284	$ 1,016,295
Liabilities:					
Note payable to Bank	$ 965,495	$ -	$ -	$ 908,015	$ 908,015
Total	$ 965,495	$ -	$ -	$ 908,015	$ 908,015

	December 31, 2022				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 18	$ 18	$ -	$ -	$ 18
Investments	$ -	$ -	$ -	$ -	$ -
Net loans	1,055,970	-	-	963,474	963,474
Total	$ 1,055,988	$ 18	$ -	$ 963,474	$ 963,492
Liabilities:					

Uncertainty of Fair Value Measurements

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

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

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

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Investments

Where quoted prices are available in an active market, Held-to-Maturity securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include a small portion of asset-backed securities and certain mortgage-backed securities, including private label FHA/VA securities and those issued by Farmer Mac.

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

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

Other Property Owned

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

NOTE 16 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-Balance Sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2024, $130,509 of commitments and no commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-Balance Sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations, and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. Standby letters of credit are recorded, at fair value, on the consolidated balance sheets by the Association. At December 31, 2024, $683 of standby letters of credit were issued primarily in conjunction with participation loans. The fair value of these oblications at December 31, 2024, is based on fees for the unexpired period remaining, which are negligible.

NOTE 17 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2024				
	First	Second	Third	Fourth	Total
Net interest income	$ 6,884	$ 7,201	$ 7,170	$ 7,352	$ 28,607
(Provision for) reversal of loan losses	(237)	(1,186)	(274)	(255)	(1,952)
Noninterest income (expense), net	(3,550)	(2,310)	(1,807)	(2,104)	(9,771)
Net income	$ 3,097	$ 3,705	$ 5,089	$ 4,993	$ 16,884

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 6,901	$ 6,634	$ 6,813	$ 6,942	$ 27,290
(Provision for) reversal of loan losses	320	(45)	(8)	(186)	81
Noninterest income (expense), net	(2,570)	(2,674)	(2,996)	(3,954)	(12,194)
Net income	$ 4,651	$ 3,915	$ 3,809	$ 2,802	$ 15,177

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 6,423	$ 6,477	$ 6,539	$ 6,814	$ 26,253
(Provision for) reversal of loan losses	(85)	(74)	116	107	64
Noninterest income (expense), net	(2,300)	(2,487)	(1,740)	(1,335)	(7,862)
Net income	$ 4,038	$ 3,916	$ 4,915	$ 5,586	$ 18,455

NOTE 18 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 7, 2025, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

Alabama Farm Credit, ACA (Association) serves its 27-county territory through its main administrative and lending office at 300 2nd Avenue SW, Cullman, Alabama 35055. Additionally, there are seven branch lending offices located throughout the territory. The Association owns the office buildings in Albertville, Athens, Cullman, Rainbow City, Scottsboro, Talladega, and Tuscumbia, free of debt. The Association leases space for its crop insurance enterprise in Meridianville, Alabama.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 11 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 10, "Note Payable to the Bank," Note 13, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 16 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditBank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Alabama Farm Credit, ACA, P.O. Box 639, Cullman, Alabama 35056 or calling (256) 737-7128. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Kedric.Karkosh@alabamafarmcredit.com*. The Association's annual stockholder report is available on its website at *www.alabamafarmcredit.com,* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2024, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

Name	Position	Date Elected/ Employed	Term Expires	Years in Current Position
Matthew J. Christjohn, DVM	Chairman (Member-Elected)	2005	2026	
J. Stewart McGill	Vice-Chairman (Member-Elected)	2016	2025	
Rickey Cornutt	Member-Elected	2017	2026	
David Daily	Member-Elected	2019	2025	
John R. Adams, CPA	Director-Elected Member	2006	2027	
Hugh C. Harris	Director-Elected Member	2014	2026	
Jordyn Upchurch	Member-Elected	2024	2027	
Winston Bryant	Member-Elected	2024	2027	
Melvin "Mel" K. Koller	President/Chief Executive Officer	2018		6.6 years
Jody L. Campbell	Executive Vice President/Chief Risk Officer	2019		5.8 years
Kedric Karkosh	Executive Vice President/Chief Financial Officer	2021		3.9 years

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

Matthew J. Christjohn, DVM, is the owner and operator of Large Animal Veterinary Services, LLC, a practice specializing in livestock, particularly cattle. In addition to his veterinary practice, Dr. Christjohn is the owner and operator of Sandy Creek Ranch, LLP, a 360-acre cattle farm located in Wedowee, Alabama. Dr. Christjohn has served as Chairman of the Board since 2017 and actively contributes to the organization through his involvement in both the Governance and Audit Committees.

Stewart McGill is one of four managing partners and operators of Tate Farms General Partnership in Madison County, which encompasses approximately 8,000 acres of cotton, corn, soybeans, wheat, and pumpkins. The farm also operates an Agritourism business, attracting around 70,000 guests each fall. Mr. McGill is a member of the Alabama Farmers

Federation and was elected to the Alabama Farm Credit Board of Directors in 2016. He currently serves as Vice Chairman and is a member of the Association's Governance and Audit Committees.

Rickey Cornutt is a full-time row-crop and cattle farmer. He and his brother own Cornutt Farms, LLC in Marshall County, Alabama. Cornutt Farms, LLC consists of approximately 2,000 acres of owned and leased land of corn, soybeans, wheat, and pastureland, and operates a 300-head cow-calf operation. Additionally, Mr. Cornutt is a Director of Marshall County Farmers Federation, Dekalb Farmers' Cooperative, Marshall County TVA Discretionary Fund Committee, State Board Committee of Soil and Water, Marshall County Conservation District, and State Board of Alabama Farmers' Cooperative. Mr. Cornutt was elected to the Board in 2017 and is a member of the Association's Compensation and Business Investment Committees.

David Daily owns 500 brood cows, specializes in farm-to-table beef, and operates a small stocker operation in Russellville, Alabama. Mr. Daily's primary business is agricultural sales, as the part owner of Daily AG Products and Daily Farm Supply, which sell ag-lime and fertilizer in five states. He is currently a member of the Franklin County Cattlemen's Association and the Angus Association. Mr. Daily is also the Chairman of the Association's Business Investment Committee and a member of the Association's Compensation Committee.

John R. Adams, CPA, is a certified public accountant with over 40 years of experience in public accounting. He is a partner in a local accounting firm in Decatur, Alabama. Mr. Adams received his Bachelor of Science degree with a major in accounting from the University of Alabama. He is a member of the American Institute of Certified Public Accountants, Alabama Society of Certified Public Accountants, and National Society of Accountants for Cooperatives. Mr. Adams is also the Chairman of the Association's Audit Committee and member of the Association's Business Investment Committee.

Hugh C. Harris is a practicing attorney with over 47 years of experience in the legal profession. Mr. Harris received both his undergraduate and juris doctorate degrees from the University of Alabama. He spent 11 years as Deputy District Attorney for Cullman County, Alabama, and has been in the private practice of law since 1987. He practices with the law firm of Bland, Harris & McClellan in Cullman, Alabama, and is a member of the Cullman County Bar Association, Alabama State Bar, and the Alabama Defense Lawyers Association. He serves as a director of the East Cullman Water Board and is an active member of the Alabama and Cullman Cattlemen's Association. Mr. Harris operates a small, part-time farm in Cullman County. Mr. Harris is also the Chairman of the Association's Compensation Committee.

Jordyn Upchurch is co-owner and operator of Rockin' U Farm in Lineville, a family-owned business that includes a commercial poultry operation for Koch Foods, a SimAngus cow-calf operation, a direct-to-consumer beef business, and a trucking company specializing in poultry house clean-outs and transporting agricultural commodities across Alabama. Mrs. Upchurch is actively involved in agriculture, serving on the Alabama Farmers Federation State Young Farmers Committee, the Clay County Farmers Federation Board, and as an Area Advisor for Sweet Grown Alabama. She is also a representative for Alabama Farm Credit on the Together We Grow Nonprofit Organization Board and was a founding member of the Young Farmers Advisory Board, where she served from January 2022 to May 2024. Mrs. Upchurch was elected to the Board in 2024 and currently serves as a member of the Association's Audit Committee.

Winston Bryant is the owner of Foothills Timber Company, Inc., where he works as a full-time timber buyer, providing services to forest landowners in Cleburne County and surrounding regions. He also co-owns Ponderosa Farms Quail Plantation and an 800-acre tree farm in Heflin, Alabama. Mr. Bryant has held several leadership positions, including Chairman of the Forest Fund (Workman's Comp) for the Alabama Forestry Association, and served as a Board Trustee (2008-2016) and Vice Chairman. He was appointed to the Nominating Committee for Alabama Farm Credit in 2022 and is currently the Vice President of the Cleburne County Farmers Federation Board. Mr. Bryant was elected to the Board in 2024 and is a member of the Association's Compensation Committee.

SENIOR OFFICERS

Melvin "Mel" K. Koller, President/Chief Executive Officer. Mr. Koller was employed by the Association as CEO in September 2018. Mr. Koller brings over 18 years' experience within Agriculture Finance, with 14 of those years in the Farm Credit System. Before becoming Chief Executive Officer for the Association, he served as Vice President, Manager of the Association Direct Lending Unit for the Farm Credit Bank of Texas (FCBT). His background includes production lending portfolio management, participation lending, and software project management.

Jody L. Campbell, Executive Vice President/Chief Risk Officer. Mr. Campbell was employed by the Association in July 2019. Mr. Campbell worked at the FCBT for 11 years, where he was a Regional Vice President and held positions as a credit officer, portfolio risk and analytics manager, and an interest-rate risk analyst. Prior to his career with FCBT, he was an internal auditor for three years.

Kedric L. Karkosh, Executive Vice President/Chief Financial Officer. Mr. Karkosh was employed by the Association in April 2021. Mr. Karkosh worked at the FCBT for 21 years where he was the Vice President – Assistant Treasurer. In this role, he was responsible for the Bank's liquidity management, funding strategies and interest-rate risk management. His background includes financial modeling, credit administration and loan portfolio analytics.

COMPENSATION OF DIRECTORS

With the exception of the chairman, who receives $3,375 (dollars) per month, directors were compensated for their service to the Association in the form of an honorarium at the rate of $3,125 (dollars) per month and $175 (dollars) per month for those directors that serve as chairman for special committee meetings. Certain expenses incurred while representing the Association in an official capacity were reimbursed. Mileage for attending official meetings during 2024 was paid at the IRS-approved rate of 67.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

Director	Board Meetings	Other Official Activities	2024 Total Compensation (in thousands)
Matthew J. Christjohn, DVM	10	6	$ 41
J. Stewart McGill	10	7	40
Jordyn Upchurch	6	4	22
Winston Bryant	6	3	22
Rickey Cornutt	10	7	38
John R. Adams, CPA	10	6	40
Hugh C. Harris	10	4	42
David Daily	10	9	40
			$ 285

The aggregate compensation paid to directors in 2024, 2023, and 2022 was $285, $289, and $284, respectively. Additionally, no director received noncash compensation exceeding $5,000 (dollars) in 2024, 2023, and 2022.

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $43, $107, and $116 in 2024, 2023, and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

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

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 14 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as a director or senior officer.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers, LLC (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The total fees paid per the 2024 audit engagement letter for professional services rendered for the Association by PwC were $123.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association had no relationships with unincorporated business entities at December 31, 2024.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers, LLC dated March 10, 2025, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

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

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

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

- Young: Age 35 or younger as of the loan date

- Beginning: 10 years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250 thousand in annual gross sales of agricultural products

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

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm up to 9 years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- The Census data is based on number of farms, whereas the Association's YBS information is based on number of loans.

The most recent USDA Census of Agriculture for Alabama indicates that 7 percent of farm operators are "young," 30 percent are "beginning" and 69 percent of the farms are "small." The Association's YBS lending goals per its 2024 business plan were as follows:

YBS Class	Percentage of Total Loans	Percentage of Loan Volume
Young	> 27%	> 23%
Beginning	> 62%	> 58%
Small	> 75%	> 58%

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

	At December 31, 2024				
(dollars in thousands)	Loan Counts		Loan Volume	Percentage of Total Loan Counts	Percentage of Total Loan Volume
Young only	66	$	13,037	1.4%	1.2%
Young & beginning	253		109,367	5.2%	10.3%
Young & small	124		14,058	2.6%	1.3%
Beginning only	178		85,353	3.7%	8.1%
Beginning & small	1,557		229,693	32.2%	21.7%
Small only	1,119		145,790	23.1%	13.8%
Young, beginning & small (YBS)	958		123,994	19.8%	11.7%
Non-YBS	580		337,683	12.0%	31.9%
Total	4,835	$	1,058,975	100.0%	100.0%

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

	At December 31, 2024				
(dollars in thousands)	Loan Counts		Loan Volume	Percentage of Total Loan Counts	Percentage of Total Loan Volume
Young only	17	$	5,863	0.4%	0.6%
Young & beginning	30		7,484	0.6%	0.7%
Young & small	26		2,742	0.5%	0.3%
Beginning only	24		5,255	0.5%	0.5%
Beginning & small	223		47,414	4.6%	4.5%
Small only	154		21,893	3.2%	2.1%
Young, beginning & small (YBS)	165		26,818	3.4%	2.5%
Non-YBS	106		88,326	2.2%	8.3%
Total	745	$	205,795	15.4%	19.4%