Colonial Farm Credit, ACA

SECOND QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2025 quarterly report of Colonial Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Paul B. Franklin, Sr.
Chief Executive Officer

/s/ Diane S. Fowlkes
Chief Financial Officer

/s/ Jennifer U. Cuthbertson
Chair of the Board

August 8, 2025

Colonial Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Colonial Farm Credit, ACA (Association) for the period ended June 30, 2025, with comparisons to prior periods. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2024 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including livestock operations such as beef cattle, horses, poultry, swine, and dairy farms and various field crops such as soybeans, peanuts, tobacco, cotton, and corn. Other predominant commodities in the portfolio are timber and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, has somewhat reduced the level of dependency on any single commodity.

The total loan volume of the Association as of June 30, 2025, was $861,613, an increase of $14,758 as compared to $846,855 at December 31, 2024. The increase in loan volume is primarily attributed to increases in Agribusiness loans of $17,740 offset by decreases in production and intermediate term loans and real estate mortgages.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans decreased to $882 at June 30, 2025 from $961 at December 31, 2024. As a percent of total loans, nonaccrual loans were 0.10% and 0.11% at June 30, 2025 and December 31, 2024, respectively.

Association management maintains an allowance for credit losses (ACL) in an amount considered sufficient to absorb estimated current and expected credit losses over the financial assets expected life. The most significant component of the Association's ACL is the allowance for credit losses on loans (ACLL). The ACLL at June 30, 2025, was $2,043 or 0.24% of total loans compared to $1,520 or 0.18% of total loans at December 31, 2024, and is considered by management to be adequate to cover estimated current and expected losses within the loan portfolio. See further detail on the Association's ACL within the Association's Annual Report and discussion of significant provision for credit loss within the *Results of Operations* below.

RESULTS OF OPERATIONS

For the three months ended June 30, 2025

Net income for the three months ended June 30, 2025, was $3,953, a decrease of $587 as compared to net income of $4,540 for the same period ended in 2024. The decrease in net income is primarily the result of an increase in operating expenses and decrease in noninterest income.

For the three months ended June 30, 2025, net interest income was $6,965, an increase of $122, and the net interest margin was 3.31%, a decrease of 19 basis points as compared to the same period ended in 2024.

The provision for credit losses for the three months ended June 30, 2025, was $473, an increase of $285 from the provision for credit losses of $188 for the same period ended during the prior year. Several factors contributed to the increase in the provision for credit losses, including an increase in loan volume and changes in macroeconomic variables that influence estimated losses.

Noninterest income decreased $200 to $1,385 during the three months ended June 30, 2025 compared to the same period ended during the prior year primarily due to decreases in accrued patronage and timing of the sale of fleet automobiles.

For the three months ended June 30, 2025, noninterest expense increased $223 to $3,922 compared to the same period ended in 2024 primarily due to an increased fee for technology and software services from AgFirst Farm Credit Bank (the Bank).

For the six months ended June 30, 2025

Net income for the six months ended June 30, 2025, was $8,025, a decrease of $1,096 as compared to net income of $9,121 for the same period ended in 2024. The decrease in net income was primarily the result of a decrease in total noninterest income and an increase in operating expenses.

For the six months ended June 30, 2025, net interest income was $13,942, an increase of $135, and the net interest margin was 3.34%, a decrease of 20 basis points as compared to the same period ended in 2024. The decrease in net interest margin was offset by an increase in accruing loan volume.

The provision for credit losses for the six months ended June 30, 2025, was $626, an increase of $238 from the provision for credit losses of $388 for the same period ended during the prior year. New loan volume and a change in the outlook for macroeconomic variables used in the calculation are attributed to the increase in the provision for credit losses between the periods.

Noninterest income decreased $377 to $2,683 during the first six months of 2025 compared with the first six months of 2024 primarily due to decreases in the accrued patronage from other Farm Credit institutions and timing of the sale of fleet automobiles.

For the six months ended June 30, 2025, noninterest expense increased $612 to $7,969 compared to the same period ended in 2024 primarily due to an increased fee for technology and software services from the Bank.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2025, was $665,493 as compared to $646,062 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at June 30, 2025, was $212,838, an increase of $7,834 from a total of $205,004 at December 31, 2024. The increase was primarily attributable to current year's net income. Total capital stock and participation certificates were $5,388 on June 30, 2025, compared to $5,553 on December 31, 2024. The decrease of $165 was attributable to stock and participation certificate retirements on paid in full accounts.

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

The following sets forth the regulatory capital ratios:

	Regulatory Minimum Including Buffer*	6/30/25	12/31/24	6/30/24
Permanent Capital Ratio	7.00%	21.62%	22.61%	23.34%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	21.58%	22.57%	23.30%
Tier 1 Capital Ratio	8.50%	21.58%	22.57%	23.30%
Total Regulatory Capital Ratio	10.50%	21.79%	22.77%	23.49%
Tier 1 Leverage Ratio**	5.00%	23.16%	23.98%	24.75%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	22.54%	23.33%	24.07%

**Include full capital conservation buffers.*
***The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.*

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

REGULATORY MATTERS

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

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weightings and the federal banking regulators, with deviations as appropriate to accommodate the different regulatory, operational and credit considerations of the System. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than $500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the 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.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-804-746-1252, or writing Diane Fowlkes, Chief Financial Officer, Colonial Farm Credit, ACA, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111, or accessing the website, *www.colonialfarmcredit.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Colonial Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)		June 30, 2025		December 31, 2024
		(unaudited)		*(audited)*
Assets				
Cash	**$**	**45**	$	45
Loans		**861,613**		846,855
Allowance for credit losses on loans		**(2,043)**		(1,520)
Net loans		**859,570**		845,335
Accrued interest receivable		**7,884**		7,851
Equity investments in other Farm Credit institutions		**12,283**		12,248
Premises and equipment, net		**1,901**		1,834
Accounts receivable		**2,408**		4,873
Other assets		**1,232**		1,055
Total assets	**$**	**885,323**	$	873,241
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**665,493**	$	646,062
Accrued interest payable		**2,341**		2,225
Patronage refunds payable		**181**		14,926
Accounts payable		**681**		948
Other liabilities		**3,789**		4,076
Total liabilities		**672,485**		668,237
Commitments and contingencies (Note 6)				
Members' Equity				
Capital stock and participation certificates		**5,388**		5,553
Unallocated retained earnings		**207,306**		199,281
Accumulated other comprehensive income		**144**		170
Total members' equity		**212,838**		205,004
Total liabilities and members' equity	**$**	**885,323**	$	873,241

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

Colonial Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended June 30, 2025	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Interest Income				
Loans	**$ 13,819**	$ 12,670	**$ 27,302**	$ 25,242
Interest Expense	**6,854**	5,827	**13,360**	11,435
Net interest income	**6,965**	6,843	**13,942**	13,807
Provision for credit losses	**473**	188	**626**	388
Net interest income after provision for credit losses	**6,492**	6,655	**13,316**	13,419
Noninterest Income				
Loan fees	**243**	92	**383**	258
Fees for financially related services	**14**	9	**32**	26
Patronage refunds from other Farm Credit institutions	**1,030**	1,116	**1,985**	2,244
Gains (losses) on sales of rural home loans, net	**6**	42	**8**	50
Gains (losses) on sales of premises and equipment, net	**(2)**	42	**(2)**	105
Gains (losses) on other transactions	**7**	21	**6**	65
Insurance Fund refunds	**—**	203	**123**	203
Other noninterest income	**87**	60	**148**	109
Total noninterest income	**1,385**	1,585	**2,683**	3,060
Noninterest Expense				
Salaries and employee benefits	**2,129**	2,241	**4,376**	4,536
Occupancy and equipment	**140**	140	**296**	268
Insurance Fund premiums	**163**	146	**320**	292
Purchased services	**960**	638	**1,913**	1,267
Data processing	**39**	33	**79**	80
Other operating expenses	**491**	501	**985**	914
Total noninterest expense	**3,922**	3,699	**7,969**	7,357
Income before income taxes	**3,955**	4,541	**8,030**	9,122
Provision for income taxes	**2**	1	**5**	1
Net income	**$ 3,953**	$ 4,540	**$ 8,025**	$ 9,121
Other comprehensive income net of tax				
Employee benefit plans adjustments	**(13)**	14	**(26)**	28
Comprehensive income	**$ 3,940**	$ 4,554	**$ 7,999**	$ 9,149

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

Colonial Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2023	$ 5,611	$ 196,395	$ 2	$ 202,008
Comprehensive income		9,121	28	9,149
Capital stock/participation certificates issued/(retired), net	(209)			(209)
Patronage distribution adjustment		(6)		(6)
Balance at June 30, 2024	$ 5,402	$ 205,510	$ 30	$ 210,942
Balance at December 31, 2024	**$ 5,553**	**$ 199,281**	**$ 170**	**$ 205,004**
Comprehensive income		**8,025**	**(26)**	**7,999**
Capital stock/participation certificates issued/(retired), net	**(165)**			**(165)**
Balance at June 30, 2025	**$ 5,388**	**$ 207,306**	**$ 144**	**$ 212,838**

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

Colonial Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Colonial Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). Descriptions of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2024, are contained in the 2024 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*) and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Recently Issued or Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

	June 30, 2025	December 31, 2024
Real estate mortgage	$ 532,248	$ 536,439
Production and intermediate-term	174,445	179,341
Agribusiness:		
Loans to cooperatives	8,370	1,589
Processing and marketing	59,577	53,534
Farm-related business	24,982	20,066
Rural infrastructure:		
Communication	6,913	6,933
Power and water/waste disposal	11,204	6,657
Rural residential real estate	40,494	38,548
Other:		
International	3,302	3,672
Lease receivables	78	76
Total loans	$ 861,613	$ 846,855

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly. The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations.

The following table shows loans, classified under the FCA Uniform Loan Classification System, as a percentage of total loans by loan type as of:

	June 30, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	98.45%	98.53%
OAEM	1.29	1.19
Substandard/doubtful/loss	0.26	0.28
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.36%	98.52%
OAEM	2.60	1.05
Substandard/doubtful/loss	2.04	0.43
	100.00%	100.00%
Agribusiness:		
Acceptable	97.09%	96.70%
OAEM	0.33	3.30
Substandard/doubtful/loss	2.58	–
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.47%	99.54%
OAEM	0.51	0.44
Substandard/doubtful/loss	0.02	0.02
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	97.77%	98.44%
OAEM	1.38	1.29
Substandard/doubtful/loss	0.85	0.27
	100.00%	100.00%

Accrued interest receivable on loans of $7,884 and $7,851 at June 30, 2025 and December 31, 2024, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	June 30, 2025					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 8,393	$ 158	$ 8,551	$ 523,697	$ 532,248	$ –
Production and intermediate-term	4,788	27	4,815	169,630	174,445	1
Agribusiness	2,775	–	2,775	90,154	92,929	–
Rural infrastructure	974	–	974	17,143	18,117	–
Rural residential real estate	35	–	35	40,459	40,494	–
Other	–	–	–	3,380	3,380	–
Total	$ 16,965	$ 185	$ 17,150	$ 844,463	$ 861,613	$ 1

	December 31, 2024					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 3,793	$ 196	$ 3,989	$ 532,450	$ 536,439	$ –
Production and intermediate-term	2,850	98	2,948	176,393	179,341	–
Agribusiness	255	–	255	74,934	75,189	–
Rural infrastructure	–	–	–	13,590	13,590	–
Rural residential real estate	373	–	373	38,175	38,548	–
Other	–	–	–	3,748	3,748	–
Total	$ 7,271	$ 294	$ 7,565	$ 839,290	$ 846,855	$ –

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans as of:

	June 30, 2025		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 520	$ 520
Production and intermediate-term	–	355	355
Rural residential real estate	–	7	7
Total	$ –	$ 882	$ 882

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 534	$ 534
Production and intermediate-term	75	344	419
Rural residential real estate	–	8	8
Total	$ 75	$ 886	$ 961

The Association recognized $8 and $95 of interest income on nonaccrual loans during the three months ended June 30, 2025 and June 30, 2024, respectively. The Association recognized $69 and $245 of interest income on nonaccrual loans during the six months ended June 30, 2025 and June 30, 2024, respectively.

Reversals of interest income on loans that moved to nonaccrual status were not material for the three and six months ended June 30, 2025 and 2024.

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

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	$ 1,662	$ 1,440
Charge-offs	(36)	(22)
Recoveries	37	2
Provision for credit losses on loans	380	174
Balance at end of period	$ 2,043	$ 1,594
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 211	$ 163
Provision for unfunded commitments	93	14
Balance at end of period	$ 304	$ 177
Total allowance for credit losses	$ 2,347	$ 1,771

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	$ 1,520	$ 1,254
Charge-offs	(43)	(25)
Recoveries	43	7
Provision for credit losses on loans	523	358
Balance at end of period	$ 2,043	$ 1,594
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 201	$ 147
Provision for unfunded commitments	103	30
Balance at end of period	$ 304	$ 177
Total allowance for credit losses	$ 2,347	$ 1,771

The Allowance for Credit Losses on Loans was $449 higher for the six months ended June 30, 2025 compared to the same period in 2024 due to the increase in new loan volume and changes in the forecast for macroeconomic variables used in the estimate. The Allowance for Credit Losses on Unfunded Commitments increased by $127 primarily due to changes in the forecast for macroeconomic variables..

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

The following tables show the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025, disaggregated by loan type and type of modification granted:

	For the Three Months Ended June 30, 2025		
	Maturity Extension	**Total**	**Percentage of Total by Loan Type**
Production and intermediate-term	$ 506	$ 506	0.29%
Total	$ 506	$ 506	0.06%

	For the Six Months Ended June 30, 2025		
	Maturity Extension	**Total**	**Percentage of Total by Loan Type**
Production and intermediate-term	$ 2,430	$ 2,430	1.39%
Total	$ 2,430	$ 2,430	0.28%

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2025:

	Maturity Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 1.9 years to the life of loans

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2025:

	Maturity Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 1.4 years to the life of loans

There were no loans to borrowers experiencing financial difficulty that had a modification in the preceding twelve months and subsequently defaulted during the three and six months ended June 30, 2025.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2025:

	June 30, 2025			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Production and intermediate-term	$ 2,430	$ –	$ –	$ 2,430
Total	$ 2,430	$ –	$ –	$ 2,430

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025 were $12 and $58, respectively. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were $700 at June 30, 2025. There were no such commitments at December 31, 2024.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three and six months ended June 30, 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at June 30, 2024. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

The Association had no loans held for sale at June 30, 2025 and December 31, 2024.

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

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

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 2.11% of the issued stock and allocated retained earnings of the Bank as of June 30, 2025 net of any reciprocal investment. As of that date, the Bank’s assets totaled $48.4 billion and shareholders’ equity totaled $2.0 billion. The Bank’s earnings were $129 million for the first six months of 2025. In addition, the Association held $489 in investments related to other Farm Credit institutions.

Note 4 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component *(a)*			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Employee Benefit Plans:				
Balance at beginning of period	$ 157	$ 16	$ 170	$ 2
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	(13)	14	(26)	28
Net current period other comprehensive income	(13)	14	(26)	28
Balance at end of period	$ 144	$ 30	$ 144	$ 30

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended June 30,		Six Months Ended June 30,		
	2025	2024	2025	2024	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ 13	$ (14)	$ 26	$ (28)	Salaries and employee benefits
Net amounts reclassified	$ 13	$ (14)	$ 26	$ (28)	

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

Note 5 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, *Summary of Significant Accounting Policies* of the most recent Annual Report to Shareholders for additional information.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	June 30, 2025			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 865	$ –	$ –	$ 865
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ –	$ –
Other property owned	$ –	$ –	$ –	$ –

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 890	$ –	$ –	$ 890
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 71	$ 71
Other property owned	$ –	$ –	$ –	$ –

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policies* of the most recent Annual Report to Shareholders, 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 System institution for assets and liabilities:

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

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

Other property owned
Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent 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 6 — Commitments and Contingent Liabilities

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

Note 7 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 8, 2025, which was the date the financial statements were issued.