ArborOne, ACA

FIRST QUARTER 2025

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2025 quarterly report of **ArborOne, 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/ Bryant Sansbury
President and Chief Executive Officer

/s/ Brad J. Fjestad
Chief Financial Officer and Treasurer

/s/ William Dupree Atkinson
Chairman of the Board

May 9, 2025

ArborOne, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides 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.

Internal control over financial reporting 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 March 31, 2025. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2025.

/s/ Bryant Sansbury
President and Chief Executive Officer

/s/ Brad J. Fjestad
Chief Financial Officer and Treasurer

May 9, 2025

ArborOne, 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 ArborOne, ACA (Association) for the period ended March 31, 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 in our region, including cash grains, cotton, forestry, poultry and other non-farm services. Farm size varies and many of the borrowers in the region have diversified farming operations. These factors, along with the numerous opportunities for non-ag income in the area, somewhat impact the level of dependency on any one commodity. Approximately 36 percent of the portfolio has significant non-ag related income to diversify dependence on agriculture, consisting of lifestyle loans and loans to less than full-time farmers with sources of non-agricultural dependent income. Further, approximately 9 percent of the loan portfolio carries federal guarantees as a risk management tool.

The total loan volume of the Association as of March 31, 2025, was $700,729, a decrease of $1,954 as compared to $702,683 at December 31, 2024. This reduction was primarily due to paydowns on operating loans during the first quarter, partially offset by new real estate loans. The Association remains actively engaged in buying and selling loan participations within the System, which helps mitigate credit concentration risk while generating interest and fee income from non-patronage sources. The first quarter of 2025 saw an overall decrease in net participation loan balances due to an increase in participation interests sold to other Farm Credit lenders.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. However, portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from $1,160 at December 31, 2024, to $1,806 at March 31, 2025. As a percent of total loans, nonaccrual loans were 0.26% and 0.17% at March 31, 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 March 31, 2025, was $10,665 or 1.52% of total loans compared to $10,001 or 1.42% 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 March 31, 2025

Net income for the three months ended March 31, 2025, was $2,239, a decrease of $2,285 or 50.51 percent compared to net income of $4,524 for the same period in 2024. This was primarily due to an increase in the provision for credit losses and an increase in noninterest expense.

For the three months ended March 31, 2025, net interest income increased by $119, to $5,618, while the net interest margin decreased by 9 basis points to 3.25% compared to the same period in 2024. Net interest income, which is the difference between interest income and interest expense, is impacted by factors such as volume, yield on assets, and cost of debt.

The provision for credit losses for the three months ended March 31, 2025, was $1,125, an increase of $1,710 compared to the reversal of provision for credit losses of $585 for the same period in the prior year. Higher loan volume and national macroeconomic conditions resulted in a provision need while portfolio characteristics during this same period last year allowed for a provision reduction. The allowance factors are reviewed on a regular basis and adjusted to appropriate levels based on current and expected conditions. Details on the provision for (reversal of) credit losses for the three months ending March 31, 2025 and 2024 are shown in the following table.

	For the three months ended March 31,		
	2025	**2024**	**Change**
General Reserves	$ 825	$ (1,866)	$ 2,691
Specific Reserves	215	1,420	(1,205)
Reserve for Unfunded Commitments	85	(139)	224
Total Provisions/(Reversals) for Credit Losses	$ 1,125	$ (585)	$ 1,710

Noninterest income increased $23 to $1,274 during the first three months of 2025 compared to the first three months of 2024. This increase was mainly due to a $103 insurance premium refund received from the Farm Credit System Insurance Corporation (FCSIC) in the first quarter of 2025. The Association received a similar refund from FCSIC last year that was reported in the second quarter of 2024. Fee income and patronage accrued from AgFirst were both down slightly in the first quarter of 2025 compared to the same period last year.

For the three months ended March 31, 2025, noninterest expense increased $717 to $3,528 compared to the same period in 2024. This was primarily driven by higher salaries and benefits costs, as well as increased costs for purchased services provided by AgFirst. The increase in salaries and benefits was mainly due to a reduction in loan-related cost deferrals during the first quarter of 2025, which directly offset employee-related costs.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit 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. AgFirst 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 AgFirst at March 31, 2025, was $578,679 as compared to $586,271 at December 31, 2024.

CAPITAL RESOURCES

Total members' equity at March 31, 2025, was $126,883, an increase of $2,556 from a total of $124,327 at December 31, 2024. This increase is primarily due to current year earnings. Total capital stock and participation certificates were $1,986 on March 31, 2025, compared to $1,967 on December 31, 2024.

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*	3/31/25	12/31/24	3/31/24
Permanent Capital Ratio	7.00%	16.37%	16.96%	16.56%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	16.17%	16.75%	16.37%
Tier 1 Capital Ratio	8.50%	16.17%	16.75%	16.37%
Total Regulatory Capital Ratio	10.50%	17.42%	18.01%	17.62%
Tier 1 Leverage Ratio**	5.00%	16.14%	16.61%	16.31%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	10.92%	11.34%	10.70%

**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 1-800-741-7332, writing Rebecca Barnett, ArborOne, ACA, P.O. Box 3699, Florence, SC 29502, or accessing the website, ***www.arborone.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.

ArborOne, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2025	December 31, 2024
	(unaudited)	*(audited)*
Assets		
Cash	**$ 3**	$ 2
Investments in debt securities:		
Held to maturity	**4,677**	4,687
Loans	**700,729**	702,683
Allowance for credit losses on loans	**(10,665)**	(10,001)
Net loans	**690,064**	692,682
Accrued interest receivable	**12,260**	14,567
Equity investments in other Farm Credit institutions	**11,560**	11,529
Premises and equipment, net	**3,728**	3,786
Other property owned	**84**	122
Accounts receivable	**1,206**	4,776
Other assets	**870**	755
Total assets	**$ 724,452**	$ 732,906
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 578,679**	$ 586,271
Accrued interest payable	**2,125**	2,074
Patronage refunds payable	**377**	7,670
Accounts payable	**230**	566
Advanced conditional payments	**6,226**	6,001
Other liabilities	**9,932**	5,997
Total liabilities	**597,569**	608,579
Commitments and contingencies (Note 6)		
Members' Equity		
Capital stock and participation certificates	**1,986**	1,967
Retained earnings		
Allocated	**76,016**	76,016
Unallocated	**48,967**	46,430
Accumulated other comprehensive income (loss)	**(86)**	(86)
Total members' equity	**126,883**	124,327
Total liabilities and members' equity	**$ 724,452**	$ 732,906

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

ArborOne, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2025	2024
Interest Income		
Loans	**$ 11,731**	$ 10,988
Investments	**58**	62
Total interest income	**11,789**	11,050
Interest Expense	**6,171**	5,551
Net interest income	**5,618**	5,499
Provision for (reversal of) allowance for credit losses	**1,125**	(585)
Net interest income after provision for (reversal of) allowance for credit losses	**4,493**	6,084
Noninterest Income		
Loan fees	**73**	122
Fees for financially related services	**9**	37
Patronage refunds from other Farm Credit institutions	**1,081**	1,055
Gains (losses) on sales of rural home loans, net	**—**	1
Gains (losses) on sales of premises and equipment, net	**—**	(1)
Gains (losses) on other transactions	**8**	37
Insurance Fund refunds	**103**	—
Total noninterest income	**1,274**	1,251
Noninterest Expense		
Salaries and employee benefits	**1,830**	1,444
Occupancy and equipment	**94**	102
Insurance Fund premiums	**130**	121
Purchased services	**828**	527
Data processing	**33**	40
Other operating expenses	**613**	577
Total noninterest expense	**3,528**	2,811
Net income	**$ 2,239**	$ 4,524
Other comprehensive income net of tax		
Unrealized gains (losses) on investments	**(2)**	(2)
Employee benefit plans adjustments	**2**	2
Other comprehensive income (loss) (Note 4)	**—**	—
Comprehensive income	**$ 2,239**	$ 4,524

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

ArborOne, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	$ 1,983	$ 76,627	$ 39,565	$ (101)	$ 118,074
Comprehensive income			4,524		4,524
Capital stock/participation certificates issued/(retired), net	9				9
Patronage distribution adjustment			148		148
Balance at March 31, 2024	$ 1,992	$ 76,627	$ 44,237	$ (101)	$ 122,755
Balance at December 31, 2024	**$ 1,967**	**$ 76,016**	**$ 46,430**	**$ (86)**	**$ 124,327**
Comprehensive income			**2,239**		**2,239**
Capital stock/participation certificates issued/(retired), net	**19**				**19**
Patronage distribution adjustment			**298**		**298**
Balance at March 31, 2025	**$ 1,986**	**$ 76,016**	**$ 48,967**	**$ (86)**	**$ 126,883**

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

ArborOne, 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 ArborOne, 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:

	March 31, 2025	December 31, 2024
Real estate mortgage	$ 415,447	$ 413,095
Production and intermediate-term	194,864	197,171
Agribusiness:		
Loans to cooperatives	3,525	2,766
Processing and marketing	42,480	41,359
Farm-related business	15,965	20,517
Rural infrastructure:		
Communication	2,585	2,622
Power and water/waste disposal	6,656	6,655
Rural residential real estate	18,033	17,081
Other:		
International	1,174	1,417
Total loans	$ 700,729	$ 702,683

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:

	March 31, 2025	December 31, 2024
Real estate mortgage:		
Acceptable	94.72%	94.91%
OAEM	3.88	4.38
Substandard/doubtful/loss	1.40	0.71
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	91.86%	93.60%
OAEM	4.89	4.38
Substandard/doubtful/loss	3.25	2.02
	100.00%	100.00%
Agribusiness:		
Acceptable	85.43%	86.34%
OAEM	12.08	10.78
Substandard/doubtful/loss	2.49	2.88
	100.00%	100.00%
Rural infrastructure:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.29%	96.12%
OAEM	0.84	2.64
Substandard/doubtful/loss	2.87	1.24
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	93.22%	93.86%
OAEM	4.75	4.86
Substandard/doubtful/loss	2.03	1.28
	100.00%	100.00%

Accrued interest receivable on loans of $12,172 and $14,525 at March 31, 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:

	March 31, 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	$ 1,148	$ 760	$ 1,908	$ 413,539	$ 415,447	$ –
Production and intermediate-term	542	122	664	194,200	194,864	–
Agribusiness	72	132	204	61,766	61,970	–
Rural infrastructure	–	–	–	9,241	9,241	–
Rural residential real estate	380	4	384	17,649	18,033	–
Other	–	–	–	1,174	1,174	–
Total	$ 2,142	$ 1,018	$ 3,160	$ 697,569	$ 700,729	$ –

	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	$ 1,638	$ 253	$ 1,891	$ 411,204	$ 413,095	$ –
Production and intermediate-term	724	152	876	196,295	197,171	–
Agribusiness	466	74	540	64,102	64,642	–
Rural infrastructure	–	–	–	9,277	9,277	–
Rural residential real estate	578	6	584	16,497	17,081	–
Other	–	–	–	1,417	1,417	–
Total	$ 3,406	$ 485	$ 3,891	$ 698,792	$ 702,683	$ –

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

	March 31, 2025		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 1,078	$ 1,078
Production and intermediate-term	201	(35)	166
Agribusiness	–	545	545
Rural residential real estate	–	17	17
Total	$ 201	$ 1,605	$ 1,806

	December 31, 2024		
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Real estate mortgage	$ –	$ 445	$ 445
Production and intermediate-term	–	45	45
Agribusiness	509	142	651
Rural residential real estate	–	19	19
Total	$ 509	$ 651	$ 1,160

The Association recognized $135 and $162 of interest income on nonaccrual loans during the three months ended March 31, 2025 and March 31, 2024, respectively.

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

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

	Three Months Ended March 31,	
	2025	2024
Allowance for Credit Losses on Loans:		
Balance at beginning of period	$ 10,001	$ 10,869
Charge-offs	(520)	(540)
Recoveries	144	178
Provision for (reversal of) credit losses on loans	1,040	(446)
Balance at end of period	$ 10,665	$ 10,061
Allowance for Credit Losses on Unfunded Commitments:		
Balance at beginning of period	$ 332	$ 598
Provision for (reversal of) unfunded commitments	85	(139)
Balance at end of period	$ 417	$ 459
Total allowance for credit losses	$ 11,082	$ 10,520

The allowance for credit losses increased for the quarter ending March 31, 2025, due to economic factors used in the CECL model to calculate the general allowance needed, with the spread on BBB corporate bonds being the most notable factor. The increase in allowance expense was not directly related to any changes in the underlying credit quality of the existing portfolio.

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. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three months ended March 31, 2025 and 2024. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 2025 and 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 March 31, 2025 and December 31, 2024.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At March 31, 2025, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost of investment securities held-to-maturity follows:

	March 31, 2025	December 31, 2024
	Amortized Cost	
RABs	$ 4,677	$ 4,687

A summary of the contractual maturity and amortized cost of investment securities follows:

	Amortized Cost
In one year or less	$ –
After one year through five years	–
After five years through ten years	–
After ten years	4,677
Total	$ 4,677

For the securities listed above, expected maturities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At March 31, 2025 and December 31 2024, the Association does not consider any unrealized losses to be credit-related and an allowance for credit losses on investments is not necessary.

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 in the form of Class B or Class C stock as determined by AgFirst. AgFirst may require additional capital contributions to maintain its capital requirements. The Association owned 1.99% of the issued stock and allocated retained earnings of AgFirst as of March 31, 2025 net of any reciprocal investment. As of that date, AgFirst's assets totaled $47.1 billion and shareholders' equity totaled $1.9 billion. AgFirst's earnings were $66 million for the first three months of 2025. In addition, the Association held investments of $387 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 March 31,	
	2025	**2024**
Unrealized Gains (Losses) on Investments		
Balance at beginning of period	$ 98	$ 106
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	(2)	(2)
Net current period other comprehensive income	(2)	(2)
Balance at end of period	$ 96	$ 104
Employee Benefit Plans:		
Balance at beginning of period	$ (184)	$ (207)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	2	2
Net current period other comprehensive income	2	2
Balance at end of period	$ (182)	$ (205)
Accumulated Other Comprehensive Income		
Balance at beginning of period	$ (86)	$ (101)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	–	–
Net current period other comprehensive income	–	–
Balance at end of period	$ (86)	$ (101)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	Three Months Ended March 31,		
	2025	**2024**	**Income Statement Line Item**
Investment Securities:			
Amortization	$ 2	$ 2	Interest income on investments
Net amounts reclassified	2	2	
Defined Benefit Pension Plans:			
Periodic pension costs	(2)	(2)	Salaries and employee benefits
Net amounts reclassified	(2)	(2)	
Total reclassifications for period	$ –	$ –	

(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.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

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

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

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

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

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.

	March 31, 2025			
	Fair Value Measurement Using			Total Fair
	Level 1	**Level 2**	**Level 3**	**Value**
Recurring assets				
Assets held in trust funds	$ 811	$ –	$ –	$ 811
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 157	$ 157
Other property owned	$ –	$ –	$ 84	$ 84

	December 31, 2024							
	Fair Value Measurement Using						Total Fair	
	Level 1		Level 2		Level 3		Value	
Recurring assets								
Assets held in trust funds	$	696	$	–	$	–	$	696
Nonrecurring assets								
Nonaccrual loans	$	–	$	–	$	304	$	304
Other property owned	$	–	$	–	$	122	$	122

Valuation Techniques

Assets held in trust funds

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

Nonaccrual loans

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 May 9, 2025, which was the date the financial statements were issued.