Premier Farm Credit

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ANNUAL REPORT 2024

PRESIDENT'S MESSAGE TO STOCKHOLDERS

Dear Members:

On behalf of the Board of Directors and staff, I am pleased to present the 2024 Annual Report for Premier Farm Credit, ACA. 2024 was another record year for your Association in many areas. Our total assets reached an all-time high, demonstrating our financial health and strategic growth. We achieved a record net income, reflecting our efficient management and strong performance. Our loan volume surged to unprecedented levels, indicating our vital role in supporting the credit needs of the agricultural community in northeast Colorado and beyond. Additionally, we are proud to have delivered the highest patronage distribution, reinforcing our commitment to providing value to our customer-owners. These results are largely attributed to the loyalty of our members, our talented employees who work hard each day to meet your credit needs, and to the dedicated, local Board of Directors who are elected by you.

The Association realized net earnings of $23.19 million and loan volume grew by 6.0%, ending the year with volume exceeding $1.05 billion. Loan growth was achieved in the direct portfolio and in the participation portfolio. Total shareholder equity increased to $231.70 million, and our total regulatory capital ratio was 17.98% at year-end. Our strong financial results make us well positioned to serve the credit needs of our customers through future agricultural and financial cycles.

The Board of Directors once again demonstrated their commitment to the patronage program by declaring a record cash patronage dividend of $7.25 million for 2024 business. This $7.25 million represents approximately 31% of net earnings this year. Our strong patronage program, combined with competitive interest rates, validates our commitment to providing value to our membership. As a valued member of Premier Farm Credit, you are an integral part of our cooperative's success. The association has returned $94.50 million of patronage dividends over 28 consecutive years which provides value to our membership.

In addition to offering you reliable and competitive loan products, crop and life insurance, and appraisal services, we are proud of the impact that sharing our profits has on our local economy in northeast Colorado. Additionally, we strive to be a strong stakeholder in the community, local employer, and advocate for agriculture through investment in local youth and educational outreach programs. Our association actively lobbies and advocates for legislative initiatives that benefit and defend agriculture.

Thank you for placing your confidence and trust in us as your lending cooperative. We look forward to serving you in 2025 and beyond.

"These results are largely attributed to the loyalty of our members, our talented employees who work hard each day to meet your credit needs, and to the dedicated, local Board of Directors who are elected by you."

Chris Hornung
President and CEO

Sincerely,

Chris Hornung
President and Chief Executive Officer

Premier Farm Credit's Mission Statement
Premier Farm Credit supports agriculture and rural communities by providing reliable, consistent and competitively priced credit and related services to enhance the well-being of farmers, ranchers and ag businesses.

INVESTING IN AGRICULTURE & RURAL COMMUNITIES

SUPPORTING THE NEXT GENERATION

Premier Farm Credit actively invests in lending programs, education, and networking opportunities to equip young, beginning, and small (YBS) producers for long-term success. By engaging with producers early in their agricultural journey, we foster connections that help us serve new markets and individuals. **In 2024, Premier Farm Credit donated over $117,000 to YBS initiatives**.

Fueling Ambition: GRO Program Helps Young Entrepreneurs

The Generating Rural Opportunities (GRO) Program continues to inspire youth leadership in agriculture by awarding grants to support 4-H and FFA projects. Since its inception in 2018, the program has funded 85 youth projects, with 14 recipients being awarded $19,100 in 2024.

GRO Grant Recipient Spotlight: J.R. Meyer

2023-2024 GRO recipient, J.R. Meyer, is an 18-year-old high school senior building a mobile welding business in Northeast Colorado. J.R. began welding as a freshman in high school and quickly realized he wanted to pursue it as a career. To expand his skillset, he enrolled in welding courses at Morgan Community College. The GRO Program helped J.R. offset startup costs, build connections, and gain business management skills.

J.R. Plans to expand his business after completing his welding technology education. Beyond funding, GRO pairs 4-H and FFA members with Premier Farm Credit mentors providing financial literacy resources, and industry networking opportunities.

The program supports a wide variety of diversity, financial need, experience levels, and project types, reinforcing our commitment to the next generation of agricultural leaders.

2024-2025 project and funding requests included: market steers, sheep, and goats, breeding & dairy livestock, scientific research projects, and agribusiness startups.

"The GRO Program helped me with the startup costs and gave me the connections I needed to get my business off the ground."

- J.R. Meyer, GRO Recipient

"I have really enjoyed getting to know J.R. and learning more about his business. His dedication and ambition are evident, and he's put together a solid business plan that sets him up for a bright future."

– Andy Piel, Senior Loan Officer

2024 Scholarship Recipients

Each year we proudly award four scholarships worth $1,000 to outstanding high school graduates or college students from our territory. The 2024 scholarship winners were:
Tayla Martin, Holyoke High School
Cassidy Goddard, Haxtun High School
Carter Van Overbeke, Holyoke High School
Addicyn Kessinger, Akron High School

Growing the Gold Standard: YBS Advisory Committee & Education

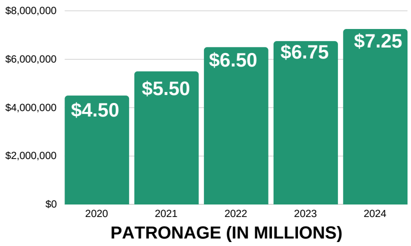
In the summer of 2024, Premier launched the Growing the Gold Standard Young Farmer/Rancher Advisory Group. This committee provides valuable insights into the challenges young producers face, helping us tailor resources, mentorship, and support for the early stages of their agricultural careers.

Additionally, in February of 2024, we sponsored four YBS borrowers to attend the Grow Your Future Forum in Westminster, CO. Attendees participated in financial literacy workshops, heard from agricultural economists Dr. Freddie Barnard and Dr. Daniel Mooney, and gained insights from CattleFax CEO Randy Blach. Events like these reflect our ongoing commitment to providing education and industry connections for our members.

AGRICULTURAL ADVOCACY & COMMUNITY INVOLVEMENT

Premier Farm Credit actively supports organizations that promote agricultural education, public policy, and industry advocacy. Our employees are engaged in the communities we serve, participating in local cattlemen's and growers associations, as well as various industry-focused committees.

In 2024, we continued our tradition of donating t-shirts to livestock exhibitors across all six counties in our territory. Premier staff work alongside area extension agents, attending livestock meetings with the exhibitors to distribute the t-shirts prior to their county fairs.



PATRONAGE

Premier Farm Credit's Board of Directors unanimously approved a $7.25 million Cash Patronage Dividend for 2024, returning capital to our member-owners.

Investing in agriculture means more than financing; it means reinvesting in the farmers, ranchers, and rural businesses that support our communities. By sharing our success with our members, we help strengthen the local economies where they live and work.

KEY INITIATIVES

- Grow Your Future Forum for YBS Producers
- GRO Program
- Cash Patronage Dividend
- Scholarships
- Educational Outreach
- Agriculture Advocacy and Industry Support
- Leopold Conservation Award
- Colorado FFA Foundation
- County Fairs
- Ogallala Commons
- Colorado Ag Forum
- Colorado Ag Leadership
- 4-H & FFA sponsorships, donations, and volunteering
- Women in Ag
- Colorado Association of Wheat Growers
- Community Foundation of Northeast Colorado
- ..... and too many more to list!

Five-Year Summary of Selected Consolidated Financial Data (Unaudited)

(Dollars in Thousands)

	December 31				
	2024	2023	2022	2021	2020
Statement of Condition Data					
Loans	**$ 1,053,896**	$ 994,199	$ 931,065	$ 851,348	$ 764,184
Less allowance for loan losses	**1,161**	1,888	1,321	1,870	2,155
Net loans	**1,052,735**	992,311	929,744	849,478	762,029
Investment in CoBank, ACB	**24,643**	22,870	22,973	23,581	23,515
Other property owned	**272**	-	-	-	-
Other assets	**40,544**	44,160	37,229	29,088	29,742
Total assets	**$ 1,118,194**	$ 1,059,341	$ 989,946	$ 902,147	$ 815,286
Obligations with maturities of one year or less	**$ 26,846**	$ 44,099	$ 35,087	$ 29,763	$ 26,037
Obligations with maturities longer than one year	**859,355**	799,288	752,285	681,707	608,703
Reserve for unfunded commitments	**293**	200	272	330	361
Total liabilities	**886,494**	843,587	787,644	711,800	635,101
Capital stock	**811**	828	821	843	845
Unallocated retained earnings	**231,328**	215,383	201,969	189,978	179,587
Accumulated other comprehensive income/(loss)	**(439)**	(457)	(488)	(474)	(247)
Total shareholders' equity	**231,700**	215,754	202,302	190,347	180,185
Total liabilities and shareholders' equity	**$ 1,118,194**	$ 1,059,341	$ 989,946	$ 902,147	$ 815,286

	For the Year Ended December 31				
	2024	2023	2022	2021	2020
Statement of Income/(Expense) Data					
Net interest income	**$ 30,633**	$ 28,693	$ 24,338	$ 21,707	$ 20,086
Patronage distribution from Farm Credit institutions	**4,482**	4,407	4,187	3,645	2,854
(Provision for credit losses)/Credit loss reversal	**(878)**	(1,268)	609	329	41
Noninterest expense, net	**(11,027)**	(11,452)	(10,627)	(9,773)	(9,205)
Provision for income taxes	**(15)**	(10)	(16)	(17)	(14)
Net income	**$ 23,195**	$ 20,370	$ 18,491	$ 15,891	$ 13,762
Comprehensive income	**$ 23,213**	$ 20,401	$ 18,477	$ 15,664	$ 13,792
Key Financial Ratios					
For the Year					
Return on average assets	**2.19%**	2.04%	1.99%	1.90%	1.77%
Return on average shareholders' equity	**10.20%**	9.63%	9.30%	8.47%	7.75%
Net interest income as a percentage of average earning assets	**3.03%**	3.02%	2.75%	2.74%	2.73%
Net charge-offs/(recoveries) as a percentage of average net loans	**0.15%**	0.10%	<(0.01%)	<(0.01%)	<(0.01%)
At Year End					
Shareholders' equity as a percentage of total assets	**20.72%**	20.37%	20.44%	21.10%	22.10%
Debt as a ratio to shareholders' equity	**3.83:1**	3.91:1	3.89:1	3.74:1	3.52:1
Allowance for loan losses as a percentage of loans	**0.11%**	0.19%	0.14%	0.22%	0.28%
Common equity tier 1 (CET1) capital ratio	**17.76%**	17.59%	17.08%	17.46%	18.63%
Tier 1 capital ratio	**17.76%**	17.59%	17.08%	17.46%	18.63%
Total regulatory capital ratio	**17.98%**	17.81%	17.22%	17.72%	18.92%
Tier 1 leverage ratio	**19.63%**	19.46%	18.98%	19.35%	20.39%
Unallocated retained earnings and URE equivalents (UREE) leverage ratio	**19.55%**	19.38%	18.89%	19.92%	20.86%
Permanent capital ratio	**17.80%**	17.63%	17.10%	17.50%	18.67%
Net Income Distribution					
Cash patronage distributions paid	**$ 6,750**	$ 6,500	$ 5,500	$ 4,500	$ 5,500
Cash patronage declared	**$ 7,250**	$ 6,750	$ 6,500	$ 5,500	$ 4,500

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (Association) for the year ended December 31, 2024. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact our financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes, and other sections of this report. The accompanying consolidated financial statements were prepared under the oversight of our Audit Committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity
- Capital Resources
- Human Capital
- Regulatory Matters
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy
- Changes in Management

Our quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.premieraca.com, or upon request. We are located at 202 Poplar Street, Sterling, Colorado 80751, or may be contacted by calling (970) 522-5295.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

As of December 31, 2024, we are one of 55 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Our territory served extends across a diverse agricultural region of northeastern Colorado. The counties in our territory are listed in Note 1 of the accompanying consolidated financial statements. We make long-term real estate mortgage loans to farmers, ranchers, rural residents, and agribusinesses, and production and intermediate-term loans for agricultural production or operating purposes. Additionally, we provide other related services to our borrowers, such as credit life insurance, multi-peril crop and crop hail insurance, advance conditional payment accounts, leasing, and fee appraisals. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

As part of the System, we obtain the funding for our lending and operations from a Farm Credit Bank. Our funding bank, CoBank, ACB (CoBank), is a cooperative of which we are a member. CoBank, its related associations, and AgVantis, Inc. (AgVantis) are referred to as the District.

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751, or by calling (970) 522-5295. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from AgVantis, which is a technology service corporation. We are a shareholder in AgVantis, along with other AgVantis customers. Farm Credit Foundations, a human resource shared service provider for several Farm Credit institutions, provides administration for our payroll and benefits and may provide related human resource offerings.

ECONOMIC OVERVIEW

In 2024, the local economy performed well, characterized by low unemployment, strong housing demand, new business investment, and continued strength in the energy sector. Agriculture, however, faced a mix of opportunities and challenges in 2024. While the U.S. drought monitor reported normal conditions across the region, adverse weather events in the spring, including high winds and hailstorms, negatively impacted production, resulting in below average wheat yields. Fall crops, including corn and sugar beets, benefitted from generally adequate moisture, which eased prolonged drought conditions and supported average to above average yields. Irrigation water supplies were sufficient throughout the year.

Despite generally adequate production levels, agriculture commodity prices, excluding cattle, declined due to weakened export demand for grain and feed. High input costs persisted, placing pressure on producers to maintain positive earnings. While many operations have retained financial stability from prior earnings and asset appreciation, erosion of working capital and loan margins has been observed. This trend is expected to contribute to additional stress in the cash grain sector in 2025. On the other hand, cattle producers experienced strong returns, supported by elevated prices and improved range conditions.

Credit quality remained stable across the territory, supported by strategic diversification through the purchased loan portfolio. Although challenges such as inflation, interest rate sensitivity, and geopolitical risks persist, the overall portfolio is expected to remain stable. Producers in our region continue to navigate economic pressures by leveraging strong capital positions and making strategic operational adjustments to address high input costs and depressed cash grain prices.

Our Association continues to analyze the material effects of transition risks related to climate change that may affect our business, financial condition, and results of operations. These risks include policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, litigation risks, and technological changes. Agricultural producers continue to adjust to changing climate conditions and have implemented additional practices of no-till planting, minimal till practices, cover crops, and other water conservation techniques to manage reduced amounts of rainfall and to keep their farmland in a state of sustainable production. Currently, we are not aware of any specific material impacts on our business, results of operations, or financial conditions from the effects of climate change transition risks.

Despite the softening of growth in the U.S. economy and concerns surrounding high interest rates in the first half of 2024, the U.S. economy ended on strong footing at the end of the year. Inflation continues to decelerate, and the Federal Reserve has responded by lowering interest rates to a range of 4.25% - 4.50%, with more rate cuts expected in 2025. The U.S. economy grew at a faster pace than expected in the second half of 2024 due to stronger than projected consumer spending. Real GDP grew at an annual rate of 2.8%, reflecting the increase in consumer spending in 2024. Although unemployment has increased slightly from the prior year, labor market conditions have generally remained healthy. After two years of strong growth, net cash farm income is forecasted to decrease by 3.5% in 2024 according to the USDA. This decrease is largely due to rising farming expenses, lower direct government payments, and weakening commodity prices. Global conflicts continue to put additional pressures on commodity prices and have contributed to volatility and uncertainty in the markets.

The Agricultural Improvement Act of 2018 (Farm Bill) was signed into law on December 20, 2018. This Farm Bill governs an array of federal farm and food programs, including commodity price support payments, farm credit, conservation programs, research, rural development, and foreign and domestic food programs for five years through 2023. On November 16, 2023, an extension of the Farm Bill was signed that allowed certain authorized programs to continue through September 30, 2024. Subsequently, on December 21, 2024, another extension of the Farm Bill was signed to extend the programs for one year through September 30, 2025. The extension includes $10 billion to help farmers struggling with high interest rates, declining crop prices, and rising production costs that are outpacing farm revenues. The Farm Bill continues to provide support for crop insurance and commodity support programs, strengthen livestock disaster programs, and provides dairy producers with an updated voluntary margin protection program that will provide additional risk management options to dairy operations. The Farm Bill also clarifies the Farm Credit System Insurance Corporation's (FCSIC) authority, role, and procedures for acting as a conservator or receiver of a troubled System institution. The Farm Bill provides a range of statutory options to the Insurance Corporation including, but not limited to, marshalling and liquidating assets, satisfying claims of creditors, and using interim devices such as bridge banks.

LOAN PORTFOLIO

Total loans outstanding were $1.05 billion at December 31, 2024, an increase of $59.7 million, or 6.0%, from loans at December 31, 2023. The increase in loans was due to growth in both the direct loan portfolio and participations purchased portfolio. Direct loan volume growth was attributed primarily to increased borrowing on operating lines of credit. The types of loans outstanding at December 31 are reflected in the following table.

	2024		2023		2022	
(dollars in thousands)	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 478,567**	**45.4%**	$ 463,160	46.6%	$ 449,720	48.2%
Production and intermediate-term	**259,745**	**24.6%**	218,718	22.0%	202,603	21.8%
Agribusiness	**199,689**	**19.0%**	189,377	19.1%	191,570	20.6%
Rural infrastructure	**105,944**	**10.1%**	113,002	11.3%	78,115	8.4%
Agricultural export finance	**9,951**	**0.9%**	9,942	1.0%	9,057	1.0%
Total	**$ 1,053,896**	**100.0%**	$ 994,199	100.0%	$ 931,065	100.0%

Real estate mortgage loans outstanding increased from year-end 2023 to year-end 2024 primarily due to new loan demand. Long-term mortgage loans are primarily used to purchase, refinance, or improve real estate. These loans have maturities ranging from 5 to 40 years. Real estate mortgage loans are also made to rural homeowners. By federal regulation, a real estate mortgage loan must be secured by a first lien and may only be made in an amount up to 85% of the original appraised value of the property, or up to 97% of the appraised value, if the loan is guaranteed by certain state, federal, or other governmental agencies. Under our current underwriting standards, we lend less than the regulatory limit of 85% of the appraised value of the property.

The production and intermediate-term loans increased from year-end 2023 to year-end 2024 primarily due to purchased loans, advances on revolving lines of credit, and reduced loan prepayments. Production loans are used to finance the ongoing operating needs of agricultural producers and generally match the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years, with most loans being less than 10 years. Our production and intermediate-term loan portfolio shows some seasonality. Borrowings increase throughout the planting and growing seasons to meet farmers' operating and capital needs. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

Increases were noted in agribusiness loan volume, where the majority of loan volume was due to loan participations. Additionally, at December 31, 2024, 100% of rural infrastructure and agricultural export finance volume were a result of loan participations purchased.

Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by loan participations purchased and sold, geographic locations served, commodities financed, and loan size as illustrated in the following four tables.

We purchase loan participations from other System entities to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to reduce risk and comply with lending limits we have established.

Our volume of participations purchased and sold as of December 31 follows:

(dollars in thousands)	**2024**	2023	2022
Participations purchased	**$ 461,038**	$ 431,311	$ 383,382
Participations sold	**$ 35,492**	$ 34,166	$ 33,469

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

The geographic distribution of loans by county at December 31 follows. As previously mentioned, we purchase loan participations outside our territory, which are included in Other in the following table.

	2024	2023	2022
Logan	**8.14%**	7.78%	8.33%
Morgan	**6.39%**	6.68%	7.35%
Phillips	**5.49%**	5.87%	5.71%
Sedgwick	**1.23%**	1.25%	1.15%
Washington	**7.77%**	7.36%	7.31%
Yuma	**19.29%**	19.49%	19.95%
Other Colorado Counties	**8.68%**	9.41%	10.14%
Other States	**43.01%**	42.16%	40.06%
Total	**100.00%**	100.00%	100.00%

Our largest volume concentration is in Yuma County due to its physical size and the scale of operations relative to other counties. The Other States category represents 43.01% of the portfolio, a 0.85% increase from 2023. The increase in Other States relates primarily to participations purchased.

We are a party to an Agreement Providing Territorial Concurrence (Agreement) with Farm Credit of Southern Colorado, ACA. This Agreement reduces territorial restrictions and allows each association to make loans in the other association's territory regardless of a borrower's place of residence, location of operations, location of loan security, or location of headquarters. Either association can terminate this Agreement with 30 days written notice.

The following table shows the primary agricultural commodities produced by our borrowers based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity.

	December 31		
SIC Category	**2024**	2023	2022
Corn	**26.06%**	25.71%	26.22%
Beef	**17.87%**	17.66%	19.04%
Wheat	**6.53%**	6.76%	6.90%
Landlords	**4.90%**	4.95%	5.19%
Other	**44.64%**	44.92%	42.65%
Total	**100.00%**	100.00%	100.00%

Our loan portfolio contains a concentration of corn, beef, and wheat producers. The Other category is comprised of 104 separate commodity groups, with the largest representing 3.27% of the total. Repayment ability of our borrowers is closely related to the production and profitability of the commodities they raise. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral, which is impacted by industry economics. Our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities negatively affected and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers, which typically derive most of their earnings from non-agricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy.

The loans outstanding at December 31, 2024 for loans $250 thousand or less accounted for 12.7% of loan volume and 67.6% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The following table details loans outstanding by dollar size at December 31 for the last three years.

	2024		2023		2022	
(dollars in thousands)	**Amount outstanding**	**Number of loans**	Amount outstanding	Number of loans	Amount outstanding	Number of loans
$1 - $250	**$ 134,059**	**1,817**	$ 133,762	1,805	$ 130,019	1,817
$251 - $500	**127,069**	**362**	118,469	338	125,497	353
$501 - $1,000	**181,559**	**257**	168,855	235	169,972	234
$1,001 - $5,000	**462,820**	**229**	431,381	216	397,823	205
$5,001 - $25,000	**148,389**	**22**	141,732	21	107,754	16
Total	**$ 1,053,896**	**2,687**	$ 994,199	2,615	$ 931,065	2,625

As of December 31, 2024, approximately 12% of our loans outstanding is attributable to 10 borrowers. Due to their size, the loss of any of these loans or the failure of any of these loans to perform would adversely affect the portfolio and our future operating results.

Credit guarantees with government agencies of $15.7 million at year-end 2024, $16.3 million at year-end 2023, and $16.7 million at year-end 2022 were outstanding. We utilize Farm Service Agency (FSA) 90% or 95% loan guarantees when appropriate to manage the Association's credit risk. The United States Government guarantees to pay 90% to 95%, depending on the percent guaranteed, of any loss incurred on the FSA guarantee loans.

Credit Commitments

We may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of our borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower if there is not a violation of any condition established in the contract. Commitments and commercial letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. We may also participate in standby letters of credit to satisfy the financing needs of our borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2024.

(dollars in thousands)	**Due 1 year or less**	**Due after 1 year through 3 years**	**Due after 3 years through 5 years**	**Due after 5 years**	**Total**
Commitments to extend credit	$ 98,176	$ 127,100	$ 50,763	$ 15,604	$ 291,643
Standby letters of credit	1,489	292	106	244	2,131
Commercial letters of credit	86	–	–	–	86
Total commitments	$ 99,751	$ 127,392	$ 50,869	$ 15,848	$ 293,860

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 Statement of Condition 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 we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. We consider potential losses related to unfunded commitments, and a reserve for unfunded commitments is included in the liabilities section of the Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income.

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. Accrued interest on all accruing loans at December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. Comparative information regarding nonperforming assets in the portfolio follows:

(dollars in thousands)	**2024**	2023	2022
Nonaccrual loans	**$ 1,737**	$ 1,588	$ 2,884
Total nonperforming loans	**1,737**	1,588	2,884
Other property owned	**272**	–	–
Total nonperforming assets	**$ 2,009**	$ 1,588	$ 2,884

We had no loans classified as 90 days past due still accruing interest for the years presented.

Total nonperforming assets increased 26.5% at December 31, 2024 compared with year-end 2023. Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. Nonaccrual volume increased from December 31, 2023 due to two participation purchased customers transferred to nonaccrual status.

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure, or other means. We had other property owned of $272 thousand at December 31, 2024. During 2024, we acquired approximately 0.44% of a facility which was related to a participation interest in a loan.

Nonperforming asset volume may occur in the future due to isolated production issues and high input costs.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all System institutions. Following are the classification definitions:

- 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, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing facts that make collection in full highly questionable.
- Loss – Assets are not considered collectible.

	2024	2023	2022[1]
Acceptable	**94.24%**	96.07%	97.02%
OAEM	**4.38%**	3.10%	1.78%
Substandard	**1.34%**	0.83%	1.20%
Doubtful	**0.04%**	–	–
Total	**100.00%**	100.00%	100.00%

[1] Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Although credit quality has remained relatively stable, recent economic conditions have created challenges for some borrowers resulting in a slight decline. The financial position of most agricultural producers strengthened during the past decade, and most of our borrowers have maintained generally strong financial positions. As such, our credit quality is anticipated to remain sound in the near term. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs, and commodity prices. Each of these can be significantly impacted by uncontrollable events. If less favorable economic conditions continue, it will likely lead to weakening in the loan portfolio.

Allowance for Loan Losses

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

After adoption of this guidance, the allowance for credit losses takes into consideration relevant information about past events, current conditions, and macroeconomic forecasts of future conditions. An economic scenario is considered over a reasonable and supportable forecast period, after which, the framework incorporates historical loss experience. Final loss estimates also consider factors affecting credit losses not reflected in the scenario, due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to, lending policies, portfolio concentrations, regulatory guidance, and/or lags in economic forecast information.

For periods prior to January 1, 2023, we maintained an allowance for loan losses at a level consistent with the probable and estimable losses inherent in the loan portfolio identified by management. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio.

The following table provides relevant information regarding the allowance for loan losses as of December 31 for the last three fiscal years.

(dollars in thousands)	**2024**	2023	2022
Balance at beginning of year	**$ 1,888**	$ 1,321	$ 1,870
Cumulative effect of CECL adoption		188	
Balance at January 1		$ 1,509	
Charge-offs:			
Production and intermediate-term	**398**	830	1
Agribusiness	**1,120**	223	–
Total charge-offs	**1,518**	1,053	1
Recoveries:			
Production and intermediate-term	**4**	3	3
Agribusiness	**2**	71	–
Total recoveries	**6**	74	3
Net charge-offs/(recoveries)	**1,512**	979	(2)
Provision for loan losses/(Loan loss reversal)	**785**	1,358	(551)
Balance at December 31	**$ 1,161**	$ 1,888	$ 1,321
Net charge-offs/(recoveries) to average net loans	**0.15%**	0.10%	<(0.01%)

The following table presents the allowance for loan losses by loan type as of December 31 for the last three fiscal years.

(dollars in thousands)	**2024**	2023	2022
Real estate mortgage	**$ 45**	$ 40	$ 87
Production and intermediate-term	**565**	600	241
Agribusiness	**99**	105	920
Rural infrastructure	**452**	1,143	71
Agricultural export finance	**–**	–	2
Total	**$ 1,161**	$ 1,888	$ 1,321

The allowance for loan losses decreased from December 31, 2023 to December 31, 2024 primarily due to increased charge-offs of $1.5 million recorded during 2024. Overall, charge-off activity remains low relative to the size of our loan portfolio. All of the net charge-offs, except for $25 thousand, were related to participation loans.

During 2023, our allowance for loan losses increased from 2022 primarily due to the provision for loan losses totaling $1.4 million that was recorded as a result of an increase in specific reserves and provisions related to loan growth and downgrades in the participation portfolio. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table.

	2024	2023	2022
Allowance for loan losses as a percentage of:			
Loans	**0.11%**	0.19%	0.14%
Nonperforming loans	**66.84%**	118.89%	45.80%

Allowance for loan losses as a percentage of nonperforming loans decreased as a result of increased nonaccrual loan volume and decreased allowance for loan losses. We maintain a separate reserve for unfunded commitments, which is included in Liabilities on our Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses.

A summary of changes in the reserve for unfunded commitment follows:

(dollars in thousands)	**2024**	2023	2022
Balance at beginning of year	**$ 200**	$ 272	$ 330
Cumulative effect of CECL adoption		18	
Balance at January 1		290	
Provision for/(Reversal of) reserve for unfunded commitments	**93**	(90)	(58)
Total	**$ 293**	$ 200	$ 272

The provision for reserve for unfunded commitments recorded in 2024 is due to loan growth and downgrades within the portfolio.

Young, Beginning, and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and dependable credit and related services to young, beginning, and small (YBS) farmers and ranchers. Our YBS mission statement is as follows:

Premier Farm Credit, ACA will encourage the financing of young, beginning, and small farmers and ranchers by implementing programs designed to meet the needs of these applicants to the fullest extent of their creditworthiness.

Following are FCA regulatory definitions for YBS farmers and ranchers.

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $350 thousand in annual gross cash farm income.

The YBS loan counts presented include total outstanding loans at year-end and loans paid off during the current year. Only loans originated by the Association or sourced from outside the System are counted. YBS Loan volume presented is defined as current commitment, which is the dollar amount of disbursed funds plus the undisbursed commitment that is eligible to be drawn. For participated or pooled loans, the balances presented include only the volume held by the Association.

The following table provides the number of new loans and volume of new loans to YBS and non-YBS farmers made by the Association during the year.

(dollars in thousands)	New loan activity during 2024			
	Loan Counts	Volume	Percent of Total Loan Counts	Percent of Total Volume
Category				
Young only	25	$ 10,619	5.6%	3.2%
Young & beginning	42	23,787	9.4%	7.1%
Young & small	10	1,226	2.2%	0.4%
Beginning only	15	8,034	3.4%	2.4%
Beginning & small	8	1,903	1.8%	0.6%
Small only	78	13,216	17.4%	3.9%
Young, beginning & small (YBS)*	24	1,921	5.4%	0.6%
YBS Total	202	$ 60,706	45.2%	18.2%
Non-YBS	245	275,787	54.8%	81.8%
Total	447	$ 336,493	100.0%	100.0%

* The YBS category includes loans made to farmers that meet the criteria for all three categories: young, beginning, and small.

The following table provides the number of loans and volume of loans to YBS and non-YBS farmers held by the Association as of year-end.

(dollars in thousands)	Loans outstanding as of December 31, 2024			
	Loan Counts	Volume	Percent of Total Loan Counts	Percent of Total Volume
Category				
Young only	97	$ 35,531	4.6%	3.2%
Young & beginning	176	78,184	8.3%	7.1%
Young & small	33	3,294	1.6%	0.3%
Beginning only	72	28,181	3.4%	2.5%
Beginning & small	60	12,698	2.8%	1.1%
Small only	308	44,980	14.6%	4.1%
Young, beginning & small (YBS)*	128	16,947	6.1%	1.5%
YBS Total	874	$ 219,815	41.4%	19.8%
Non-YBS	1,238	887,423	58.6%	80.2%
Total	2,112	$ 1,107,238	100.0%	100.0%

* The YBS category includes loans made to farmers that meet the criteria for all three categories: young, beginning, and small.

We offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory. Such services include crop insurance, credit life insurance, advance conditional payment accounts, fee appraisals, and equipment/vehicle leasing programs. We increase opportunities for YBS farmers by coordinating credit and credit services in the territory utilizing governmental and private sources. We utilize the FSA programs such as the 50/50 program or the 50/45/5 program. We continue to utilize FSA loan guarantees to assist us in meeting the needs of YBS borrowers. We have implemented effective outreach programs to attract YBS farmers and ranchers through sponsorships in area YBS organizations. We sponsor seminars that have YBS farmers as members or attendees. Our continued use of social media will strengthen our brand and allow us to reach a wider potential customer base.

Our Generating Rural Opportunities (GRO) Program encourages youth in Northeast Colorado to develop agricultural and leadership skills through participation in 4-H or FFA by awarding one-time grants to encourage (or enable) participation. In addition to funding, GRO Program grant recipients are paired with a Premier Farm Credit mentor and led through age-appropriate financial education and offered the support of the mentor as needed. In addition, we are proud to invest in the future of our area youth by providing four $1,000 scholarships. The eligibility criteria allow the scholar to attend the school of their choice. From the fall of 2021 to the spring of 2024, Premier worked with Northeastern Junior College to offer students the opportunity to participate on the Premier Farm Credit Student Board. Our objective was to build relationships with local students interested in agriculture at an early stage of their education.

We also provide monetary donations to young farmer organizations as well as area high school events and organizations such as 4-H and FFA. Staff members serve as 4-H Livestock judging coaches or as members of an FFA Advisory Board. Our qualitative efforts are strongly successful as all personnel are actively involved in furthering the opportunities for YBS producers within our territory. We continue to support the System's partnership with the Farmer Veteran Coalition, an organization aimed at mobilizing veterans to enter agriculture and feed America. We also support the System's "Home Grown by Heroes" program to help boost the marketing efforts for agriculture products produced by U.S. farmer veterans.

In 2024, the Association started a new YBS outreach program by forming a new YBS Advisory Committee – "YBS Growing the Gold Standard." The goals for the new committee include providing education and networking opportunities, strengthening loan officer relationships and marketing, and providing resources to support the YBS borrower segment.

During 2024, we donated to 119 different groups or organizations where YBS members are active. We are proud to report that 71% of the members of the Association's Advisory Committee, YBS Advisory Committee, and Nominating Committee are young, beginning, and/or small farmers in our loan portfolio.

Quarterly reports are provided to our Board of Directors detailing the number, volume, and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress. Quantitative goals established in the 2024 Business Plan reflect an annual growth rate of 5% for Young, Beginning, and Small Farmers within loan numbers and classified volume. Due to FCA regulatory definitions, a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

The three-year goals we have established to increase market share of loans to YBS farmers and ranchers are as follows:

(dollars in thousands)	Young Farmer/Rancher		Beginning Farmer/Rancher		Small Farmer/Rancher	
Year	Number	Volume	Number	Volume	Number	Volume
12/31/2025	454	$ 124,564	456	$ 128,059	553	$ 72,902
12/31/2026	474	$ 130,169	476	$ 133,822	578	$ 76,182
12/31/2027	495	$ 136,027	498	$ 139,844	604	$ 49,610

As reflected in the following chart, during 2024, we experienced an increase in number of loans in the Young and Small categories, but a decrease in the Beginning category. Loan volume increased year over year in the Young, Beginning, and Small categories, exceeding our goal for the Young and Small categories. We have seen a small increase in the next generation farmers and ranchers coming back to family businesses, which has supported new YBS loan activity. However, the downturn in the ag economy coupled with high input costs will continue to present a challenge particularly for young and beginning farmers.

($000's)	Young	Beginning	Small
2024 Goal	446	467	541
	$116,756	$123,058	$66,405
2024 Actual	434	436	529
	$119,200	$122,545	$69,762
2023 Actual	425	445	515
	$111,196	$117,198	$63,243

Volume is defined as total classified volume in the above table.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we have developed specific lending products directed at serving the YBS producers in our territory. These products include YBS specific loan programs, including the YBS Stocker Cattle Program, YBS Breeding Cattle Program, and YBS Crop Farming Program. In addition, we utilize loan guarantee programs, fee waivers, and interest rate concessions to qualified YBS farmers. Additionally, we are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training, and insurance services for YBS farmers and ranchers.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and in our unfunded loan commitments and standby letters of credit. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies, and procedures.

Underwriting standards are utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the terms of the note and loan agreement. Underwriting standards include among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital – ability of the operation to survive unanticipated risks; and,
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, we cannot have loan commitments to one borrower for more than 15% of our lending and lease limit base. Our Association's lending and lease limit base is established by our total regulatory capital. Additionally, we set our own lending limits to manage loan concentration risk. Lending limits have been established based on loan quality for loans originated by our Association, loans originated outside of our Association, and special lending programs. We have adopted an individual lending limit maximum of 12% of lending and lease limit base for our highest quality borrowers.

We have established internal lending delegations to properly control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type, and risk, as well as the expertise and position of the credit staff member. Larger and more complex loans or loans perceived to have higher risk are typically approved by our loan committee with the most experienced and knowledgeable credit staff serving as members.

Most of our lending is first mortgage real estate loans, which must be secured by a first lien on real estate. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured by livestock, crops, and equipment. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified appraiser. Certain appraisals must be performed by individuals with a state certification or license.

We use a two-dimensional risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance. The Model estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. PDs and LGDs are utilized in loan and portfolio management processes and are utilized for the allowance for loan losses estimate.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category, and one loss category, each carrying a distinct percentage of default probability. The Model's LGD scale provides 6 categories, A through F, that have the following anticipated principal loss and range of economic loss expectations:

- A 0% anticipated principal loss; 0% to 5% range of economic loss
- B 0% to 3% anticipated principal loss; >5% to 15% range of economic loss
- C > 3% to 7% anticipated principal loss; >15% to 20% range of economic loss
- D > 7% to 15% anticipated principal loss; >20% to 25% range of economic loss
- E > 15% to 40% anticipated principal loss; >25% to 50% range of economic loss
- F above 40% anticipated principal loss; above 50% range of economic loss

RESULTS OF OPERATIONS

Earnings Summary

In 2024, we recorded net income of $23.2 million, compared with $20.4 million in 2023 and $18.5 million in 2022. The increase in 2024 was primarily due to an increase in net interest income and a decrease in provision for credit losses. The increase in 2023 was primarily due to increases in net interest income and noninterest income, which were partially offset by increases in operating expenses and provision for credit losses. The following table presents the changes in the significant components of net income from the previous year.

(dollars in thousands)	**2024 vs. 2023**	2023 vs. 2022
Net income, prior year	**$ 20,370**	$ 18,491
Increase/(Decrease) from changes in:		
Interest income	**6,700**	18,333
Interest expense	**(4,760)**	(13,978)
Net interest income	**1,940**	4,355
Provision for credit losses	**390**	(1,877)
Noninterest income	**40**	165
Noninterest expense	**460**	(770)
Provision for income taxes	**(5)**	6
Total increase in net income	**2,825**	1,879
Net income, current year	**$ 23,195**	$ 20,370

Return on average assets increased to 2.19% from 2.04% in 2023 and return on average shareholders' equity increased to 10.20% from 9.63% in 2023, primarily as a result of increased net income from 2023.

Net Interest Income

Net interest income is our principal source of earnings and is impacted by interest earning asset volume, yields on assets, and cost of debt. The increase in net interest income from year-end 2023 was largely due to higher yields on assets and increased loan volume. The following table provides an analysis of the individual components of the change in net interest income during 2024 and 2023.

(dollars in thousands)	**2024 vs. 2023**	2023 vs. 2022
Net interest income, prior year	**$ 28,693**	$ 24,338
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned	**3,156**	14,222
Interest rates paid	**(2,850)**	(12,059)
Volume of interest-bearing assets and liabilities	**1,845**	1,985
Interest income on nonaccrual loans	**(211)**	207
Increase in net interest income	**1,940**	4,355
Net interest income, current year	**$ 30,633**	$ 28,693

The following table illustrates net interest margin and the average interest rates on loans and debt cost and interest rate spread.

	For the Year Ended December 31		
	2024	2023	2022
Net interest margin	**3.03%**	3.02%	2.75%
Interest rate on:			
Average loan volume	**6.30%**	6.00%	4.36%
Average debt	**3.99%**	3.63%	1.96%
Interest rate spread	**2.31%**	2.37%	2.40%

The decrease in interest rate spread resulted from a 30 basis point increase in interest rates on average loan volume and a 36 basis point increase in interest rates on average debt. The increase in net interest margin in addition to the change in spread was due to higher earnings on our own capital.

Provision for Credit Losses/(Credit Loss Reversals)

We monitor our loan portfolio and unfunded commitments on a regular basis to determine if any increase through provision for credit losses or decrease through a credit loss reversal in our allowance for loan losses or reserve for unfunded commitments is warranted based on our assessment of the relevant historical events, current conditions, and macroeconomic conditions. Prior to the adoption of CECL, we estimated allowance for credit losses based on our assessment of probable and estimable losses inherent in our loan portfolio and unfunded commitments. We recorded net provision for credit losses of $878 thousand in 2024, compared with net provision for credit losses of $1.3 million in 2023 and net credit loss reversals of $609 thousand in 2022. The provision for loan losses of $785 thousand recorded during 2024 was primarily due to specific reserves and provisions recorded due to loan growth and downgrades in the participation portfolio. This was partially offset by decreased loss rates in the participation portfolio resulting from an improved macroeconomic outlook. The provision for reserve for unfunded commitments of $93 thousand was recorded during 2024 due to loan growth and downgrades in the portfolio.

The provision for loan losses recorded during 2023 was primarily due to an increase in specific reserves, loan growth, and downgrades in the participation portfolio. The loan loss reversals recorded during 2022 were primarily due to improved credit quality. The reversals of reserve for unfunded commitments were recorded during 2023 and 2022 due to improved loan quality.

Noninterest Income

During 2024, we recorded noninterest income of $6.3 million, compared with $6.3 million in 2023 and $6.1 million in 2022. Patronage distributions from CoBank are our primary source of noninterest income. Patronage is accrued in the year earned and then received from CoBank in the following year. CoBank patronage is distributed in cash and stock. The total patronage from CoBank is comprised of two sources: patronage based on our borrowing balance (direct note patronage) and patronage based on loans we originate and then sell a portion to them as a participant (sold volume patronage). We received 100 basis points on participation loans and 45 basis points on our direct note with CoBank for all other loans. Patronage earned from CoBank was $4.5 million in 2024, $4.1 million in 2023, and $4.1 million in 2022. Patronage income from CoBank includes special cash patronage distributions of $600 thousand for 2024, $556 thousand for 2023, and $674 thousand for 2022 due to CoBank's strong capital levels and financial results.

We received a patronage distribution from AgVantis in 2023 and 2022, based on our services purchased from AgVantis during the year. There was no distribution in 2024. Our total notice of allocation was $268 thousand in 2023 and $63 thousand in 2022. The allocation for 2023 included cash patronage of $134 thousand with the remainder recorded as an investment in AgVantis and included in other assets on the Consolidated Statement of Condition. The entire patronage allocation for 2022 was recorded as an investment in AgVantis.

We recorded a cash patronage of $13 thousand from Farm Credit Foundations, the organization that provides our payroll and human resource services, which will be paid in the following year. This compares with $11 thousand recorded in 2023 and $9 thousand in 2022. Patronage from Farm Credit Foundations, AgVantis, and CoBank is included in patronage distribution from Farm Credit institutions on the Consolidated Statement of Comprehensive Income.

We received mineral income of $485 thousand during 2024, which is distributed to us quarterly by CoBank. Mineral income decreased from $629 thousand in 2023 and $805 thousand in 2022. The decrease in 2024 is due to decreased production volumes and lower prices paid for production.

Noninterest income also includes a FCSIC distribution, loan fees, financially related services income, and other noninterest income. We recorded a FCSIC distribution of $275 thousand in 2024, which is our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. There was no FCSIC distribution received in 2023 or 2022. Loan fees in 2024 were $461 thousand, a decrease of $85 thousand, from 2023, primarily due to decreased loan participation fees.

Noninterest Expense

Noninterest expense for 2024 decreased $460 thousand, or 3.5%, to $12.9 million compared with 2023 and increased $310 thousand, or 2.5% compared with 2022. Noninterest expense for each of the three years ended December 31 is summarized as follows:

				Percent of Change	
(dollars in thousands)	**2024**	2023	2022	**2024/2023**	2023/2022
Salaries & employee benefits	**$ 6,466**	$ 6,669	$ 6,215	**(3.04%)**	7.30%
Occupancy & equipment	**400**	353	363	**13.31%**	(2.75%)
Purchased services from AgVantis	**2,446**	2,309	2,187	**5.93%**	5.58%
Supervisory & examination costs	**407**	360	328	**13.06%**	9.76%
Other	**2,402**	2,386	2,177	**0.67%**	9.60%
Total operating expense	**12,121**	12,077	11,270	**0.36%**	7.16%
Farm Credit Insurance Fund premium	**765**	1,269	1,306	**(39.72%)**	(2.83%)
Total noninterest expense	**$ 12,886**	$ 13,346	$ 12,576	**(3.45%)**	6.12%

For the year ended December 31, 2024, total operating expense increased $44 thousand, or 0.4%, compared with the year ended December 31, 2023, primarily due to increased purchased services from AgVantis. Purchased services from AgVantis also increased in 2023. Salaries and employee benefits decreased in 2024 and increased in 2023 due to pension expense fluctuations. Other expenses, which mainly includes other purchased services, directors, travel, communications, training, and public and member relation expenses also increased in 2024 and 2023.

Provision for income taxes

We recorded $15 thousand in provision for income taxes during 2024, compared with $10 thousand in 2023 and $16 thousand in 2022. The increase in 2024 was primarily due to increased taxable income. Tax expense was also impacted by our patronage refund program. We operate as a Subchapter T cooperative for tax purposes and thus may deduct from taxable income certain amounts that are distributed from net earnings to borrowers. See Note 2 for additional details.

LIQUIDITY

Liquidity is necessary to meet our financial obligations. Liquidity is needed to pay our note with CoBank, fund loans and other commitments, and fund business operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our on-going operations and other commitments.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge to CoBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank, which renews annually and matures on May 31, 2025.

We plan to continue to fund lending operations through the utilization of our funding arrangement with CoBank, retained earnings from current and prior years, and from borrower stock investments. CoBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Banks Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. Although financial markets experienced significant volatility in the last few years, we were able to obtain sufficient funding to meet the needs of our customers.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank which allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and its asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed excess loanable funds with CoBank pro-rata with our loan portfolio. This program utilizes a percentage of our equity to fund each loan cash flow throughout the life of the loan. This enables us to reduce our overall cost of funds with CoBank without significantly increasing our overall interest rate risk position.

Funds Management

We offer variable, fixed, adjustable prime-based, and Secured Overnight Financing Rate (SOFR) rate loans to borrowers. Our Asset/Liability Management Committee determines the interest rate charged based on the following factors: 1) the interest rate charged by CoBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our profitability objectives.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Shareholders' equity at December 31, 2024 totaled $231.7 million, compared with $215.8 million at December 31, 2023 and $202.3 million at December 31, 2022. The increase of $15.9 million in shareholders' equity reflects net income, partially offset by patronage distributions and net stock retirements, and a decrease in accumulated other comprehensive loss. Our capital position is reflected in the following ratio comparisons.

	2024	2023	2022
Debt to shareholders' equity	**3.83:1**	3.91:1	3.89:1
Shareholders' equity as a percent of net loans	**22.01%**	21.74%	21.76%
Shareholders' equity as a percent of total assets	**20.72%**	20.37%	20.44%

Debt to shareholders' equity decreased and shareholders' equity as a percent of net loans and of total assets increased from 2023 primarily due to the growth in shareholders' equity exceeding the relative increases in net loans and total assets.

Retained Earnings

Our retained earnings increased $15.9 million to $231.3 million at December 31, 2024 from $215.4 million at December 31, 2023 and increased $29.4 million from $202.0 million at December 31, 2022. The increase in 2024 was a result of net income of $23.2 million, partially offset by $7.3 million of patronage distributions declared.

Patronage Program

We have a Patronage Program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, the Bylaws address increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage distributions are based on business done with us during the year. We paid cash patronage of $6.8 million in 2024, $6.5 million in 2023, and $5.5 million in 2022. During 2024, we declared patronage distributions of $7.3 million to be paid in March 2025.

Stock

Our total stock decreased $17 thousand to $811 thousand at December 31, 2024, from $828 thousand at December 31, 2023 and decreased $10 thousand from $821 thousand at December 31, 2022. The decrease during 2024 was due to $48 thousand in stock retirements, partially offset by $31 thousand of stock issuances. We require a stock investment for each borrower. We have a Borrower Level Stock Program which allows stock to be assigned to each borrower instead of each loan. This reduces the stock requirements for borrowers with multiple loans. The current stock requirement for each borrower is the lesser of one thousand dollars or 2.00% of the collective total balance of each borrower's loan(s).

Accumulated Other Comprehensive Income or Loss

Accumulated other comprehensive loss totaled $439 thousand at December 31, 2024, a decrease of $18 thousand compared with year-end 2023 and a decrease of $49 thousand compared with year-end 2022. Certain employees participate in a non-qualified Defined Benefit Pension Restoration Plan (Plan). Accounting guidance requires recognition of the Plan's underfunded status and unamortized actuarial gains and losses and prior service costs or credits as a liability with an offsetting adjustment to accumulated other comprehensive loss.

Capital Plan and Regulatory Requirements

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and,
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities, and other conditions warranting additional capital.

As shown in the following table, at December 31, 2024, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions, retire equities, and pay preferred stock dividends.

	2024	2023	2022	Minimum Requirement with Buffer
Common Equity Tier 1 Capital ratio	**17.76%**	17.59%	17.08%	7.00%
Tier 1 Capital ratio	**17.76%**	17.59%	17.08%	8.50%
Total Capital ratio	**17.98%**	17.81%	17.22%	10.50%
Tier 1 Leverage ratio	**19.63%**	19.46%	18.98%	5.00%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	**19.55%**	19.38%	18.89%	1.50%
Permanent capital ratio	**17.80%**	17.63%	17.10%	7.00%

The minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2024, we have met our goals. Due to our strong capital position, we will continue to be able to retire at-risk stock.

Refer to Note 7, Shareholders' Equity, in this report for additional information on our capital and related requirements and restrictions.

On April 14, 2022, the FCA issued a final rule to address changes to its capital regulations and certain other regulations in response to the CECL accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses in accordance with accounting principles generally accepted in the United States of America (GAAP), as well as conforming amendments to the other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's tier 2 capital up to 1.25 percent of the System institution's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's tier 2 capital. In addition, the regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The final rule was effective on January 1, 2023. The regulation did not have a material impact on our regulatory capital.

HUMAN CAPITAL

As of December 31, 2024, we had 43 employees at our headquarters in Sterling, Colorado and at our other branch locations. Our employees have an established foundation and working knowledge of agriculture and the Farm Credit System. Our workforce is approximately 46.5 percent male and 53.5 percent female, with minorities representing approximately 4.7 percent of our associates.

REGULATORY MATTERS

As of December 31, 2024, we had no enforcement actions in effect and FCA took no enforcement actions on us during the year.

GOVERNANCE

Board of Directors

We are governed by an eleven-member board that provides direction and oversees our management. Of these directors, nine are elected by the shareholders and two are appointed by the elected directors. Our Board of Directors represents the interests of our shareholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates, and compensates the chief executive officer;
- approves the strategic plan, capital plan, financial plan, and the annual operating budget;
- oversees the lending operations;
- directs management on significant issues; and,
- oversees the financial reporting process, communications with shareholders, and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in our interest. All our directors are independent from the perspective that none of our management or staff serves as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and successful. However, our borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis and reporting on our loans to directors, each director provides financial information, and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

Audit Committee

The Audit Committee reports to the Board of Directors. The Audit Committee is composed of four members of the Board of Directors. During 2024, four meetings were held. The Audit Committee responsibilities generally include, but are not limited to:

- oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the consolidated financial statements;
- the establishment and maintenance of procedures for the receipt, retention, and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls, or auditing matters; and,
- oversight of the Association’s internal audit program, the independence of the outside auditors, the adequacy of the Association’s system of internal controls and procedures, and the adequacy of management’s action with respect to recommendations arising from those auditing activities.

Compensation Committee

The Compensation Committee is responsible for the oversight of employee and director compensation. The Compensation Committee is composed of the full Board of Directors. The Committee annually reviews, evaluates, and approves the compensation policies, programs, and plans for senior officers and employees including benefits programs.

Risk and Governance Committee

The Risk and Governance Committee reports to the Board of Directors. The Risk and Governance Committee is composed of the full Board of Directors. During 2024, four meetings were held. The Committee semi-annually reviews, evaluates, and recommends for approval to the Board of Directors various policies and procedures utilized by the Association.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we are striving to implement steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics for all employees;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- “plain English” disclosures;
- officer certification of accuracy and completeness of the consolidated financial statements; and,
- information disclosure through our website.

Code of Ethics

Our directors and employees are responsible for maintaining the highest of standards in conducting our business. In that regard, we established a Code of Ethics for the Board of Directors and a Code of Ethics for all employees, including the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, Chief Lending Officer, and other senior financial professionals who are involved, directly or indirectly, with the preparation of our financial statements and the maintenance of financial records supporting the financial statements. These Codes of Ethics supplement our Standards of Conduct Policies for Directors and Employees. Annually, each employee and director files a written and signed disclosure statement as required under the Standards of Conduct Policies. Likewise, all employees certify compliance with our Code of Ethics on an annual basis.

Whistleblower Program

We maintain a program for employee complaints related to accounting, financial reporting, internal accounting controls, or auditing matters. This program allows employees to submit confidential, anonymous concerns regarding accounting, financial reporting, internal accounting controls, fraud, or auditing matters without the fear of reprisal, retaliation, or adverse action being taken against any employee who, in good faith, reports or assists in the investigation of a violation or suspected violation, or who makes an inquiry about the appropriateness of an anticipated or actual course of action.

FORWARD-LOOKING INFORMATION

Our discussion 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,” and “will,” or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses considering 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 several risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather, disease, including the coronavirus pandemic, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and/or the Farm Credit System; and,
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2 of the accompanying consolidated financial statements. The development and selection of critical accounting policies, and the related disclosures, have been reviewed by our Audit Committee. A summary of critical policies relating to the determination of the allowance for loan losses follows.

Allowance for Loan Losses/Reserve for Unfunded Commitments

The allowance for loan losses is our best estimate of credit losses over the remaining contractual life of the loans measured at amortized cost and certain off-balance sheet credit exposures as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. Additionally, we provide line of credit financing to our customers. We have established a reserve for unfunded commitment to cover expected losses. This reserve is reported as a liability in our consolidated balance sheet. The reserve for unfunded commitment is increased through provision for the reserve for unfunded commitments and is decreased through reversals of the reserve for unfunded commitments. Provision for loan losses and provision for reserve for unfunded commitments are referred to as a provision for credit losses on the Consolidated Statement of Comprehensive Income. We determine the allowance for loan losses and the reserve for unfunded commitment based on relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral.

Changes in the factors we consider in the evaluation of losses in the loan portfolio could occur for various credit-related reasons and could result in a change in the allowance for loan losses, which would have a direct impact on the provision for loan losses and results of operations. See Notes 2 and 3 to the accompanying consolidated financial statements for detailed information regarding the allowance for loan losses.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers, and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions with clear guidelines for protecting their borrowers' nonpublic information.

CHANGES IN MANAGEMENT

Chief Executive Officer (CEO), Michael Grauberger, retired on December 31, 2024. Our Association's Executive team has appointed the current Vice President – Lending, Christopher Hornung, to serve as CEO effective January 1, 2025. Additionally, Ryan Rasmussen was hired as Chief Credit Officer (CCO) effective January 1, 2024.

Premier Farm Credit
The Gold Standard in Ag Lending

Premier Farm Credit, ACA
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Toll Free: 877.650.8240

Report of Management

The consolidated financial statements of Premier Farm Credit, ACA (Association) are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and in the opinion of management, fairly present the financial condition of the Association. Other financial information included in the 2024 annual report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on 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. To monitor compliance, management engaged Harper, Rains, Knight & Company to perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the Board of Directors has overall responsibility for the Association's system of internal control and financial reporting. The Audit Committee consults regularly with management and reviews the results of the examinations by the various entities named above. The independent auditors have direct access to the Audit Committee.

The undersigned certify the Premier Farm Credit, ACA Annual Report has been reviewed and prepared 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.

Rebecca K.W. Lenz
Chair of the Board

Christopher W. Hornung
President and Chief Executive Officer

Jeffrey L. Schumacher
Chief Financial Officer

March 6, 2025

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Report on Internal Control Over Financial Reporting

Premier Farm Credit, ACA (Association) 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, 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 (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 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.

Chris Hornung	Jeffrey L. Schumacher
President and Chief Executive Officer	Chief Financial Officer

March 6, 2025

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AUDIT COMMITTEE REPORT

The Audit Committee (Committee) includes four members from the Board of Directors of Premier Farm Credit, ACA (Association). In 2024, four Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association'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 responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter. The Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as the Association's independent auditors for 2024.

The fees for professional services rendered for the Association by its independent auditor, PwC, during 2024 were $107,880 for audit services and $11,900 for tax services.

The Committee reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditor's independence.

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. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the Association's audited financial statements for the year ended December 31, 2024 (the "Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2024, and for filing with the Farm Credit Administration.

Lyndsey D. Graves, Chair of the Audit Committee

Audit Committee Members
Lyndsey D. Graves
Michael J. Brownell
Randall W. Kirkwood
Lisa E. Shinn

March 6, 2025

Report of Independent Auditors

To the Board of Directors of Premier Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Premier Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statement of condition as of December 31, 2024, 2023, and 2022 and the related consolidated statements of comprehensive income, of changes in shareholders' 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 of 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

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assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Denver, Colorado
March 6, 2025

Consolidated Statement of Condition

(Dollars in Thousands)

	December 31		
	2024	2023	2022
ASSETS			
Loans	**$ 1,053,896**	$ 994,199	$ 931,065
Less allowance for loan losses	**1,161**	1,888	1,321
Net loans	**1,052,735**	992,311	929,744
Cash	**11,959**	17,973	11,878
Accrued interest receivable	**16,738**	14,413	11,862
Investment in CoBank, ACB	**24,643**	22,870	22,973
Premises and equipment, net	**997**	782	646
Other property owned	**272**	-	-
Prepaid benefit expense	**4,335**	4,520	4,865
Other assets	**6,515**	6,472	7,978
Total assets	**$ 1,118,194**	$ 1,059,341	$ 989,946
LIABILITIES			
Note payable to CoBank, ACB	**$ 856,551**	$ 796,455	$ 750,265
Advance conditional payments	**14,895**	32,121	23,621
Accrued interest payable	**2,804**	2,833	2,020
Patronage distributions payable	**7,250**	6,750	6,500
Accrued benefits liability	**975**	1,182	1,218
Reserve for unfunded commitments	**293**	200	272
Other liabilities	**3,726**	4,046	3,748
Total liabilities	**$ 886,494**	$ 843,587	$ 787,644
Commitments and Contingencies (See Note 13)			
SHAREHOLDERS' EQUITY			
Capital stock	**811**	828	821
Unallocated retained earnings	**231,328**	215,383	201,969
Accumulated other comprehensive income/(loss)	**(439)**	(457)	(488)
Total shareholders' equity	**231,700**	215,754	202,302
Total liabilities and shareholders' equity	**$ 1,118,194**	$ 1,059,341	$ 989,946

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the Year Ended December 31		
	2024	2023	2022
INTEREST INCOME			
Loans	**$ 63,645**	$ 56,945	$ 38,612
Total interest income	**63,645**	56,945	38,612
INTEREST EXPENSE			
Note payable to CoBank, ACB	**32,456**	27,478	14,084
Other	**556**	774	190
Total interest expense	**33,012**	28,252	14,274
Net interest income	**30,633**	28,693	24,338
Provision for credit losses/(Credit loss reversal)	**878**	1,268	(609)
Net interest income after provision for credit losses/(credit loss reversal)	**29,755**	27,425	24,947
NONINTEREST INCOME			
Financially related services income	**519**	572	522
Loan fees	**461**	546	477
Patronage distribution from Farm Credit institutions	**4,482**	4,407	4,187
Farm Credit Insurance Fund distribution	**275**	-	-
Mineral income	**485**	629	805
Other noninterest income	**119**	147	145
Total noninterest income	**6,341**	6,301	6,136
NONINTEREST EXPENSE			
Salaries and employee benefits	**6,466**	6,669	6,215
Occupancy and equipment	**400**	353	363
Purchased services from AgVantis, Inc.	**2,446**	2,309	2,187
Farm Credit Insurance Fund premium	**765**	1,269	1,306
Supervisory and examination costs	**407**	360	328
Other noninterest expense	**2,402**	2,386	2,177
Total noninterest expense	**12,886**	13,346	12,576
Income before income taxes	**23,210**	20,380	18,507
Provision for income taxes	**15**	10	16
Net income	**23,195**	20,370	18,491
COMPREHENSIVE INCOME			
Amortization of retirement costs	**102**	120	93
Actuarial loss in retirement obligation	**(84)**	(89)	(107)
Total comprehensive income	**$ 23,213**	$ 20,401	$ 18,477

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2021	$ 843	$ 189,978	$ (474)	$ 190,347
Comprehensive income		18,491	(14)	18,477
Stock issued	35			35
Stock retired	(57)			(57)
Patronage distributions: Cash		(6,500)		(6,500)
Balance at December 31, 2022	821	201,969	(488)	202,302
Comprehensive income		20,370	31	20,401
Stock issued	48			48
Stock retired	(41)			(41)
Patronage distributions: Cash		(6,750)		(6,750)
Cumulative effect of CECL adoption		(206)		(206)
Balance at December 31, 2023	828	215,383	(457)	215,754
Comprehensive income		23,195	18	23,213
Stock issued	31			31
Stock retired	(48)			(48)
Patronage distributions: Cash		(7,250)		(7,250)
Balance at December 31, 2024	**$ 811**	**$ 231,328**	**$ (439)**	**$ 231,700**

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

Consolidated Statement of Cash Flows

(Dollars in Thousands)

	For the Year Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 23,195**	$ 20,370	$ 18,491
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	**141**	124	126
Provision for credit losses/(Credit loss reversal)	**878**	1,268	(609)
Patronage stock from CoBank, ACB	**(64)**	(53)	(59)
Allocated patronage from AgVantis	**-**	(134)	(63)
Gains on sales of premises and equipment	**(40)**	(64)	-
Change in assets and liabilities:			
Increase in accrued interest receivable	**(2,325)**	(2,551)	(3,030)
Decrease/(Increase) in prepaid benefit expense	**185**	345	(989)
(Increase)/Decrease in other assets	**(32)**	1,634	(2,578)
Decrease/(Increase) in accrued interest payable	**(29)**	813	1,259
Decrease/(Increase) in accrued benefits liability	**(189)**	(5)	149
(Decrease)/Increase in other liabilities	**(320)**	298	(362)
Total adjustments	**(1,795)**	1,675	(6,156)
Net cash provided by operating activities	**21,400**	22,045	12,335
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	**(62,318)**	(64,113)	(79,715)
(Increase)/Decrease in investment in CoBank, ACB	**(1,720)**	162	676
Expenditures for premises and equipment	**(356)**	(260)	(75)
Proceeds from sales of premises and equipment	**40**	64	-
Proceeds from sales of other property owned	**837**	-	-
Net cash used in investing activities	**(63,517)**	(64,147)	(79,114)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net draw on note payable to CoBank, ACB	**60,096**	46,190	69,319
Decrease/(Increase) in advance conditional payments	**(17,226)**	8,500	4,523
Capital stock retired	**(48)**	(41)	(57)
Capital stock issued	**31**	48	35
Cash patronage distributions paid	**(6,750)**	(6,500)	(5,500)
Net cash provided by financing activities	**36,103**	48,197	68,320
Net (decrease)/increase in cash	**(6,014)**	6,095	1,541
Cash at beginning of year	**17,973**	11,878	10,337
Cash at end of year	**$ 11,959**	$ 17,973	$ 11,878
SUPPLEMENTAL CASH INFORMATION:			
Cash paid during the year for:			
Interest	**$ 33,041**	$ 27,439	$ 13,015
Income taxes	**$ 14**	$ 10	$ 16
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Patronage stock from CoBank, ACB	**$ 64**	$ 53	$ 59
Allocated patronage from AgVantis	**$ -**	$ 134	$ 63
Loans transferred to other property owned	**$ 1,109**	$ -	$ -
Net charge-offs/(recoveries)	**$ 1,512**	$ 979	$ (2)
Patronage distributions payable	**$ 7,250**	$ 6,750	$ 6,500
Change in accumulated other comprehensive income/(loss)	**$ 18**	$ 31	$ (14)

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

Notes To Consolidated Financial Statements

Note 1 – Organization and Operations

A. Organization: Premier Farm Credit, ACA and its subsidiaries, Premier Farm Credit, FLCA, (Federal Land Credit Association (FLCA)) and Premier Farm Credit, PCA, (Production Credit Association (PCA)), (collectively called "the Association") are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the counties of Logan, Morgan, Phillips, Sedgwick, Yuma, and Washington in the state of Colorado.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which 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 (the Farm Credit Act). At December 31, 2024, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank (System Banks), and 55 associations.

CoBank, ACB (funding bank or the "Bank"), its 16 related Agricultural Credit Associations (ACA), which each have two wholly owned subsidiaries (a FLCA and a PCA), and AgVantis, Inc. (AgVantis) are collectively referred to as the CoBank District (District). CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District Associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations and to CoBank.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and 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 institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) 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 (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. 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% of the aggregate Insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation, at its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which 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, their cooperatives, rural residents, and farm-related businesses.

The Association also serves as an intermediary in offering credit life insurance, multi-peril crop and crop hail insurance, advance conditional payment accounts, and provides additional services to borrowers such as leasing and fee appraisals.

The Association's financial condition may be impacted by factors affecting CoBank. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com; or may be obtained at no charge by contacting the Association at 202 Poplar Street, Sterling, Colorado 80751 or by calling (970) 522-5295. Upon request, Association shareholders will be provided with a copy of the CoBank Annual Report. The CoBank Annual Report discusses the material aspects of CoBank's and the District's financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties, and the impact of activities of the Insurance Corporation.

In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch, and others, and provides support services to System institutions on a fee basis.

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). The consolidated financial statements include the accounts of Premier Farm Credit, PCA and Premier Farm Credit, FLCA and reflect the investments in and allocated earnings of the service organizations in which the Association has partial ownership interests. Inter-company transactions have been eliminated in consolidation.

Use of Estimates

The accounting and reporting policies of the Association conform to GAAP and prevailing practices within the banking industry. 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.

Recently Issued 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 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, 2024. 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 but will impact the income tax disclosures.

Summary of the Association's Significant Accounting Policies

A. Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and 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 are loans for which there is reasonable doubt that all principal and interest will 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 in Note 3. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until the terms of the loan are modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred is collected or otherwise discharged in full.

   The Association purchases loan participations from other System entities to generate additional earnings and diversify risk. Additionally, the Association sells a portion of certain large loans to other System entities to reduce risk and comply with established lending limits. Loans are sold and the sale terms comply with requirements under Accounting Standards Codification (ASC) 860 "Transfers and Servicing."

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 that is considered uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (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 generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower 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. 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.

The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the Consolidated Statement of Condition. 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 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 term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral-dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. The Current Expected Credit Losses (CECL) guidance requires an entity to measure the expected credit losses of a collateral dependent loan based on fair value of the collateral at the reporting date when the Association 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.

B. Allowance for Credit Losses: Effective January 1, 2023, the Association adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” and other subsequently issued ASU’s related to credit losses. This ASU replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. Adoption of this accounting standard did not have a material impact on our financial statements.

This framework requires management to consider in its estimate of the allowance for credit losses (ACL), 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. The ACL comprises:

- the allowance for loan losses, which covers the loan portfolio and is presented separately on the Consolidated Statement of Condition and
- the reserve for unfunded commitments, which is presented separately on the Consolidated Statement of Condition.

Determining the appropriateness of the allowance 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 allowance for loan losses in those future periods.

The allowance for loan losses represents management’s estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums and discounts.

The Association employs a disciplined process and methodology to establish its allowance for loan losses 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 pooled component of the allowance for loan losses for loan pools 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 and the severity of loss given default. Loss given default is determined for each pool based on the aggregate net lifetime losses incurred within that pool. 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 loan is 90 days or more past due. Due to limited loss history across the portfolio, the Association used peer data within their quantitative adjustment component for loan pools that have experienced minimal loss history.

The pooled component of the allowance for loan losses 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 estimated credit losses in the existing portfolio.

The Association uses a single economic scenario over a reasonable and supportable forecast period of 12 months. Subsequent to the forecast period, the Association explicitly reverts to long run historical loss experience beyond the 12 months to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts are updated on a quarterly basis and incorporate macroeconomic variables, including agricultural commodity prices, unemployment rates, Gross Domestic Product (GDP) annual growth rates, government spending to GDP, real consumer spending, United States exports, inflation, and Fed Funds rates.

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 allowance for loan loss 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 several 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.

The Association evaluates the need for a reserve for unfunded commitments under CECL and if required, an amount is recognized and reported separately on the Consolidated Statement of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures and applying the loss factors used in the ACL methodology to the results of the usage calculation.

C. Cash: Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

D. Investment in CoBank: The Association's required investment in CoBank is in the form of Class A Stock. The minimum required investment is 3.00 percent of the prior one-year average direct loan volume. The investment in CoBank is comprised of patronage based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 7.00 percent of the prior ten-year average of such participations sold to CoBank.

E. 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 over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds 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.

F. Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. 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 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 Consolidated Statement of Income.

   We are also a member of a limited liability company which was formed to hold assets securing the loans of a former participation loan borrower who filed bankruptcy. Our equity interest in the LLC, which amounts to 0.44%, is accounted for at cost less any impairment as there is no readily determinable fair value. Because this ownership interest was acquired through foreclosure, it is reported as other property owned on our Consolidated Statement of Condition.

G. Other Assets and Other Liabilities: Other assets are comprised primarily of accounts receivable, prepaid expenses, and investment in Farm Credit institutions other than CoBank. Significant components of other liabilities primarily include accounts payable and employee benefits.

H. Advance Conditional Payments: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advance conditional payments are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in liabilities. Restricted advance conditional payments are primarily associated with mortgage loans, while unrestricted are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Advance conditional payments are not insured. Interest is generally paid by the Association on advance conditional payments.

I. Employee Benefit Plans: Substantially all employees of the Association participate in the Ninth Farm Credit District Pension Plan (Pension Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (401(k) Plan). The Pension Plan is a non-contributory defined benefit plan. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Pension Plan was closed to employees beginning January 1, 2007.

The 401(k) Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also participates in the Farm Credit Foundations Retiree Medical Plan. These postretirement benefits (other than pensions) are provided to eligible retired employees of the Association. The anticipated costs of these benefits were accrued during the period of the employee's active service. The authoritative accounting guidance requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

The Association also participates in the Ninth District nonqualified defined benefit Pension Restoration Plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the pension plan.

Certain eligible employees may also participate in a nonqualified deferred compensation plan where they are able to defer a portion of their compensation. The Association matches a certain percentage of employee contributions to the plan.

J. Patronage Distribution from CoBank: Patronage distributions from CoBank are accrued by the Association in the year earned and are included in Other Assets on the Consolidated Statement of Condition.

K. Income Taxes: As previously described, the Association conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a 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 taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws.

The Association elected 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 distributions. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. 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, the deferred tax assets 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.

Deferred income taxes have not been recorded by the Association on stock patronage distributions received from the Bank prior to January 1, 1993, the adoption date of accounting guidance on income taxes. Association management's intent is to permanently invest these and other undistributed earnings in CoBank, or if converted to cash, to pass through any such earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings.

L. Other Comprehensive Income/Loss: Other comprehensive income refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/loss refers to the balance of these transactions. The Association records other comprehensive income/loss associated with the liability under the Pension Restoration Plan. See Note 7 for further information.

M. Fair Value Measurement: Accounting 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 include assets held in trust funds which relate to the Association's deferred compensation plan and supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

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.

Level 3 — Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are 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. Level 3 assets include loans acquired in an acquisition or merger and other property owned.

The fair value disclosures are presented in Note 14.

N. 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 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Real estate mortgage	**$ 478,567**	$ 463,160	$ 449,720
Production and intermediate-term	**259,745**	218,718	202,603
Agribusiness	**199,689**	189,377	191,570
Rural infrastructure	**105,944**	113,002	78,115
Agricultural export finance	**9,951**	9,942	9,057
Total loans	**$ 1,053,896**	$ 994,199	$ 931,065

The Association purchases or sells loan participations with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present information regarding participations purchased and sold:

	December 31, 2024	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 66,308	$ 32,413
Production and intermediate-term	82,820	3,079
Agribusiness	196,015	–
Rural infrastructure	105,944	–
Agricultural export finance	9,951	–
Total	$ 461,038	$ 35,492

	December 31, 2023	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 51,307	$ 33,456
Production and intermediate-term	71,583	710
Agribusiness	185,477	–
Rural infrastructure	113,002	–
Agricultural export finance	9,942	–
Total	$ 431,311	$ 34,166

	December 31, 2022	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 47,435	$ 30,314
Production and intermediate-term	59,940	3,155
Agribusiness	188,835	–
Rural infrastructure	78,115	–
Agricultural export finance	9,057	–
Total	$ 383,382	$ 33,469

A substantial portion of the Association's loans are collateralized. 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 first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed or enhanced 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 loan to value ratios in excess of the regulatory maximum.

Credit enhancements with federal government agencies of $15.7 million at year-end 2024, $16.3 million at year-end 2023, and $16.7 million at year-end 2022 were outstanding. The Association utilizes Farm Service Agency (FSA) 90% or 95% loan guarantees when appropriate to manage credit risk. The United States Government guarantees to pay 90% to 95%, depending on the percent guaranteed, of any loss incurred on the FSA guaranteed loans.

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. 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, and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions, and values that make collection in

full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans classified under the FCA Uniform Loan Classification system as a percentage of total loans by loan type as of December 31.

	2024	2023	2022[1]
Real estate mortgage			
Acceptable	**94.36%**	95.75%	97.05%
OAEM	**4.52%**	3.78%	2.36%
Substandard	**1.12%**	0.47%	0.59%
Total	**100.00%**	100.00%	100.00%
Production and intermediate-term			
Acceptable	**93.94%**	96.92%	95.73%
OAEM	**5.17%**	2.23%	2.69%
Substandard	**0.89%**	0.85%	1.58%
Total	**100.00%**	100.00%	100.00%
Agribusiness			
Acceptable	**93.65%**	96.44%	96.97%
OAEM	**3.47%**	1.33%	0.25%
Substandard	**2.65%**	2.23%	2.78%
Doubtful	**0.23%**	–	–
Total	**100.00%**	100.00%	100.00%
Rural infrastructure			
Acceptable	**94.97%**	94.79%	100.00%
OAEM	**3.91%**	5.21%	–
Substandard	**1.12%**	–	–
Total	**100.00%**	100.00%	100.00%
Agricultural export finance			
Acceptable	**100.00%**	100.00%	100.00%
Total	**100.00%**	100.00%	100.00%
Total Loans			
Acceptable	**94.24%**	96.07%	97.02%
OAEM	**4.38%**	3.10%	1.78%
Substandard	**1.34%**	0.83%	1.20%
Doubtful	**0.04%**	–	–
Total	**100.00%**	100.00%	100.00%

[1] Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. These nonperforming assets are as follows:

(dollars in thousands)	**2024**	2023	2022
Nonaccrual loans:			
Production and intermediate-term	**$ –**	$ 1,588	$ –
Agribusiness	**1,737**	–	2,884
Total nonaccrual loans	**$ 1,737**	$ 1,588	$ 2,884
Other property owned	**272**	–	–
Total nonperforming assets	**$ 2,009**	$ 1,588	$ 2,884
Nonaccrual loans to total loans	**0.16%**	0.16%	0.31%
Nonperforming assets to total loans	**0.19%**	0.16%	0.31%
Nonperforming assets to total shareholders' equity	**0.87%**	0.74%	1.43%

The Association had no accruing loans 90 days past due for the years presented.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual loans during the years presented:

	December 31, 2024			
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Production and intermediate-term	$ –	$ –	$ –	$ 3
Agribusiness	–	1,737	1,737	–
Total	$ –	$ 1,737	$ 1,737	$ 3

	December 31, 2023			
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Real estate mortgage	$ –	$ –	$ –	$ 18
Production and intermediate-term	301	1,287	1,588	29
Agribusiness	–	–	–	168
Total	$ 301	$ 1,287	$ 1,588	$ 215

Accrued interest receivable on loans of $16.7 million at December 31, 2024 and $14.4 million at December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. The Association wrote off accrued interest receivable of $37 thousand during 2024 and $50 thousand during 2023.

The following tables provide an age analysis of past due loans at amortized cost.

	December 31, 2024					
(dollars in thousands)	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	90 Days or More Past Due and Accruing
Real estate mortgage	$ 8,159	$ –	$ 8,159	$ 470,408	$ 478,567	$ –
Production and intermediate-term	96	–	96	259,649	259,745	–
Agribusiness	6,159	241	6,400	193,289	199,689	–
Rural infrastructure	–	–	–	105,944	105,944	–
Agricultural export finance	–	–	–	9,951	9,951	–
Total	$ 14,414	$ 241	$ 14,655	$ 1,039,241	$ 1,053,896	$ –

	December 31, 2023					
(dollars in thousands)	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	$ –	$ –	$ –	$ 463,160	$ 463,160	$ –
Production and intermediate-term	1,748	–	1,748	216,970	218,718	–
Agribusiness	–	–	–	189,377	189,377	–
Rural infrastructure	–	–	–	113,002	113,002	–
Agricultural export finance	–	–	–	9,942	9,942	–
Total	$ 1,748	$ –	$ 1,748	$ 992,451	$ 994,199	$ –

Prior to the adoption of CECL, the age analysis of past due loans included accrued interest as follows:

	December 31, 2022					
(dollars in thousands)	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	$ –	$ –	$ –	$ 457,223	$ 457,223	$ –
Production and intermediate-term	–	–	–	205,929	205,929	–
Agribusiness	985	–	985	191,403	192,388	–
Rural infrastructure	–	–	–	78,261	78,261	–
Agricultural export finance	–	–	–	9,126	9,126	–
Total	$ 985	$ –	$ 985	$ 941,942	$ 942,927	$ –

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon the adoption of the guidance, “Financial Instruments – Credit Losses, Troubled Debt Restructurings and Vintage Disclosure”, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

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.

	Term Extension			
	For the Year Ended December 31			
(dollars in thousands)	**2024**	% of Portfolio Segment	2023	% of Portfolio Segment
Production and intermediate-term	**$ 627**	0.24%	$ 197	0.09%
Agribusiness	**–**	–	466	0.25%
Total	**$ 627**		$ 663	

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was $67 thousand as of December 31, 2024 and $7 thousand as of December 31, 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the years presented:

	Weighted-Average Term Extension (in Months)	
	2024	2023
Production and intermediate-term	**12.0**	12.0
Agribusiness	**–**	24.0

None of the loans to borrowers experiencing financial difficulty that received a payment modification during the year ended December 31, 2024 or December 31, 2023 experienced a subsequent default.

The following tables set forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the periods presented:

	December 31, 2024		
	Payment Status of Loans Modified in the Past Twelve Months		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 627	$ –	$ –
Total	$ 627	$ –	$ –

	December 31, 2023		
	Payment Status of Loans Modified in the Past Twelve Months		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 197	$ –	$ –
Agribusiness	466	–	–
Total	$ 663	$ –	$ –

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $1.1 million at December 31, 2024 and $404 thousand at December 31, 2023.

Troubled Debt Restructuring

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 Association had no troubled debt restructures during 2022.

Credit Quality – Prior to CECL Adoption

Additional impaired loan information for periods prior to CECL adoption is as follows:

(dollars in thousands)	Recorded Investment at 12/31/22	Unpaid Principal Balance*	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Agribusiness	$ 2,838	$ 2,911	$ 592	$ 902	$ –
Total	$ 2,838	$ 2,911	$ 592	$ 902	$ –
Impaired loans with no related allowance for credit losses:					
Agribusiness	$ 46	$ 60		$ 311	$ 8
Total	$ 46	$ 60		$ 311	$ 8
Total impaired loans:					
Agribusiness	$ 2,884	$ 2,971	$ 592	$ 1,213	$ 8
Total	$ 2,884	$ 2,971	$ 592	$ 1,213	$ 8

* Unpaid principal balance represents the recorded principal balance of the loan

Interest income on impaired loans that would have been recognized under the original terms of the loans follows.

(dollars in thousands)	For the Year Ended December 31, 2022
Interest income which would have been recognized under the original loan terms	$ 120
Less: interest income recognized	8
Interest income not recognized	$ 112

Allowance for Credit Losses

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

(dollars in thousands)	Balance at December 31, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at December 31, 2024
Real estate mortgage	$ 40	$ –	$ –	$ 5	$ 45
Production and intermediate-term	600	398	4	359	565
Agribusiness	105	1,120	2	1,112	99
Rural infrastructure	1,143	–	–	(691)	452
Total	$ 1,888	$ 1,518	$ 6	$ 785	$ 1,161

Effective January 1, 2023, the Association adopted the CECL accounting guidance as described in Note 2.

(dollars in thousands)	Balance at December 31, 2022	Cumulative Effect of CECL Adoption	Balance at January 1, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at December 31, 2023
Real estate mortgage	$ 87	$ (44)	$ 43	$ –	$ –	$ (3)	$ 40
Production and intermediate-term	241	(85)	156	830	3	1,271	600
Agribusiness	920	91	1,011	223	71	(754)	105
Rural infrastructure	71	228	299	–	–	844	1,143
Agricultural export finance	2	(2)	–	–	–	–	–
Total	$ 1,321	$ 188	$ 1,509	$ 1,053	$ 74	$ 1,358	$ 1,888

For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at December 31, 2022
Real estate mortgage	$ 246	$ –	$ –	$ (159)	$ 87
Production and intermediate-term	687	1	3	(448)	241
Agribusiness	670	–	–	250	920
Rural infrastructure	243	–	–	(172)	71
Agricultural export finance	24	–	–	(22)	2
Total	$ 1,870	$ 1	$ 3	$ (551)	$ 1,321

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on our Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses.

A summary of changes in the reserve for unfunded commitments follows:

	For the Year Ended December 31		
(dollars in thousands)	**2024**	2023	2022
Balance at beginning of period	**$ 200**	$ 272	$ 330
Cumulative effect of CECL adoption		18	
Balance at January 1		$ 290	
Provision for/(Reversal of) reserve for unfunded commitments	**93**	(90)	(58)
Total	**$ 293**	$ 200	$ 272

NOTE 4 – INVESTMENT IN COBANK

At December 31, 2024, the Association's investment in CoBank is in the form of Class A stock with a par value of $100.00 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. In 2022, the requirement for capitalizing the Association's direct loan from CoBank changed from 4.00 percent of the Association's prior five-year average direct loan volume to 3.00 percent of the prior one-year average direct loan volume. The current requirement for capitalizing patronage-based participation loans sold to CoBank is 7.00 percent of the Association's prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan, patronage from CoBank related to these participations sold is paid 75 percent cash and 25 percent Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 0.57 percent of the outstanding common stock of CoBank at December 31, 2024, compared with 0.56 percent in 2023 and 0.58 percent in 2022.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Land	**$ 290**	$ 290	$ 290
Building(s) and leasehold improvements	**2,410**	2,411	2,411
Furniture, equipment, and automobiles	**1,131**	1,032	916
Software development in progress	**144**	–	–
	3,975	3,733	3,617
Less: accumulated depreciation	**2,978**	2,951	2,971
Total	**$ 997**	$ 782	$ 646

NOTE 6 – NOTE PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA). According to the agreement, the aggregate outstanding amount of principal and accrued interest shall not at any time exceed the line of credit. The GFA is subject to periodic renewals in the normal course of business. The GFA will mature on May 31, 2025. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2024. Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Line of credit	**$ 900,000**	$ 850,000	$ 800,000
Outstanding principal and accrued interest balance	**$ 859,290**	$ 799,116	$ 752,214
Average outstanding principal balance under the line of credit	**$ 803,290**	$ 745,930	$ 697,243
Weighted average interest rate	**4.04%**	3.68%	2.02%

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. Other than the funding relationship with the Bank, and our advanced conditional payments, the Association has no other uninsured or insured debt. See Note 2 for additional information. CoBank, consistent with FCA regulations, has 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, the Association's notes payable was within the specified limitations.

The Association has the opportunity to commit loanable funds with CoBank under a variety of programs at either fixed or variable rates for specified timeframes. Participants in the program receive a credit on the committed loanable funds balance classified as a reduction of interest expense. These committed funds are netted against the note payable to the Bank. The average committed funds as of December 31 are as follows:

(dollars in thousands)	**2024**	2023	2022
Average committed funds	**$ 213,662**	$ 214,799	$ 198,202
Average rates	**4.05%**	3.81%	1.65%

NOTE 7 – SHAREHOLDERS' EQUITY

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

A. Capital Stock

In accordance with the Farm Credit Act, each borrower is required to invest in the Association as a condition of borrowing. The borrower normally acquires ownership of the stock at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. The Association has a first lien on the stock owned by its borrowers. 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 stock. Our bylaws generally permit stock to be retired at the discretion of the Board of Directors and in compliance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2024, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00 percent to 10.00 percent of the borrower's combined loan volume. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, the Association has a stock requirement of the lesser of one thousand dollars or 2.00 percent of the amount of the borrower's combined loan volume.

B. Regulatory Capitalization Requirements and Restrictions

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. The following sets forth the regulatory capital ratio requirements and ratios at December 31.

Ratio	Primary Components of Numerator	Denominator	2024	2023	2022	Minimum with Buffer	Minimum Requirement
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE) and common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	17.76%	17.59%	17.08%	7.0%	4.5%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	17.76%	17.59%	17.08%	8.5%	6.0%
Total Capital	Tier 1 Capital, allowance for loan losses[2], other common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	17.98%	17.81%	17.22%	10.5%	8.0%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	19.63%	19.46%	18.98%	5.0%	4.0%
URE and URE Equivalents Leverage	URE and URE Equivalents	Total assets	19.55%	19.38%	18.89%	–	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	17.80%	17.63%	17.10%	–	7.0%

[1] Equities subject to a minimum redemption or revolvement period of 7 or more years
[2] Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments
[3] Equities subject to a minimum redemption or revolvement period of 5 or more, but less than 7 years
[4] Equities subject to a minimum redemption or revolvement period of 5 or more years

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 Board of Directors has established, adopted, and maintains a formal Capital Adequacy Plan for the Association. The Capital Adequacy Plan establishes minimum capital standards to protect against credit and other general risks which are inherent in the Association's operations. These minimum standards are established above regulatory minimums which would allow the Association to react to a stressed capital environment before regulatory minimums are reached. The Association retires protected stock as established by Association Bylaws provided that the Association shall not retire stock if the action would result in failure of the Association to meet minimum capital requirements. The Association may also be subject to capital calls by CoBank to meet capital requirements for its joint and several liability obligations under the Farm Credit Act and regulations.

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

C. Description of Equities

The following paragraphs describe the attributes of each class of stock authorized by the Association bylaws and indicate the number of shares outstanding at December 31, 2024. Unless otherwise indicated, all classes of stock have a par value of $5.00. All classes of stock are transferable to any holder to which such respective classes of stock may be issued. Refer to the MDA Capital Resources discussion for further information.

Class A Preferred Stock (Nonvoting, at-risk, no shares outstanding) - Represents Association retained earnings, dividends, or patronage distributions allocated on or after October 6, 1988. This stock may also represent Class B or Class C Common Stock of a borrower which automatically converts to Class A two years after repayment of the loan in full. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations.

Class B Common Stock (Voting, at-risk, 159,702 shares outstanding) - Issued on or after October 6, 1988, for farm and ranch loans. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations. If the Association is unable to retire Class B Common Stock, or if the borrower elects to keep his/her investment in the Association after repayment of the loan in full, the stock must be converted to Class A Preferred Stock within two years.

Class C Common Stock (Nonvoting, at-risk, 2,360 shares outstanding) - Issued on or after October 6, 1988, for farm-related and rural home loans and to other persons or organizations who are eligible to borrow but are not eligible to hold voting stock. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations. If the Association is unable to retire Class C Common Stock, or if the borrower elects to keep his/her investment in the Association after repayment of the loan in full, the stock must be converted to Class A Preferred Stock within two years.

Class D Investor Stock (Nonvoting, at-risk, no shares outstanding, par value of 1,000 dollars) – Shall be issued only to CoBank. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations.

Class E Preferred Stock (Nonvoting, at-risk, no shares outstanding, par value as may be determined by any agreement of financial assistance between the Association and CoBank) - Issued only to CoBank in consideration of financial assistance to the Association from CoBank. Retirement is at the sole discretion of the Board of Directors. Class E Preferred Stock shall be retired in accordance with the provisions of any agreement entered into between the Association and CoBank in consideration of CoBank providing financial assistance to the Association.

Class F Common Stock (Voting, protected, no shares outstanding) - Issued prior to October 6, 1988, to borrowers entitled to vote. It must be retired at par value upon repayment of the loan unless the borrower elects to retain his/her investment in the Association. If so, the stock must be converted to Class G Common Stock within two years after loan repayment in full. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations.

Class G Common Stock (Nonvoting, protected, no shares outstanding) - Formerly participation certificates, this represents stock issued prior to October 6, 1988, to rural residence borrowers and others not eligible to vote. This stock may also represent Class F Common Stock of a borrower which automatically converts to Class G Common Stock two years after repayment of the loan in full. It must be retired at par value upon repayment of the loan unless the borrower elects to retain his/her investment in the Association. Retirement is at the sole discretion of the Board of Directors provided that the Association will continue to meet minimum capital adequacy requirements as established under Regulations.

If at any time the Association does not meet the minimum capital adequacy standards established by FCA, all stock required to be purchased as a condition of obtaining a loan shall be purchased from the Association and may not be purchased from persons other than the Association.

The changes in the number of shares of capital stock outstanding during 2024 are summarized in the following table.

(*Shares in whole numbers)*	Capital
Shares outstanding at December 31, 2023	165,536
Issuances	6,066
Retirements	(9,540)
Shares outstanding at December 31, 2024	162,062

D. Patronage and/or Dividends

Dividends may be declared or patronage distributions allocated to holders of Class B, C, F, and G Stock, System institutions, and non-System institutions with or for whom the Association conducts certain business transactions out of the whole or any part of net earnings which remain at the end of the fiscal year, as the Board of Directors may determine, in accordance with the regulations for banks and associations of the System. However, distributions and retirements are precluded by regulation until the minimum capital adequacy standards have been attained. Amounts not distributed are retained as unallocated retained earnings. The Association made a cash patronage distribution of $6.8 million in 2024, $6.5 million in 2023, and $5.5 million in 2022. The Association declared a patronage distribution of $7.3 million in 2024 to be paid in 2025.

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to retire stock in the following order of priority: first, pro rata to all classes of preferred stock; second, pro rata to all classes of common stock; third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance; fourth, to the holders of allocated surplus evidenced by non-qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance. Any remaining assets of the Association after such distributions shall be distributed to present and former patrons on a patronage basis, to the extent practicable.

At each year end, the Board of Directors evaluates whether to retain the Association’s net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. For 2024, the Association allocated 31.34 percent of its patronage-sourced net income to its patrons.

E. Accumulated Other Comprehensive Income/Loss

The Association reports accumulated other comprehensive income/loss in its Consolidated Statement of Changes in Shareholders’ Equity. As more fully described in Note 2, accumulated other comprehensive income/loss results from the recognition of the Pension Restoration Plan’s net unamortized gains and losses and prior service costs or credits. The Association had accumulated other comprehensive loss of $439 thousand in 2024, $457 thousand in 2023, and $488 thousand in 2022. There were no other items affecting comprehensive income or loss.

The following table presents activity in the accumulated other comprehensive income/(loss), net of tax by component:

(dollars in thousands)	**2024**	2023	2022
Pension and other benefit plans:			
Beginning balance	**$ (457)**	$ (488)	$ (474)
Other comprehensive loss before reclassifications	**(84)**	(89)	(107)
Amounts reclassified from accumulated other comprehensive loss	**102**	120	93
Net current period other comprehensive income/(loss)	**18**	31	(14)
Year-end balance	**$ (439)**	$ (457)	$ (488)

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)			Location of Gain/Loss Recognized in Statement of Income
	December 31			
(dollars in thousands)	**2024**	2023	2022	
Pension and other benefit plans: Net actuarial loss	**$ 102**	$ 120	$ 93	Salaries and employee benefits
Total reclassifications	**$ 102**	$ 120	$ 93	

NOTE 8 – PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association follows.

(dollars in thousands)	**2024**	2023	2022
CoBank	**$ 4,469**	$ 4,128	$ 4,115
AgVantis	**–**	268	63
Farm Credit Foundations	**13**	11	9
Total	**$ 4,482**	$ 4,407	$ 4,187

Patronage distributed from CoBank was in cash and stock. The amount earned in 2024 was accrued and will be paid by CoBank in March 2025. The Association received additional patronage distributions from CoBank of $600 thousand in 2024, $556 thousand in 2023, and $674 thousand in 2022 due to CoBank's strong capital levels and financial results. The amounts earned and accrued in 2023 and 2022 were paid by CoBank in March of the following year.

In 2023 and 2022, patronage distribution from AgVantis was in the form of a notice of allocation. In 2023, 50 percent was distributed in cash with the remainder recorded as an investment in AgVantis and included in other assets on the Consolidated Statement of Condition. The entire patronage allocation in 2022 was recorded as an investment in AgVantis. There was no patronage distribution in 2024.

Patronage distributed by Farm Credit Foundations was accrued at the end of the year and will be paid in March 2025. Farm Credit Foundations, a human resource service provider for several Farm Credit institutions, provides our payroll and human resource services.

NOTE 9 – INCOME TAXES

The provision for income taxes follows.

	Year Ended December 31		
(dollars in thousands)	**2024**	2023	2022
Current:			
Federal	**$ 13**	$ 10	$ 14
State	**2**	–	2
Provision for income taxes	**$ 15**	$ 10	$ 16

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 as follows.

	Year Ended December 31		
(dollars in thousands)	**2024**	2023	2022
Federal tax at statutory rate	**$ 4,874**	$ 4,280	$ 3,886
State tax, net	**2**	–	2
Effect of non-taxable entity	**(4,583)**	(4,045)	(3,628)
Change to valuation allowance	**(284)**	(5)	(67)
Patronage refunds	**9**	(217)	(177)
Other	**(3)**	(3)	–
Provision for income taxes	**$ 15**	$ 10	$ 16

Deferred tax assets and liabilities are comprised of the following.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Deferred income tax assets:			
Allowance for loan losses	**$ 85**	$ 44	$ 66
Depreciation	**85**	88	84
Gross deferred tax assets	**$ 170**	$ 132	$ 150
Less: valuation allowance	**(18)**	(8)	(29)
Deferred tax assets, net of valuation allowance	**$ 152**	$ 124	$ 121
Deferred income tax liabilities:			
Bank patronage allocation	**$ (147)**	$ (118)	$ (115)
Investment in partnership	**(5)**	(6)	(6)
Gross deferred tax liability	**$ (152)**	$ (124)	$ (150)
Net deferred tax asset/(liability)	**$ –**	$ –	$ –

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

The Association recorded a valuation allowance of $18 thousand in 2024, $8 thousand in 2023, and $29 thousand in 2022. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The Association has no uncertain tax positions as of December 31, 2024, 2023, or 2022. The Association recognizes interest and penalties related to unrecognized tax positions as an adjustment to income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

NOTE 10 – EMPLOYEE BENEFIT PLANS

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

The defined benefit pension plan reflects a funded asset totaling $26.2 million at December 31, 2024. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels.

The projected benefit obligation and fair value of plan assets at December 31 are as follows:

(dollars in thousands)	**2024**	2023	2022
Projected benefit obligation	**$ 248,022**	$ 282,229	$ 271,871
Fair value of plan assets	**274,254**	298,406	281,505

The amount of the pension benefits funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding.

Costs and contributions for the plan at December 31 are as follows:

(dollars in thousands)	**2024**	2023	2022
Plan expenses:			
All participating employers	**$ 6,069**	$ 11,637	$ 8,079
Association's allocated share (included in salaries and benefits)	**455**	668	519
Plan contributions:			
All participating employers	**$ 2,200**	$ 4,000	$ 30,000
Association's allocated share	**269**	323	1,508

While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. There are no employer or Association contributions expected to be paid into the pension plans during 2025. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical Plan to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits) included in salaries and employee benefits were expense of $2 thousand in 2024, $1 thousand in 2023, and income of $2 thousand in 2022. The Association made cash contributions of $6 thousand in 2024, 2023, and 2022.

The Association participates in a non-qualified defined benefit Pension Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Pension Restoration Plan are offset by the benefits payable from the Pension Plan. Pension Restoration Plan expenses included in salaries and employee benefits were $167 thousand in 2024, $198 thousand in 2023, and $158 thousand in 2022.

The funding status and the amounts recognized in the Consolidated Statement of Condition for the Association's Pension Restoration Plan follows:

	Nonqualified Pension Restoration Benefits		
(dollars in thousands)	**2024**	2023	2022
Change in benefit obligation:			
Benefit obligation at the beginning of the period	**$ 1,167**	$ 1,198	$ 1,025
Service cost	**7**	24	45
Interest cost	**57**	54	21
Actuarial loss	**84**	89	107
Benefits paid	**(352)**	(198)	–
Benefit obligation at the end of the period	**$ 963**	$ 1,167	$ 1,198
Change in plan assets:			
Company contributions	**$ 352**	$ 198	$ –
Benefits paid	**(352)**	(198)	–
Fair value of plan assets at the end of the period	**$ –**	$ –	$ –
Funded Status of the plan	**$ (963)**	$ (1,167)	$ (1,198)
Amounts recognized in the Consolidated Statement of Condition consist of:			
Liabilities	**$ 963**	$ 1,167	$ 1,198
Net amount recognized	**$ 963**	$ 1,167	$ 1,198

The following table represents the amounts included in accumulated other comprehensive income/loss for the Pension Restoration Plan at December 31:

(dollars in thousands)	**2024**	2023	2022
Net actuarial loss	**$ (439)**	$ (457)	$ (488)
Total amount recognized in AOCI/(loss)	**$ (439)**	$ (457)	$ (488)

An estimated net actuarial loss of $112 thousand for the Pension Restoration Plan will be amortized into income over the next year.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

(dollars in thousands)	**2024**	2023	2022
Accumulated benefit obligation	**$ 963**	$ 1,166	$ 1,152
Fair value of plan assets	**$ –**	$ –	$ –

Information for pension plans with a projected benefit obligation in excess of plan assets:

(dollars in thousands)	**2024**	2023	2022
Projected benefit obligation	**$ 963**	$ 1,167	$ 1,198
Fair value of plan assets	**$ –**	$ –	$ –

The net periodic pension expense for the Pension Restoration Plan included in the Consolidated Statement of Comprehensive Income is comprised of the following at December 31.

	Nonqualified Pension Restoration Benefits		
(dollars in thousands)	**2024**	2023	2022
Components of net periodic benefit cost			
Service cost	**$ 7**	$ 24	$ 45
Interest cost	**57**	54	20
Net amortization and deferral	**102**	120	93
Net periodic benefit cost	**$ 166**	$ 198	$ 158

Changes in benefit obligation recognized in accumulated other comprehensive income/(loss) are included in the following table.

(dollars in thousands)	**2024**	2023	2022
Current year net actuarial loss	**$ (84)**	$ (89)	$ (107)
Amortization of net actuarial loss	**102**	120	93
Total recognized in other comprehensive income/(loss)	**$ 18**	$ 31	$ 14

Actuarial losses in 2024, 2023, and 2022 were primarily due to changes in plan experience, discount rate, and the plan demographics.

Weighted average assumptions used to determine benefit obligation at December 31:

	Nonqualified Pension Restoration Benefits		
	2024	2023	2022
Discount rate	**4.90%**	4.99%	4.57%
Rate of compensation increase	**7.10%**	7.10%	7.10%
Interest crediting rate	**5.00%**	5.00%	5.00%

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Nonqualified Pension Restoration Benefits		
	2024	2023	2022
Discount rate			
Projected benefit obligation	**4.99%**	4.57%	2.14%
Service cost	**5.05%**	4.70%	2.38%
Interest cost	**5.04%**	4.60%	2.00%
Rate of compensation increase	**7.10%**	7.10%	5.40%
Interest crediting rate	**5.00%**	5.00%	5.00%

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(dollars in thousands)	Pension Restoration Benefits
2025	$ 457
2026	$ 457
2027	$ 106
2028	$ –
2029	$ –
2030 – 2034	$ –

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions to the plan. Employer contributions to the Contribution Plan were $353 thousand in 2024, $348 thousand in 2023, and $337 thousand in 2022.

NOTE 11 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families, and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and all employees must be maintained at an Acceptable or OAEM credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within a year. If not, the director or employee must resign from the Board of Directors or employment.

Loan information for directors, senior officers, and their related parties for the years ended December 31 is shown below.

(dollars in thousands)	**2024**	2023	2022
Beginning balance	**$ 47,921**	$ 41,674	$ 45,968
New loans	**90,827**	101,031	86,105
Repayments	**(85,545)**	(94,473)	(91,056)
Reclassifications[1]	**(12,470)**	(311)	657
Ending balance	**$ 40,733**	$ 47,921	$ 41,674

[1] Represents loans that were once considered related party, but are no longer considered related party, or loans that were not related party that subsequently became related party loans.

In the opinion of management, none of the loans outstanding to officers and directors at December 31, 2024 involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities. The Association paid $2.4 million in 2024, $2.3 million in 2023, and $2.2 million in 2022 to AgVantis for technology services and $26 thousand in 2024, $14 thousand in 2023, and $11 thousand in 2022 to CoBank for operational services. One Association officer serves as an AgVantis director. The Association paid $168 thousand in 2024, $151 thousand in 2023, and $125 thousand in 2022 to Foundations for human resource services.

NOTE 12 – REGULATORY ENFORCEMENT MATTERS

As of December 31, 2024, there were no enforcement actions in effect for the Association and FCA took no enforcement on the Association during the year.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit and commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated 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 by the borrower. At December 31, 2024, $291.6 million of commitments to extend credit and $86 thousand of 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 Statement of Condition 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 these commitments, 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 credits to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, $2.1 million of standby letters of credit were outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2025 to 2039. The maximum potential amount of future payments the Association is required to make under the guarantees is $2.1 million. The Association primarily participates in two types of standby letters of credits to meet the needs of its borrowers. Letters of credit issued to direct borrowers typically facilitate payment guarantees to third parties such as the payment of cash rent to a landlord. If the borrower failed to make such payment, the Association could be obligated to advance on the letter of credit. Similarly, the Association participates in letters of credit within our purchased loan portfolio. These arrangements typically guarantee the availability of credit to large corporate customers with strong credit ratings. The Association individually analyzes each standby letter of credit using relevant credit underwriting standards and had no outstanding loan volume issued against standby letters of credit as of the date of the statement of financial position.

NOTE 14 – 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. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

Assets measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized as follows:

	Fair Value Measurement Using			Total Fair Value
(dollars in thousands)	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
2024	**$ 838**	**$ –**	**$ –**	**$ 838**
2023	$ 820	$ –	$ –	$ 820
2022	$ 681	$ –	$ –	$ 681

The Association has no liabilities measured at fair value on a recurring basis for the periods presented. Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized as follows:

	Fair Value Measurement Using			Total Fair Value
(dollars in thousands)	Level 1	Level 2	Level 3	
Assets:				
2024				
Loans	**$ –**	**$ –**	**$ 453**	**$ 453**
Other property owned	**$ –**	**$ –**	**$ 292**	**$ 292**
2023				
Loans	$ –	$ –	$ 1,130	$ 1,130
2022				
Loans	$ –	$ –	$ 2,246	$ 2,246

The Association has no liabilities measured at fair value on a non-recurring basis for any of the periods presented. During the three years presented, the Association recorded no transfers in or out of Level 3 and no purchases or issuances.

Valuation Techniques

As more fully discussed in Note 2, 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, 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 presents a brief summary of the valuation techniques used by the Association for assets and liabilities subject to fair value measurement:

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans. 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. These loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the collateral, 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 15 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 6, 2025, which is the date the financial statements were issued, and no material subsequent events were identified.

DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS (UNAUDITED)

(Amounts in Whole Dollars)

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in, and 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 financial statements, "Organization and Operations," included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference from "Management's Discussion and Analysis" (MD&A) included in this annual report to shareholders.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding the properties of the Association:

Location	Description	Form of Ownership
202 Poplar Street Sterling, Colorado 80751	Office Building (Administrative Office)	Owned
229 South Third Street Sterling, Colorado 80751	Office Building	Owned
225 East Railroad Avenue Ft. Morgan, Colorado 80701	Office Building	Owned
700 West Eighth Avenue Yuma, Colorado 80759	Office Building	Owned
143 South Campbell, Suite 100 Holyoke, Colorado 80734	Office Building	Leased*
210 North 2nd Street Sterling, Colorado 80751	Vacant	Owned

* *Automatically* renewable *month-to-month lease, currently leased for $1,000.00 per month.*

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information required to be disclosed in this section is incorporated herein by reference from Note 12 to the financial statements, "Regulatory Enforcement Matters," and Note 13 to the financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference from Note 7 to the financial statements, "Shareholders' Equity," included in this annual report to shareholders.

DESCRIPTION OF LIABILITIES

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 6 to the financial statements, "Note Payable to CoBank," included in this annual report to shareholders.

The description of advance conditional payments is incorporated herein by reference to Note 2 to the financial statements, "Summary of Significant Accounting Policies," included in this annual report to shareholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 13 included in this annual report to shareholders.

SELECTED FINANCIAL DATA

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," which appears within this annual report to shareholders and is required to be disclosed in this section, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The following represents certain information regarding the directors and senior officers of the Association.

DIRECTORS

Rebecca K.W. Lenz	Chair, representing the South Region. Three-year term expires in 2025. Mrs. Lenz serves on the Compensation, Risk and Governance, and Executive Committees. She also serves on the Association District Leadership Committee and is the District Farm Credit Council Representative. Mrs. Lenz has been a farmer/rancher for five years or more with principal enterprises of corn, potatoes, dry edible beans, wheat, and a cow/calf and backgrounding operation. Her reportable business entities include Six by Two Land Company, LLLP, Six by Two Livestock, LLC, Eagle Acres, LLC, Barkwell, LLC, KMN Enterprises, LLC, Full House, LLLP, Royal Flush Farms, LLC, and H & P Enterprises, LLC. She serves as Controller for several family farm entities in addition to being a certified Annie's Project trainer. Mrs. Lenz holds a B.S. from Colorado School of Mines.
Randall W. Kirkwood	Vice Chair, representing the Northeast Region. Three-year term expires in 2026. Mr. Kirkwood serves as a member of the Executive, Audit, Compensation, and Risk and Governance Committees. He has been a farmer/rancher for five years or more with principal enterprises of dryland wheat and a cow/calf operation. Mr. Kirkwood's reportable business entities include Kirkwood Farm and JRRD, LLC. He serves as the Associate Pastor at LeRoy Community Church and is the Fleming High School Girls' and Boys' Basketball Coach. Mr. Kirkwood holds an A.A.S. from Northeastern Junior College.
Rodney A. Boerner	Director, representing the Northeast Region. Three-year term expires in 2027. Mr. Boerner serves on the Compensation Committee and is Vice Chair of the Risk and Governance Committee. He has been a farmer/rancher for five years or more with principal enterprises of dryland/irrigated wheat, millet, corn, and yearling steers. His reportable business entity is Boerner Farms. Mr. Boerner serves on the FSA County Committee for Logan County and also works as an accountant for a local accounting firm during the winter months. Mr. Boerner holds a B.S. in General Agriculture from Colorado State University.
Michael J. Brownell	Outside Appointed Director. Three-year term expires in 2025. Mr. Brownell is from Fleming, Colorado and serves on the Audit, Compensation, and Risk and Governance Committees. He is a retired Professor who taught Agriculture Business Management and Agronomy for over 22 years at Northeast Junior College. Mr. Brownell has been a farmer for five years or more with principal enterprises of wheat and millet. Mr. Brownell was re-elected in November 2024 to serve as a Logan County Commissioner. His reportable business entities include NCS Management Systems, Brownell Farms, Inc., and Ace Pilot Car Service, LLC. Mr. Brownell holds a B.S. from Colorado State University.
Andrew E. Gerken	Director, representing the Northwest Region. Three-year term expires in 2026. Mr. Gerken serves on the Compensation Committee and serves as Chair of the Risk and Governance Committee. He has been a farmer/rancher for five years or more with principal enterprises of corn, alfalfa, and a cow/calf operation. His reportable business entities include 3 Sons, LLC, A and D, LLC, and Andy and Dawn Gerken Living Trust dated February 26, 2021. Mr. Gerken holds certificates in Ag Business Management and Ag Financial Analysis from Morgan Community College.

Ryan W. Godsey	Director, representing the South Region. Three-year term expires in 2027. Mr. Godsey serves on the Compensation and Risk and Governance Committees. He has been a farmer/rancher for five years or more with principal enterprises of corn, beans, wheat, and cattle in a family operation. His reportable business entities include R & S Godsey Farms, Inc. and Roots & Boots Cattle Company LLC. Mr. Godsey holds a B.S. from Colorado State University.
Lyndsey D. Graves	Outside Appointed Director and Financial Expert. Three-year term expires in 2027. Mrs. Graves is from northeast Colorado and resides in Kearney, NE. She serves as Chair of the Audit Committee and serves on the Compensation and Risk and Governance Committees. Mrs. Graves is a CPA providing tax, business, and estate consulting services to clients in Nebraska and northeast Colorado under Graves Consulting, LLC, and she and her husband operate 926 Enterprises, LLC and Code Transport, LLC. Mrs. Graves graduated Summa Cum Laude from UNC/Monfort College of Business in Greeley and received her Master's degree in Taxation from DU/Sturm College of Law.
Terresa Lauck	Director, representing the Northwest Region. Three-year term expires in 2025. Mrs. Lauck serves on the Compensation and Risk and Governance Committees. She has been a farmer/rancher for five years or more with her principal enterprise of irrigated corn. Mrs. Lauck serves as the administrative assistant for Bethlehem Lutheran Church in Brush, does the bookkeeping for the Fort Morgan Rural Fire Protection District, Lutheran Church of our Redeemer, and is an Accounting Associate for Eben Ezer Lutheran Care Center. Her reportable business entity is Lauck Farms, Inc. Mrs. Lauck attended the University of Northern Colorado.
Mark A. Oestman	Director, representing the South Region. Three-year term expires in 2026. Mr. Oestman serves as the Vice Chair of the Compensation Committee and is a member of the Risk and Governance Committee. He has been a farmer/rancher for five years or more with principal enterprises of corn, pinto beans, white wheat, alfalfa, and cattle. His reportable business entities include Full Quiver Farms, LLC, Oestman Farms, LLC, BOO Farms, LLC, James P. Brophy Homeplace, LLLP, James P. Brophy Mineral Partnership, LLLP, Kitzmiller Grazing Association, and Lazy J-3 Limited. Mr. Oestman holds a B.S. from Colorado State University.
Lisa E. Shinn	Director, representing the Northwest Region. Three-year term expires in 2027. Mrs. Shinn serves on the Audit and Risk and Governance Committees and is Chair of the Compensation Committee. She has been a farmer/rancher for five years or more and her reportable business entities include Lyle & Viola Myers Trust and CTL Farm & Ranch, LLC, a family farming operation with her sisters that is leased to a local farmer. Mrs. Shinn is a retired Professor at Northeastern Junior College where she taught Agriculture Business Management for 25 years. She provides private accounting and consulting services in northeast Colorado. Mrs. Shinn holds an M.B.A. from Regis University.
Leo J. Stieb, Jr.	Director, representing the Northeast Region. Three-year term expires in 2025. Mr. Stieb serves on the Compensation and Risk and Governance Committees. He has been a farmer/rancher for five years or more with principal enterprises of corn, alfalfa, soybeans, sorghum, wheat, and a cow/calf and feedlot operation. His reportable business entities include Stieb Bros. Inc., 4-S Land Co., LLP, and Stieb Land Company, LLP. Mr. Stieb holds an A.A.S. from Northeastern Junior College.

SENIOR OFFICERS

Christopher W. Hornung	President – Chief Executive Officer Mr. Hornung was selected as the President and Chief Executive Officer effective January 1, 2025. He has been a Farm Credit System employee since April 10, 2006. Mr. Hornung previously served as Vice President – Lending.

Jeffrey L. Schumacher	Chief Financial Officer Mr. Schumacher was appointed Chief Financial Officer on January 1, 2018. He has been a Farm Credit employee since February 19, 1992. Mr. Schumacher was previously Vice President – Credit. All his years of service have been with associations that formed Premier Farm Credit, ACA. During his tenure, Mr. Schumacher has served in various capacities.
Ryan C. Rasmussen	Chief Credit Officer Mr. Rasmussen was appointed Chief Credit Officer on January 1, 2024. He has been a Farm Credit employee since December 31, 2001. All his years of service have been with Premier Farm Credit, ACA. During his tenure, Mr. Rasmussen has served in various capacities.
Steven J. Kaiser	Chief Lending Officer Mr. Kaiser was appointed Chief Lending Officer on July 1, 2022. He has been a Farm Credit employee since December 28, 1992. Mr. Kaiser was previously Vice President – Lending. All his years of service have been with associations that formed Premier Farm Credit, ACA. During his tenure, Mr. Kaiser has served in various capacities.
Phyllis P. Luft	Vice President – Administration Mrs. Luft was appointed Vice President – Administration in April 2000. Mrs. Luft has been a Farm Credit System employee since October 10, 1983. All her years of service have been with associations that formed Premier Farm Credit, ACA, except for three and a half years in which she was employed by Farm Credit Services of the Mountain Plains, ACA. During her tenure, Mrs. Luft has served in various capacities.
Michael Grauberger	President – Chief Executive Officer Mr. Grauberger assumed the President and Chief Executive Officer role on January 1, 2018, and retired on December 31, 2024.

COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

Per the Association's Director Honoraria policy, during 2024, directors of the Association were compensated for services on a per diem basis at the rate of $650 per day. The chair of the Board of Directors was compensated for services on a per diem basis at the rate of $850 per day. The Financial Expert was compensated for Audit Committee services on a per diem basis at the rate of $900 per day. During 2024, mileage was reimbursed at a rate of $0.67 per mile while on official business. The Compensation Committee meetings and some Audit Committee meetings were held in conjunction with the regular board meetings, so no additional compensation was paid to the directors for these meetings.

Additional information for each director is provided as follows.

	Number of Days Served at		Compensation for			Total
Name	Board Meetings	Other Official Activities	Board Meetings	Audit Committee	Other*	Compensation Paid During 2024
Rebecca K.W. Lenz	9.0	15.5	$ 20,825	$ –	$ 975	$ 21,800
Randall W. Kirkwood	10.0	10.5	10,725	2,600	875	14,200
Rodney A. Boerner	10.0	6.5	10,725	–	625	11,350
Michael J. Brownell	10.0	9.5	10,075	2,600	325	13,000
Andrew E. Gerken	10.0	10.5	13,325	–	200	13,525
Ryan W. Godsey	9.0	2.5	7,475	–	425	7,900
Lyndsey D. Graves	10.0	9.5	13,950	3,600	400	17,950
Terresa Lauck	10.0	13.5	15,275	–	625	15,900
Mark A. Oestman	10.0	2.5	8,125	–	525	8,650
Lisa E. Shinn	10.0	6.5	10,075	2,600	525	13,200
Leo J. Stieb, Jr.	10.0	9.5	10,725	–	525	11,250
Total Compensation			$ 131,300	$ 11,400	$ 6,025	$ 148,725

* Other represents compensation for conference calls, virtual training, and meeting participation and is not included in number of days served at board meetings and other official duties.

Directors are reimbursed for travel, subsistence, and other expenses related to Association business according to Association policy. A copy of this policy is available to shareholders upon request. Aggregate reimbursements to directors for travel, subsistence, and other related expenses were $102,537 in 2024, $104,720 in 2023, and $72,943 in 2022. There was no non-cash compensation paid to directors in 2024.

Information on chief executive officer (CEO) and senior officer compensation follows. The CEO compensation is not included with the senior officer compensation.

		Annual				
President and CEO[2]	Year	Salary	Incentive compensation[3]	Deferred/ Perquisites[4]	Other[5]	Total[1]
Michael Grauberger	2024	$ 351,065	$ 100,000	$ 325,304	$ 48,482	$ 824,851
Michael Grauberger	2023	$ 325,365	$ 97,500	$ 523,449	$ 8,527	$ 954,841
Michael Grauberger	2022	$ 299,898	$ 92,500	$ (239,607)	$ 12,760	$ 165,551

		Annual				
Aggregate Number of Officers/Highly Compensated Individuals (excluding CEO)[2]	Year	Salary	Incentive compensation[3]	Deferred/ Perquisites[4]	Other[5]	Total[1]
5	2024	$ 936,360	$ 170,943	$ 131,157	$ 11,424	$ 1,249,884
7	2023	$ 1,219,106	$ 216,298	$ 987,855	$ 47,490	$ 2,470,749
7	2022	$ 1,129,578	$ 225,863	$ (721,470)	$ 28,028	$ 661,999

[1] Disclosure of the total compensation paid during 2024 to any designated senior officer or highly compensated employee is available to our shareholders upon request. The Salary and Incentive Compensation columns of the Summary Compensation Table include all amounts earned during 2024 regardless of whether a portion of such compensation has been deferred by the CEO or other Senior Officers' elections pursuant to the Farm Credit Foundations Defined Contribution/401(k) Plan (401(k) Plan) and the Farm Credit Foundations Nonqualified Deferred Compensation Plan (NQDC Plan).

[2] The senior officers and highly compensated employees included above are those officers defined by FCA regulations Section 619.9310 and Section 620.6.

[3] Incentive compensation amounts represent amounts earned in the reported fiscal year, which are paid in February of the subsequent year. The annual incentive compensation amounts are calculated based on relevant performance factors for the reported fiscal year.

[4] The Change in Pension Value increased in 2024 primarily due to the increase in years of service and age and changes in actuarial assumptions such as the discount rate. The change in value of the pension benefits is defined as the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year, disclosed in Note 10 of the financial statements. Also represents company contributions to retirement plans for all employees and any changes in value of pension benefits. In 2024, the Association's employer matching contribution to the CEO's account in the 401(k) Plan was $17,225 and there was $4,800 contribution to the CEO's account in the NQDC plan. Also included is an increase in Pension value of $303,279 for the CEO. For 2024, the Association's employer matching and non-elective contributions for the other Senior Officers' accounts in the 401(k) Plan were $65,710. Also included is an increase in the Pension value of $65,447 for the other Senior Officers. No tax reimbursements are made to senior officers/highly compensated individuals.

[5] Includes the payout of unused annual leave.

COMPENSATION PHILOSOPHY

The Association endeavors to provide compensation packages that are competitive in the marketplace to attract and retain a quality, tenured staff. In addition to base salary, all staff, including the CEO and senior officers, can earn additional compensation under annual incentive and bonus plans which are tied to the overall business performance of the Association. The plans are based on a fiscal year and are designed to motivate employees to exceed financial, marketing, and credit quality performance targets approved by the Board of Directors. These targets typically include return on assets, cost per hundred, credit quality, credit administration, growth in loan volume, and new loan volume booked. The program links pay to performance with appropriate controls in place to ensure sound credit quality and administration is maintained, while focusing on the long-term financial goals of the Association. The plans are short-term in nature and do not create a long-term financial obligation for the Association and they can be amended annually. The plans are reviewed each year by the Compensation Committee and are approved by the Board of Directors.

The Compensation Committee annually reviews market information related to the administration of compensation at all levels of the Association, including the CEO and senior officers. The information consists of surveys for market-based merit increases, peer comparisons, salary levels, and incentive plans. The Compensation Committee also has access to a compensation consultant.

Expense Reimbursement – All employees are reimbursed for travel and subsistence expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

Retirement Plan Overview – The CEO and certain Senior Officers participate in the Ninth Farm Credit District Pension Plan (Pension Plan) which is a qualified defined benefit plan and the Ninth District Employers Pension Restoration Plan (Pension Restoration Plan), which is a nonqualified retirement plan. Additionally, substantially all employees participate in the 401(k) Plan, which has an employee matching contribution. Certain eligible employees participate in the Farm Credit Foundations Nonqualified Deferred Compensation Plan, which allows individuals to defer compensation, and which restores the benefits limited in the 401(k) Plan by restrictions in the Internal Revenue Code.

Information on pension benefits attributable to the CEO, senior officers, and other highly compensated individuals as of December 31, 2024 follows.

President and CEO[1]	Plan	Years of Credited Service	Present Value of Accumulated Benefits[2]	Payments Made During the Reporting Period[3]
Michael Grauberger	Pension Plan	40.4	$ 3,171,989	$ –
	Nonqualified Pension	40.4	$ 465,133	$ –

Aggregate Number of Senior Officers/ Highly Compensated Individuals[1]	Plan	Average Years of Credited Service	Present Value of Accumulated Benefits[2]	Payments Made During the Reporting Period[3]
3	Pension Plan	36.74	$ 4,725,902	$ –

[1] The senior officers and the highly compensated employees included in the pension benefits disclosure are those defined by FCA regulations Section 619.9310 and Section 620.6.
[2] For the Pension or Retirement Plan, this represents the total for the aggregate senior officer and highly compensated employee group.
[3] Represents post-retirement benefit payments made during the last fiscal year.

Pension Plan – In general, the Pension Plan is a qualified plan and provides participants with a 50% joint-and-survivor annuity benefit at normal retirement that is equal to 1.50% of average monthly compensation during the 60 consecutive months in which an individual receives his highest compensation (High 60) multiplied by his years of benefit service, plus 0.25% of the amount by which the High 60 exceeds covered compensation multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a 50% joint-and-survivor annuity, such as a lump sum distribution. The pension valuation was determined using a blended approach assuming half of the benefits would be paid as a lump sum and half as an annuity at the participants earliest unreduced retirement age. The Pension Plan pays benefits up to the applicable limits under the Internal Revenue Code.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

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 11 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT OF SENIOR OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of senior officers or current directors in specified legal proceedings which are required to be disclosed in this section.

BORROWER PRIVACY STATEMENT

Since 1972, Farm Credit Administration (FCA) regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without borrower consent. The Association does not sell or trade customers' personal information to marketing companies or information brokers. Additional information regarding FCA rules governing the disclosure of customer information can be obtained by contacting the Association.

FINANCIAL EXPERT

In October 2012, the Board appointed Lyndsey D. Graves, a CPA, to fill the role of financial expert on the Board. Mrs. Graves is an owner of an accounting firm and has experience in corporate auditing and banking.

RELATIONSHIP WITH COBANK, ACB (COBANK)

The Association is materially affected by CoBank's financial condition and results of operations.

The Association's statutory obligation to borrow from CoBank is discussed in Note 6. Financial assistance agreements between the Association and CoBank are discussed in Note 7. Association requirement to invest in CoBank and CoBank's ability to access capital of the Association is discussed in Note 4 to the financial statements, "Investment in CoBank," included in this annual report to shareholders. CoBank's role in mitigating the Association's exposure to interest rate risk is discussed in the MD&A section – Liquidity.

CoBank is required to distribute its Annual Report to shareholders of the Association if the bank experiences a significant event that has a material effect on the Association as defined by FCA regulations.

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

The Association's information required to be disclosed in this section is incorporated herein by reference from the "Young, Beginning, and Small Farmers and Ranchers Program" section of the Management's Discussion and Analysis, included in this annual report to shareholders.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to shareholders and there were no material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 6, 2025 and the Report of Management, appearing as part of this annual report to shareholders, are incorporated herein by reference.

COBANK ANNUAL AND QUARTERLY REPORTS TO SHAREHOLDERS

The shareholders' investment in the Association is materially affected by the financial condition and results of operations of CoBank. Consequently, the Association's annual and quarterly reports should be read in conjunction with CoBank's 2024 Annual and Quarterly Reports to Shareholders. Quarterly reports are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. A copy of these reports may be obtained free upon request from the Association. The Association is located at 202 Poplar Street, Sterling, Colorado 80751, or may be contacted by calling (970) 522-5295. The reports may also be obtained free of charge by visiting CoBank's website at www.cobank.com.