Premier Farm Credit

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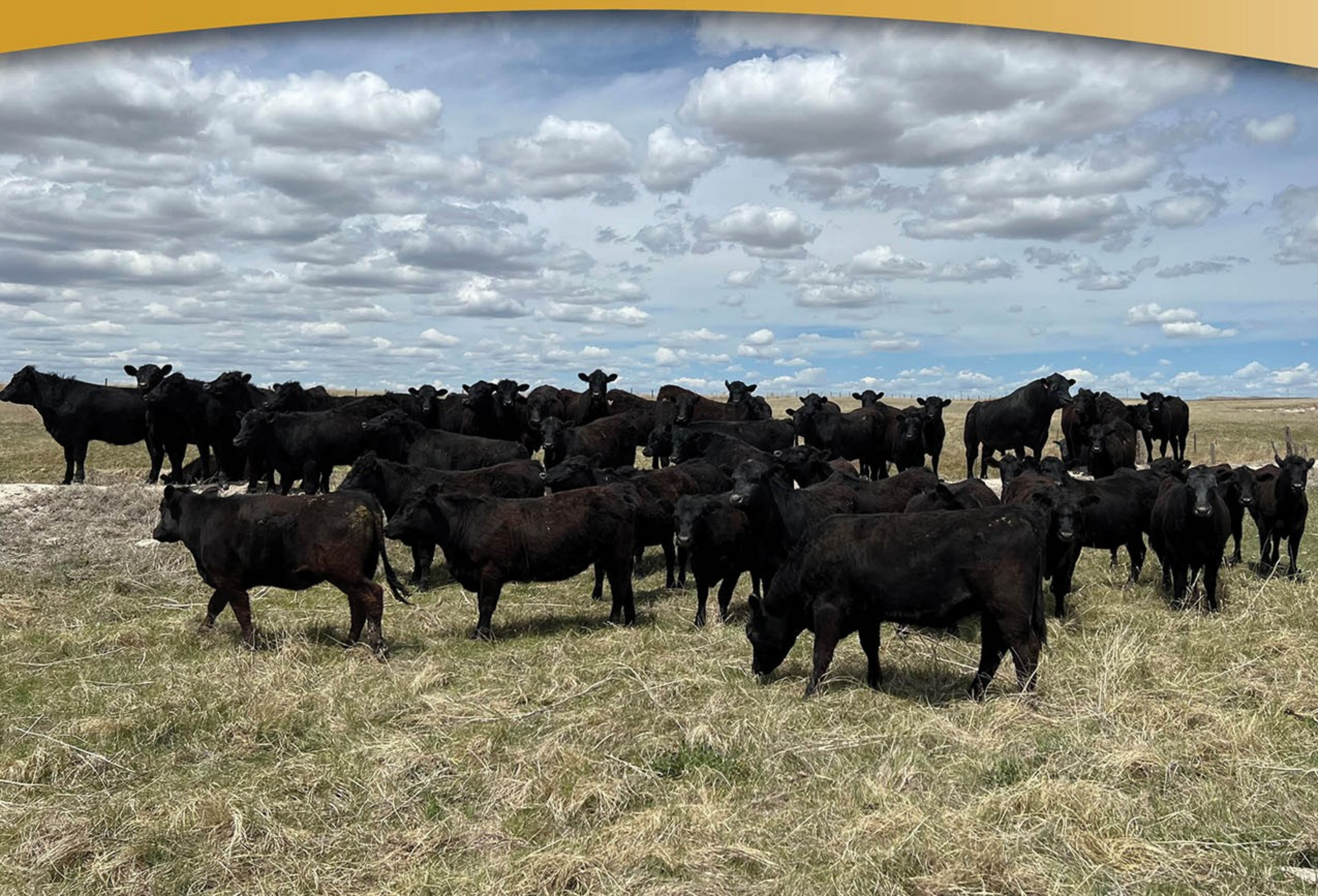
1ST QUARTER REPORT 2025



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

(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the three months ended March 31, 2025, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2024 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2024 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' 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 calling (970) 522-5295.

Our local economy continues to perform well with low unemployment, strong housing demand, new business investment, and strength in the energy sector. Most producers had adequate earnings in 2024 supported by average production and strong livestock prices. Heading into early spring, production for Northeast Colorado is currently projected to be favorable. The U.S. drought monitor indicates normal conditions in our territory except for the far north portion, which is abnormally dry. The territory needs spring moisture. Snowpack in the mountains is near 75% and reservoir water supplies in our territory are full, which will provide adequate water for our irrigated producers. Except for cattle, agricultural commodity prices declined over the past year with weakened demand for grain and feed exports. The challenge of high input costs remains relevant, as does the importance of adequate production to provide positive earnings.

While the U.S. economy ended on good footing for 2024, economic growth has been slow in the first quarter of 2025. A combination of high interest rates, slower GDP growth, decreased consumer spending, continued global supply chain pressures, and geopolitical risks are all key factors in the weakened economic growth. The labor market has remained steady for the first quarter of 2025; however, uncertainty around the import tariffs and the deep cuts in government spending have affected the labor market and its outlook for 2025. For 2025, farm income is anticipated to increase primarily as a result of direct government relief payments through the American Relief Act that was approved in late 2024, as well as overall strong commodity prices. This estimated increase in farm income is partially offset by continued high farming expenses. Additionally, global conflicts and the impending reciprocal tariffs are expected to affect commodity prices, creating volatility and uncertainty in the markets. At the March FOMC meeting, the Fed announced that interest rates will be kept steady in the near future. However, the recent tariffs and resulting impact on inflation could lead to further interest rate cuts in 2025.

LOAN PORTFOLIO

Loans outstanding at March 31, 2025, totaled $1.05 billion, a decrease of $7.8 million, or 0.74%, from loans of $1.05 billion at December 31, 2024. The decrease was primarily due to loan prepayments and principal reductions on term loans, partially offset by new loans booked.

OTHER PROPERTY OWNED

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 $184 thousand at March 31, 2025, compared with $272 thousand at December 31, 2024. The decrease in the first quarter of 2025 was due to a partial sale of the property.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2025, was $5.3 million, a decrease of $659 thousand, or 11.11%, from the same period ended one year ago. The decrease in net income was primarily attributed to a provision for credit losses and increased noninterest expense, which were partially offset by increased net interest income and increased noninterest income.

For the three months ended March 31, 2025, net interest income was $7.8 million, an increase of $311 thousand, or 4.16%, compared with the three months ended March 31, 2024. Net interest income increased as a result of increased loan volume.

The provision for credit losses for the three months ended March 31, 2025, was $814 thousand, compared with the credit loss reversal of $261 thousand for the same period ended one year ago. The provision for credit losses was recorded as a result of increased loss rates in the process and marketing pools due to prior period charge offs and decreased credit quality.

Noninterest income increased $276 thousand during the first three months of 2025 compared with the first three months of 2024 primarily due to increases in loan fee income, patronage income, and a refund from Farm Credit System Insurance Corporation (FCSIC). Patronage distribution from Farm Credit institutions increased in the first three months ended March 31, 2025, compared with the first three months in 2024 primarily due to the special cash patronage distribution from CoBank.

We received a refund of $184 thousand during the first quarter of 2025 from FCSIC, which represents our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. No such refunds were received in the same period ended one year ago.

We received mineral income of $117 thousand during the first three months of 2025, which is distributed to us quarterly by CoBank. The decrease for the three months ended March 31, 2025, compared with the first three months of 2024 is due to lower oil and gas commodity prices paid on production.

During the first three months of 2025, noninterest expense increased $171 thousand to $3.3 million, primarily due to increases in occupancy and equipment and purchased services. Occupancy and equipment increased $101 thousand for the three months ended March 31, 2025 compared with the same period in 2024 due to an increased cost of implementing new technology.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2025, was $237.0 million, an increase from $231.7 million at December 31, 2024. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by net stock reductions.

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

Lyndsey D. Graves
Chair of the Audit Committee
May 5, 2025

Christopher W. Hornung
President & CEO
May 5, 2025

Jeffrey L. Schumacher
Chief Financial Officer
May 5, 2025

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2025	December 31 2024
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 1,046,090**	$ 1,053,896
Less allowance for loan losses	**1,900**	1,161
Net loans	**1,044,190**	1,052,735
Cash	**2,381**	11,959
Accrued interest receivable	**13,782**	16,738
Investment in CoBank, ACB	**24,707**	24,643
Premises and equipment, net	**823**	997
Other property owned	**184**	272
Prepaid benefit expense	**4,280**	4,335
Other assets	**2,979**	6,515
Total assets	**$ 1,093,326**	$ 1,118,194
LIABILITIES		
Note payable to CoBank, ACB	**$ 830,947**	$ 856,551
Advance conditional payments	**19,624**	14,895
Accrued interest payable	**2,762**	2,804
Patronage distributions payable	**-**	7,250
Accrued benefits liability	**472**	975
Reserve for unfunded commitments	**478**	293
Other liabilities	**2,055**	3,726
Total liabilities	**$ 856,338**	$ 886,494
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**799**	811
Unallocated retained earnings	**236,600**	231,328
Accumulated other comprehensive income/(loss)	**(411)**	(439)
Total shareholders' equity	**236,988**	231,700
Total liabilities and shareholders' equity	**$ 1,093,326**	$ 1,118,194

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended March 31 **2025**	2024
INTEREST INCOME		
Loans	**$ 15,676**	$ 15,391
Total interest income	**15,676**	15,391
INTEREST EXPENSE		
Note payable to CoBank, ACB	**7,799**	7,719
Other	**84**	190
Total interest expense	**7,883**	7,909
Net interest income	**7,793**	7,482
Provision for credit losses/(Credit loss reversal)	**814**	(261)
Net interest income after provision for credit losses/credit loss reversal	**6,979**	7,743
NONINTEREST INCOME		
Financially related services income	**78**	80
Loan fees	**132**	117
Patronage distribution from Farm Credit institutions	**1,006**	929
Farm Credit Insurance Fund distribution	**184**	-
Mineral income	**117**	137
Other noninterest income	**56**	34
Total noninterest income	**1,573**	1,297
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,536**	1,515
Occupancy and equipment	**239**	138
Purchased services from AgVantis, Inc.	**692**	611
Farm Credit Insurance Fund premium	**200**	188
Supervisory and examination costs	**106**	101
Other noninterest expense	**503**	552
Total noninterest expense	**3,276**	3,105
Income before income taxes	**5,276**	5,935
Provision for income taxes	**4**	4
Net income	**5,272**	5,931
COMPREHENSIVE INCOME		
Amortization of retirement costs	**28**	25
Total comprehensive income	**$ 5,300**	$ 5,956

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2023	$ 828	$ 215,383	$ (457)	$ 215,754
Comprehensive income		5,931	25	5,956
Stock issued	11			11
Stock retired	(18)			(18)
Balance at March 31, 2024	$ 821	$ 221,314	$ (432)	$ 221,703
Balance at December 31, 2024	$ 811	$ 231,328	$ (439)	$ 231,700
Comprehensive income		5,272	28	5,300
Stock issued	2			2
Stock retired	(14)			(14)
Balance at March 31, 2025	**$ 799**	**$ 236,600**	**$ (411)**	**$ 236,988**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2024, are contained in the 2024 Annual Report to Shareholders. These unaudited first quarter 2025 financial statements should be read in conjunction with the 2024 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under U.S. GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Shareholders.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair statement of results for the interim periods, have been made. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

<u>Disaggregation of Income Statement Expenses (ASC 220)</u>

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03 Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities and require disclosure of specified information about certain costs and expenses in the notes to financial statements. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)-(e).
- Include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements.
- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

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

<u>Improvements to Income Tax Disclosures (ASC 740)</u>

In December 2023, FASB issued 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. Income taxes paid will require disaggregated disclosure by federal, state, and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 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.

NOTE 2 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans by type follows:

(dollars in thousands)	**March 31, 2025**	December 31, 2024
Real estate mortgage	**$ 472,974**	$ 478,567
Production and intermediate-term	**237,990**	259,745
Agribusiness	**224,107**	199,689
Rural infrastructure	**101,059**	105,944
Agricultural export finance	**9,960**	9,951
Total loans	**$ 1,046,090**	$ 1,053,896

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2025:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 65,250	$ 31,644
Production and intermediate-term	78,080	6,038
Agribusiness	219,982	-
Rural infrastructure	101,059	-
Agricultural export finance	9,960	-
Total	$ 474,331	$ 37,682

Credit Quality

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

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

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

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, 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 under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of:

	March 31, 2025	December 31, 2024
Real estate mortgage		
Acceptable	**92.65%**	94.36%
OAEM	**6.00%**	4.52%
Substandard	**1.35%**	1.12%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**88.20%**	93.94%
OAEM	**7.81%**	5.17%
Substandard	**3.99%**	0.89%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**94.07%**	93.65%
OAEM	**3.20%**	3.47%
Substandard	**2.73%**	2.65%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**93.18%**	94.97%
OAEM	**5.65%**	3.91%
Substandard	**1.17%**	1.12%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**92.07%**	94.24%
OAEM	**5.72%**	4.38%
Substandard	**2.21%**	1.34%
Doubtful	**-**	0.04%
Total	**100.00%**	100.00%

Accrued interest receivable on loans of $13.8 million at March 31, 2025 and $16.7 million at December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition.

The Association did not write off any accrued interest receivable during the first three months of 2025 compared to $2 thousand during the first three months of 2024.

Nonperforming assets consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned. The following table shows these nonperforming assets and related credit quality statistics as follows:

(dollars in thousands)	**March 31, 2025**	December 31, 2024
Nonaccrual loans		
Agribusiness	**$ 929**	$ 1,737
Total nonaccrual loans	**$ 929**	$ 1,737
Other property owned	**$ 184**	$ 272
Total nonperforming assets	**$ 1,113**	$ 2,009
Nonaccrual loans to total loans	**0.09%**	0.16%
Nonperforming assets to total loans and other property owned	**0.11%**	0.19%
Nonperforming assets to total shareholders' equity	**0.47%**	0.87%

The Association had no accruing loans 90 days or more past due for the periods presented.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses during the period:

	March 31, 2025		
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Agribusiness	$ -	$ 929	$ 929
Total	$ -	$ 929	$ 929

	December 31, 2024		
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans			
Agribusiness	$ -	$ 1,737	$ 1,737
Total	$ -	$ 1,737	$ 1,737

The Association had no interest income recognized on nonaccrual loans during the three months ended March 31, 2025 or March 31, 2024.

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

	March 31, 2025					
(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	$ 954	$ -	$ 954	$ 472,020	$ 472,974	$ -
Production and intermediate-term	1,636	-	1,636	236,354	237,990	-
Agribusiness	-	-	-	224,107	224,107	-
Rural infrastructure	-	-	-	101,059	101,059	-
Agricultural export finance	-	-	-	9,960	9,960	-
Total	$ 2,590	$ -	$ 2,590	$1,043,500	$1,046,090	$ -

	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	$ -

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

	Term Extension	
	For the Three Months Ended	
(dollars in thousands)	**March 31, 2025**	% of Portfolio Segment
Production and intermediate-term	**$ 415**	0.17%
Agribusiness	**1,917**	0.86%
Total	**$ 2,332**	

The Association did not have any loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2024.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was $68 thousand as of the three months ended March 31, 2025.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025:

	Weighted-Average Term Extension (in months)	
	For the Three Months Ended March 31	
	2025	2024
Production and intermediate-term	**13.5**	-
Agribusiness	**22.0**	-

There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2025 or March 31, 2024 which were modified during the twelve months prior to those periods.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2025:

	Payment Status of Modified Loans		
	During the Past Twelve Months Ended March 31, 2025		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 740	$ -	$ -
Agribusiness	1,917	-	-
Total	$ 2,657	$ -	$ -

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2024:

	Payment Status of Modified Loans		
	During the Past Twelve Months Ended March 31, 2024		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Agribusiness	$ 466	$ -	$ -
Total	$ 466	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2025 were $270 thousand and during the year ended December 31, 2024 were $1.1 million.

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

Allowance for Credit Losses

The allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of the loans measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications. 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 such as 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.

The credit risk rating methodology is a key component of the Association’s allowance for credit losses evaluation and is generally incorporated into the Association’s loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association’s lending and leasing limit base but the Association's board of directors has generally established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities.

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

(dollars in thousands)	Balance at December 31, 2024	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2025
Real estate mortgage	$ 45	$ -	$ -	$ 2	$ 47
Production and intermediate-term	565	-	1	110	676
Agribusiness	99	-	109	574	782
Rural infrastructure	452	-	-	(57)	395
Total	$ 1,161	$ -	$ 110	$ 629	$ 1,900

(dollars in thousands)	Balance at December 31, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2024
Real estate mortgage	$ 40	$ -	$ -	$ -	$ 40
Production and intermediate-term	600	-	1	144	745
Agribusiness	105	-	2	8	115
Rural infrastructure	1,143	-	-	(434)	709
Total	$ 1,888	$ -	$ 3	$ (282)	$ 1,609

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's 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:

(dollars in thousands)	**For the Three Months Ended March 31, 2025**
Balance at beginning of period	$ 293
Provision for reserve for unfunded commitments	185
Total	$ 478

(dollars in thousands)	For the Three Months Ended March 31, 2024
Balance at beginning of period	$ 200
Provision for reserve for unfunded commitments	21
Total	$ 221

NOTE 3 – CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	As of March 31, 2025	As of December 31, 2024	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.74%	17.76%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.74%	17.76%	6.0%	2.5%	8.5%
Total capital ratio	17.87%	17.98%	8.0%	2.5%	10.5%
Permanent capital ratio	17.76%	17.80%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.50%	19.63%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.43%	19.55%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

	For the Three Months Ended March 31	
(dollars in thousands)	**2025**	2024
Pension and other benefit plans:		
Beginning balance	**$ (439)**	$ (457)
Other comprehensive income before reclassifications	**-**	-
Amounts reclassified from accumulated other comprehensive income/loss	**28**	25
Net current period other comprehensive income/loss	**28**	25
Ending balance	**$ (411)**	$ (432)

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
	For the Three Months Ended March 31		
(dollars in thousands)	**2025**	2024	
Pension and other benefit plans:			
Net actuarial loss	**$ 28**	$ 25	Salaries and employee benefits
Total reclassifications	**$ 28**	$ 25	

NOTE 4 - 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 the principal or most advantageous market for the asset or liability. See Note 2 of the 2024 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

(dollars in thousands)	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Assets held in nonqualified benefits trusts				
March 31, 2025	**$ 802**	**$ -**	**$ -**	**$ 802**
December 31, 2024	$ 838	$ -	$ -	$ 838

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2025 or December 31, 2024.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

(dollars in thousands)	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
March 31, 2025				
Loans	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**$ -**	**$ -**	**$ 197**	**$ 197**
December 31, 2024				
Loans	$ -	$ -	$ 453	$ 453
Other property owned	$ -	$ -	$ 292	$ 292

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost, and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2025 or December 31, 2024.

Valuation Techniques

As more fully discussed in Note 2 of the 2024 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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 Evaluated for Impairment

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. As a result, these fair value measurements fall within Level 3 of the 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 measured on a non-recurring basis 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 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 5, 2025, which is the date the financial statements were issued, and no material subsequent events were identified.