CAPITAL FARM CREDIT

ALL IN THE FAMILY

2024 ANNUAL REPORT

ALL IN THE FAMILY

At CFC, we are more than a group of agriculture lenders serving customers. Our roots grow deep, and our relationships remain strong. At Capital Farm Credit, we are a family. Our heritage is built in agriculture, and our ancestry survives throughout the rural communities that make up the great state of Texas.

Capital Farm Credit is Texas' largest rural lending and financial services cooperative, owned by the very people and operations we do business with. Established in 1916, we've never wavered from our original mission to support rural communities and Texas agriculture. When we do well, we return our earnings to our customers as patronage through our cooperative structure. As a cooperative, when you borrow from Capital Farm Credit, you join a group of individuals who care for one another, who celebrate one another's successes and who, at the end of the day, know, together we're better.

We are CFC. We are family.

Together we're *better*.™

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DEAR STOCKHOLDERS:

Each year we find ourselves reaching new milestones as an Association but ultimately, as a family. Family is one of our core values and one of the ways we approach making decisions for our staff and our members. We stretched our roots in 2024, assisting in outreach efforts to our extended Farm Credit family during times of disaster, continued to enhance the resources and educational opportunities available for all agriculture producers, expanded our efforts to enhance the employee experience, and found a new home for our Association that serves not only as the center for our team and staff, but also as the homebase for our entire membership. We found a new home to plant the ideas and innovations for serving agriculture and rural communities of tomorrow.

The year 2024 was one of renovation and expansion. We took walls from the past by upgrading existing office locations in some places and building new structures for others. We celebrated the opening of our newly constructed Waco and San Angelo offices and the remodel of our Robstown branch. We spent more than a year gathering information and feedback from our customers, employees, and leadership to gain insight on how to best design our new facilities to meet the needs of our borrowers and employees. These visions were given life in 2024. After minor renovations, in 2024, our corporate team of more than 100 employees moved into this new location. As our cooperative continues to grow into more than 600 employees and 24,596 members, this updated headquarters provides our Association with a home to project us into the future, reaching new milestones and achievements for Texas agriculture. It has become a place for both members and affiliates to meet and do business together.

Discovering unique ways to differentiate our team and staff in the marketplace was a priority for leadership in 2024. We launched the Capital Advantage, a sales and service culture focused on all employees having a customer, whether internally or externally at the Association. This allowed employees to explore their current abilities and refine new skillsets to enhance expertise and services for fellow team members and customers. We strive to continue being the partner of choice and trusted advisor for serving agriculture and rural communities. Last year, we found ways to lean on one another and bring hope to those who suffered from national disasters around us. Wildfires struck several areas of vast agricultural land and communities in parts of the Texas Panhandle. Along with other members of our Farm Credit family, Capital Farm Credit pledged a combined $380,000 to support extensive wildfire recovery and relief efforts in the Texas Panhandle. The Farm Credit System spans nationwide. Our generosity doesn't stop at Texas' borders. In the fall, Hurricane Helene swept across the southeastern United States, causing widespread catastrophic damage. Partnering with other farm credits in the Texas District, we collectively contributed $112,250 to the American Red Cross to support impacted communities within our agriculture family.

We welcomed the innovation and nontraditional practices that created new ways to enhance agriculture awareness and sustainability. Supporting young, beginning and small agriculture operators through Capital Farm Credit's AgriRoots Programs offers more opportunities and resources for young producers. AgriRoots launched the first cohort for its financial literacy program in 2024, the Emerging Leaders Institute. We also welcomed lenders from other farm credit associations to host the national 2024 YBS Next Generation Conference in Bryan-College Station, Texas. And amid efforts to enhance our voice within the AgriRoots community, we still prioritized youth, awarding more than $100,000 in youth scholarships.

Each year, we recognize our Cooperative Returns program. We still believe it is one of the strongest in the country. Returning our earnings to our members is a priority for leadership and our board of directors. Since 2006, Capital Farm Credit has paid cash patronage and allocated equity of $2.7 billion, upholding the same mission since our establishment more than a century ago. Combined with the $118.8 million cash patronage checks paid to members in March, Capital Farm Credit retired $60 million in allocated equity totaling $178.8 million in cash distribution to its member borrowers in 2024.

Together, we accomplished many triumphs for our members and for our agricultural family in 2024. As we begin 2025, we acknowledge the new goals we've set out to achieve and the persistent growth that peaks over the horizon. If we have learned anything as leaders and stewards of the land we call home, it is that we achieve far more together than apart. We achieve more as a family.

Thank you for allowing Capital Farm Credit to partner with you in your success and being a part of our CFC Family.

John Malazzo
CHAIRMAN,
BOARD OF DIRECTORS

Jeff Norte
CHIEF EXECUTIVE OFFICER

Scan here to view a message from our leaders

FINDING NEW PLACES TO CALL HOME

We found new places to call home and new ways to continue serving our customers in the walls of our new and renovated office buildings. We celebrated the opening of our newly constructed Waco and San Angelo offices, the remodel of our Robstown location and relocated to our new headquarters in College Station, Texas.

Capital Farm Credit acquired our new headquarters' location in Bryan-College Station's Lake Walk development in 2023. After minor renovations, we moved our corporate team of more than 100 employees to the new location in September of 2024. As we continue to grow as a cooperative of more than 600 team members and 24,596 members, this new headquarters facility offers exciting opportunities to enhance our customer experience and overall effectiveness in serving agriculture and rural communities across Texas.

This new facility is for our entire CFC Family and the heart of our organization and membership. We celebrated this achievement by hosting a grand opening and ribbon cutting, uniting former leadership to commemorate the milestones that have gotten us to where we are today. Our members and partners are also finding it a great place to meet and do business.

RAISING THE NEXT GENERATION THROUGH EDUCATION AND FINANCIAL ASSISTANCE

Agriculture took on many shapes and sizes in 2024. We welcomed the innovation and nontraditional practices that created new ways to enhance agriculture awareness and sustainability.

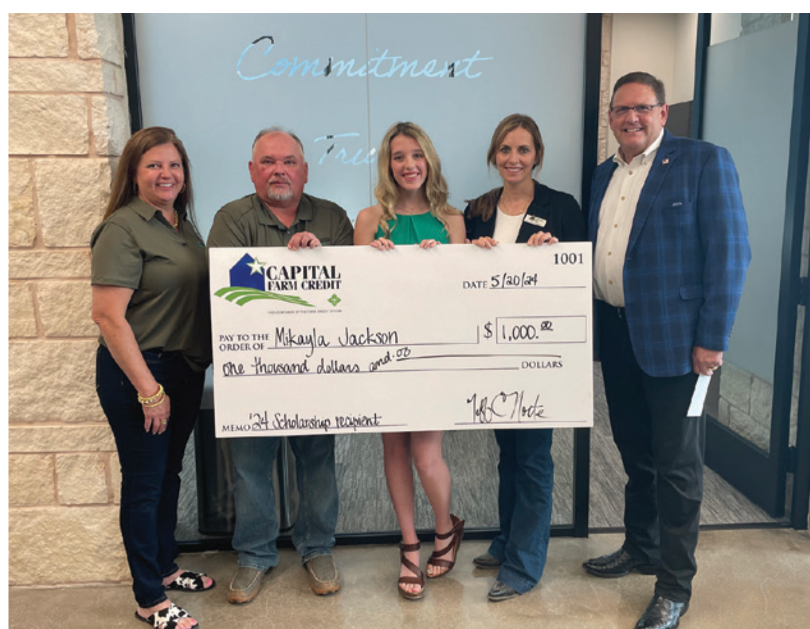
From cattle operations to beekeeping, we celebrated the triumphs of four GROW your AgriRoots winners from different parts of Texas. This awards program highlights outstanding beginning agribusiness owner-operators who excel in their field and in the ag industry. Awards were given in two categories – the Award category for farmers, ranchers and agribusiness owner-operators with two to 10 years of experience and the Grant category for eligible applicants with less than two years' experience. Each winner received $10,000 in funding for their agribusiness or operation and finalists received $1,000 in award winnings. In total, more than $45,000 was awarded in 2024.

Supporting young, beginning, and small agriculture operators through Capital Farm Credit's AgriRoots Program paves the way for new opportunities and resources for the future of Texas agriculture. Capital Farm Credit's AgriRoots Program launched the first cohort for its financial literacy program, the Emerging Leaders Institute, in 2024. The six-session course provides producers with the tools and resources from industry experts to help grow their business. Discovering new ways to serve our producers drives our ambitions to continue providing new resources and opportunities to allow anyone to find success in agriculture.

AgriRoots

COMMITTED TO SCHOLARSHIPS

Each year, Capital Farm Credit continues to give more than $100,000 in youth scholarships to graduating high-school seniors and college students to further their education in agricultural fields. Supporting Texas youth through 4-H and FFA programs remains a priority to the association. We were honored to grant funding once again to student-organized community service projects through our Community Outreach Grant Program. Giving back to our communities in forms of education and community involvement enhances our mission to better the rural communities we call home.



GO DIGITAL

SCAN ME

Now you can get Capital Farm Credit's Annual Report delivered straight to your inbox.

Sign up to opt-in to a digital delivery of our Annual Report next year!

FAMILY GIVING TRADITIONS

Returning our earnings to our members is a priority for Capital Farm Credit leadership and the way we direct business. Strong financial results from 2023 allowed us to return $118.8 million in cash patronage to our borrowers. Each year, the Association additionally continues to allocate earnings, with the intention of distributing to our members at a future date. Allocating equities provides the cooperative with a source of capital to fund growth, but still ensures members retain ownership of the co-op.

The Association's Cooperative Returns Program effectively lowers the cost of doing business for farmers, ranchers, and recreational property owners. This tradition of strong earnings continues to benefit our members. Our Cooperative Returns Program is a unique and powerful benefit of doing business with our association.

Since 2006, Capital Farm Credit has paid cash patronage and allocated equity of $2.7 billion, upholding our same mission since our establishment more than a century ago. When we are successful, our CFC Family gets to share in that success.

Combined with the $118.8 million cash patronage checks paid to members in March, Capital Farm Credit retired $60 million in allocated equity totaling $178.8 million in cash distributions to its member borrowers in 2024.

$178.8 MILLION IN CASH
Distributed to our customers in 2024

$118.8 MILLION
Cash patronage distributed to members in 2024.

$60 MILLION
Allocated equities retired in 2024

CAPITAL FARM CREDIT BOARD OF DIRECTORS – *Front Row L-R:* Josh McDonald, Shelley Heinrich, John Malazzo, Kenton Kimball, Ronnie Riddle, Sharleen Walkoviak. *Middle Row L-R:* Lowell Woodward, Shane Sklar, Jerred Hurst, Terry McAlister, Kenny Brown, Zachary McLemore *Back Row L-R:* Joe David Yates, Danny Parker, Jim Brock, Dale Crenwelge, Paul Aelvoet. *Not Pictured:* Rachel Cutrer

CAPITAL FARM CREDIT EXECUTIVE MANAGMENT TEAM– *Front Row L-R:* Chris Burt, Jennifer Thompson, Jon Hutchinson, Sally Lawson. *Back Row L-R:* Glenn Trant, Wes Sutton, Jeff Norte, Phil Peabody, Joseph Paulraj.

WELCOMING EXTENDED FAMILY

Capital Farm Credit is a proud member of the Farm Credit System, a nationwide family of agriculture lending institutions made up of producer and farmer-owned cooperatives. Within this network, Capital Farm Credit, alongside the Farm Credit Council, hosted the national Farm Credit YBS Conference for our extended family of lending professionals in Bryan-College Station, Texas. Attendees from different Associations congregated in Texas for this year's educational conference, receiving cutting edge information impacting next generation producers.

Our new headquarters is also welcoming many visitors, as our partners and affiliated business groups come to Capital Farm Credit to host events, workshops, meetings and conferences with our Association staff and leadership.

TOGETHER DURING GOOD TIMES AND BAD

When times get tough, we lean on each other. Last year, the Association exemplified what it means to help our neighbors and create a hope that is hard to find. In March 2024, wildfires struck several areas of vast agricultural land and communities in parts of the Texas Panhandle and Oklahoma. Along with other members of our Farm Credit family, Capital Farm Credit joined in a pledge of a combined $380,000 to support extensive wildfire recovery and relief efforts in the Texas Panhandle.

From flames to floods, when tragedy strikes, we come together to mend what is broken. In the fall, Hurricane Helene swept across the southeastern United States, including several areas where Farm Credit affiliated associations operate, causing widespread catastrophic damage. Capital Farm Credit and affiliated Associations within the Texas Farm Credit District collectively contributed $112,250 to the Associations within the Farm Credit District of Texas to support impacted communities and those within our agriculture family.

REPORT OF MANAGEMENT

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

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

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

The undersigned certify that this 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.

Jeff Norte, Chief Executive Officer
March 7, 2025

John Malazzo, Chairman, Board of Directors
March 7, 2025

Sally Lawson, Chief Financial Officer
March 7, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The association's chief executive officer and chief financial officer 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 (1) designed by, or under the supervision of, the association's principal executives and principal financial officers or persons performing similar functions; (2) effected by its board of directors, management and other personnel; and (3) monitored for adherence to by the board's audit committee through the association's internal audit staff and internal credit reviewers 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 consolidated financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the association; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the association's assets that could have a material effect on its consolidated financial statements.

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

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

Jeff Norte, Chief Executive Officer	Sally Lawson, Chief Financial Officer
March 7, 2025	*March 7, 2025*

REPORT OF AUDIT COMMITTEE

The audit committee (committee) is composed of four directors of Capital Farm Credit, ACA (the association). In 2024, the committee met five times. The committee oversees the scope 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 approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the association's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2024.

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

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

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

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

Sharleen Walkoviak, Chair

Additional Members: Jim Brock
Terry McAlister
Ronnie Riddle

March 7, 2025

CAPITAL FARM CREDIT, ACA
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	December 31,				
	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Loans	**$ 12,990,455**	$ 12,121,901	$ 11,487,825	$ 10,456,511	$ 8,684,131
Less: Allowance for credit losses on loans	**(42,144)**	(30,106)	(21,386)	(22,996)	(31,592)
Net Loans	**12,948,311**	12,091,795	11,466,439	10,433,515	8,652,539
Investment in and receivable from the Bank:	**276,493**	228,173	191,460	181,041	161,379
Other property owned, net	**619**	23,177	2,924	927	601
Other assets	**289,762**	245,779	181,407	136,384	129,121
Total assets	**$ 13,515,185**	$ 12,588,924	$ 11,842,230	$ 10,751,867	$ 8,943,640
Liabilities					
Obligations with maturities of one year or less	**$ 199,178**	$ 208,469	$ 221,235	$ 224,973	$ 196,972
Obligations with maturities greater than one year	**11,438,553**	10,583,994	9,892,648	8,893,589	7,395,111
Total liabilities	**11,637,731**	10,792,463	10,113,883	9,118,562	7,592,083
Members' Equity					
Capital stock and participation certificates	**$ 28,319**	$ 28,018	$ 28,337	$ 28,410	$ 27,043
Preferred Stock	**200,000**	200,000	200,000	200,000	-
Non-qualified allocated retained earnings	**958,608**	940,473	885,831	803,147	737,454
Unallocated retained earnings	**689,338**	625,119	610,986	604,705	590,617
Accumulated other comprehensive income (loss)	**1,189**	2,851	3,193	(2,957)	(3,557)
Total members' equity	**1,877,454**	1,796,461	1,728,347	1,633,305	1,351,557
Total liabilities and members' equity	**$ 13,515,185**	$ 12,588,924	$ 11,842,230	$ 10,751,867	$ 8,943,640
	Year Ended December 31,				
Statement of Income Data					
Net interest income	**$ 361,517**	$ 348,694	$ 322,799	$ 280,400	$ 247,641
(Provision for)/reversal of credit losses	**(20,978)**	(8,518)	1,003	9,198	(582)
Income from the Bank	**41,287**	38,550	71,109	59,185	48,940
Other noninterest income	**23,980**	31,305	23,092	25,888	22,431
Noninterest expense	**(141,987)**	(139,707)	(131,695)	(112,908)	(98,172)
(Provision for)/benefit from income taxes	**(3)**	(8)	1	(50)	-
Net income	**$ 263,816**	$ 270,316	$ 286,309	$ 261,713	$ 220,258
Key Financial Ratios for the Year					
Return on average assets	2.0%	2.2%	2.5%	2.7%	2.6%
Return on average members' equity	13.7%	14.6%	16.4%	15.9%	16.7%
Net interest margin as a percentage of average earning assets	2.9%	3.0%	2.9%	3.0%	3.0%
Net charge-offs (recoveries) as a percentage of average loans	0.1%	0.0%	0.0%	0.0%	0.0%

CAPITAL FARM CREDIT, ACA
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	December 31, 2024	2023	2022	2021	2020
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	13.9%	14.3%	14.6%	15.2%	15.1%
Debt as a percentage of members' equity	619.9%	600.8%	585.2%	558.3%	561.7%
Allowance for credit losses on loans as a percentage of loans	0.3%	0.2%	0.2%	0.2%	0.4%
Common Equity tier 1 ratio	10.9%	11.5%	11.5%	12.4%	14.0%
Tier 1 capital ratio	12.4%	13.0%	13.1%	14.3%	14.0%
Total capital ratio	12.6%	13.3%	13.3%	14.5%	14.4%
Permanent capital ratio	12.4%	13.1%	13.1%	14.3%	14.1%
Tier 1 leverage ratio	13.3%	13.9%	13.9%	15.0%	14.7%
UREE leverage ratio	4.6%	5.0%	5.4%	7.3%	8.4%
Net Income Distribution/Allocation					
Cash patronage paid	$ 118,791	$ 127,595	$ 108,069	$ 98,280	$ 88,550
Cash retirement of nonqualified written notice of allocation	59,997	70,065	59,747	60,000	55,000
Nonqualified notices of allocation	78,132	124,707	142,433	125,700	117,585
Preferred stock dividends paid	10,000	10,000	10,000	9,056	-

The association’s ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2024. For more information, see Note 10, “Members Equity,” in the accompanying consolidated financial statements. The full amount of the association's Class B preferred stock is included in the permanent capital, tier 1 capital, and total capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(ALL DOLLAR AMOUNTS IN THOUSANDS)

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

Forward-Looking Information:

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

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

Commodity Review and Economic Outlook:

Capital Farm Credit lends to full-time and part-time farmers, along with many agribusinesses throughout its chartered territory in Texas. The association also participates in agricultural loans throughout the country, diversifying the loan portfolio from a geographical and commodity perspective. The association meets the lending needs of its members through long-term rural land loans and short-term production loans. The association also offers crop insurance, including multi-peril, crop hail, pasture rangeland and forage (PRF) and other lines of protection.

As Capital Farm Credit's territory encompasses much of the state, the general Texas economy plays a pivotal role in the success of the association. The Texas economy grew modestly through 2024 with job growth outpacing the nation 1.6 percent to 1.4 percent, respectively. However, job growth has cooled from 2023's growth rate of 2.4 percent. The general outlook from the Texas Business Outlook Surveys (TBOS) is positive with widespread increase in demand expectations, but there are concerns regarding potential policy changes related to tariffs as Texas is the top exporting state in the nation.

The Federal Open Market Committee (FOMC) has reduced the target federal fund rate a full 1.0 percent through the second half of 2024 to 4.25 – 4.50 percent range. It is still the goal of the FOMC to bring the Consumer Price Index down to a rate of 2.0 percent and achieve maximum employment. Participants of the committee are projecting fewer rate cuts in 2025 to achieve these goals. The FOMC also continues to carry out its monetary policy by reducing its holdings of Treasury securities and agency debt. Low commodity prices, high input costs and poor weather conditions continue to challenge agriculture in Texas, though the cattle market remains strong and stable. Real land values for ranchland and dryland increased by over 6.0 percent year over year with a slight increase in irrigated cropland of 0.6 percent. The following is a review and outlook of some key commodities served by the association and a summary of industries and economic factors that impact our part-time producers. The percentages shown were determined based on the outstanding loan volume tied to the specific type of operation or commodity as of December 31, 2024.

Livestock (47.6 percent of the loan portfolio) – Cattle prices continued to be strong throughout 2024 and are poised to increase further in 2025 due to fewer cattle available for placement, and consequently fewer slaughter cattle later in the year. A ban on cattle imports from Mexico will add pressure on the domestic supply to meet demand. The USDA forecasts slaughter steer prices to increase 2.0 percent and feeder steers to increase 8.0 percent.

Crops (15.0 percent of the loan portfolio) – Farmers continue to battle poor weather conditions, high input costs and low commodity prices. Multiple years of continued stress have taken a toll across the state. Possible tariffs could bring added pressure to this sector. The one-year extension of the Farm Bill and Continuing Resolution passed in December will bring relief to crop producers across the state.

Hunting and recreation (12.2 percent of the loan portfolio) – Flattening of the yield curve in the second half of 2024 brought some opportunity for growth in this area, but further reductions in interest rates and stable acreage prices will be necessary to see notable improvement in the coming year. This sector of the portfolio is closely tied to the general Texas economy.

Dairy (5.3 percent of the loan portfolio) – Profitability improved marginally for dairies in 2024, with improvement in Class III milk prices offset by continued high input costs and drought conditions. The outlook for the dairy industry in Texas for 2025 includes increases in milk production and number of dairy cows. The USDA forecasts Class III milk price at $18.80 per hundredweight (cwt), Class IV milk price at $20.40 per cwt, and the all-milk price at $22.55 per cwt for 2025.

Utilities (3.3 percent of the loan portfolio) – Data centers drove demand in this area in 2024 and will continue into 2025, fueled by artificial intelligence (AI). Growth in the energy sector will come in traditional power generation as well as renewable energy, particularly solar and wind.

Timber (2.0 percent of the loan portfolio) – The timber market in 2025 is expected to be relatively stable, with prices following predictable seasonal patterns. Housing demand will continue to drive timber prices despite higher interest rates. Supply chain disruptions and environmental factors will persist, but improvements in management and production capacity should help mitigate these challenges. Regulatory changes and potential tariffs on imports could impact prices and supply chains.

Other (14.6 percent of the loan portfolio) – While agriculture in Texas continues to be challenged on many fronts, the extension of the Farm Bill and passage of the Continuing Resolution will provide needed relief. The FOMC's continued reduction in the federal fund rate in 2025 will bring growth opportunities and relief from high interest rates. The possibility of policy changes related to tariffs is an ongoing concern for agriculture as they could limit exports in many sectors. Overall, the Texas economy remains resilient and is expected to remain strong in 2025.

Significant Events:

Corporate Headquarters

In September 2024, the association relocated its corporate headquarters and credit office to its new building in College Station, Texas.

Rating Agency Actions

Fitch Ratings Actions
On December 11, 2024, Fitch reaffirmed the association's "BBB" with a stable outlook rating.

S&P Global Rating Actions
On December 11, 2024, S&P reaffirmed the association's "BBB" with a stable outlook rating.

Patronage Refunds by Association

The board of directors approved a $189,596 patronage distribution for 2024. Of that amount, $111,464 of this distribution will be paid in cash in March 2025, and $78,132 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Though there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. The reduction in allocated equity in 2024 is due to the anticipated capital call on the association's direct note at the Farm Credit Bank of Texas (bank) in March of 2025. The association is holding back in unallocated retained earnings the amount needed to increase the stock investment in the bank from 2.0 percent to 2.5 percent. In 2023, the board of directors approved a $243,498 patronage distribution, with cash patronage payable of $118,791 and $124,707 in nonqualified allocations. In 2022, the board of directors approved a $270,028 patronage distribution, with cash patronage payable of $127,595 and $142,433 in nonqualified allocations. In March 2023, the association finalized the computation of these distributions, which resulted in an increase in cash patronage payable of $1 for an actual cash distribution of $127,596, and a decrease of nonqualified allocated equities of $1 for a final allocation of $142,432.

In October 2024, the board of directors approved a resolution to retire $59,997 in nonqualified allocated equities, which were paid to the recipients in November 2024. The retirement was a distribution of 74 percent of the earnings allocated in 2015. In October 2023, the board of directors approved a resolution to retire $70,065 in nonqualified allocated equities, which were paid to the recipients in

November 2023. The retirement was a distribution of all remaining earnings allocated in 2014. In September 2022, the board of directors approved a resolution to retire $59,747 in nonqualified allocated equities, which were paid to the recipients in November 2022. The retirement was a distribution of all remaining earnings allocated in 2013.

Patronage Refund Received from Farm Credit Bank of Texas

The association received income in the form of a direct loan patronage of $37,005, $27,095 and $61,171 from the bank, representing 0.34 percent, 0.27 percent and 0.64 percent of the average daily balance of the association's direct loan with the bank at December 31, 2024, 2023 and 2022, respectively. In 2023, the bank paid patronage in the form of cash and nonqualified allocated equities. Of the $27,095 patronage in 2023, $18,967 was paid in cash and $8,128 in nonqualified allocations. Beginning in 2024, the bank no longer paid patronage on the association's stock investment in the bank. The association received $7,033 and $3,800 in patronage payments from the bank, based on the association's stock investment in the bank at December 31, 2023, and 2022, respectively. In addition, as a result of the capitalized participation pool (CPP) transaction discussed under the "Loan Portfolio" section below, the association received patronage of $930, $1,053 and $1,550 in 2024, 2023 and 2022, respectively. Also, the association received a capital markets patronage of $3,352, $3,369 and $4,588 from the bank in 2024, 2023 and 2022 representing approximately 0.75 percent, 0.75 percent and 1.00 percent, respectively, on the year's average daily balance for loan participations sold to the bank.

Loan Portfolio:

The association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The association's loan volume consists primarily of long-term real estate mortgage loans, production and intermediate-term loans and farm-related business loans including originated and purchased. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. For all loan products, the association is able to lock an interest rate spread for the pricing term of the loan. When the pricing term expires on a loan, the association is subject to a new cost of funds from the bank. However, the association is then also able to establish a new interest spread on the loan to the customer. Pricing terms range from one month on Farm Credit SOFR indexed, CME Term SOFR, and prime-indexed products from 60 days to 30 years on fixed-rate products. Loan maturities range from one to five years, with annual operating loans comprising the majority of the production loans and five- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

At December 31, 2024, the association's loan volume was $12,990,455, an increase of $868,554 or 7.2 percent from December 31, 2023. Volume increased in 2024 across the portfolio, with growth in the real estate mortgage loans of $503,103 or 5.7 percent, production intermediate-term loans of $122,401 or 7.2 percent, farm related business loans of $137,635 or 12.9 percent, communication loans of $40,054 or 18.9 percent, energy loans of $66,354 or 45.9 percent, water and waste disposal loans of $2,101 or 4.1 percent, and international loans of $16,230 or 100.0 percent, slightly offset by decreases in rural residential real estate of $13,225 or 15.2 percent, lease receivables of $6,020 or 29.3 percent, and mission-related investments of $79 or 4.6 percent. At December 31, 2023, loan volume was $12,121,901, which was 5.5 percent higher than the December 31, 2022, loan volume of $11,487,825. The credit quality of the association's portfolio has remained strong. Loans classified as acceptable were 96.4 percent of the total portfolio at December 31, 2024, in comparison to 97.3 percent of the total portfolio at December 31, 2023, and 98.4 percent at December 31, 2022. Overall, there has been no significant change in the geographical distribution of the portfolio or the types of loans that comprise the portfolio. The composition of the association's loan portfolio is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Credit Losses on Loans."

In September 2018, the association completed a sale of $99,586 in loans to the Farm Credit Bank of Texas as part of its capitalized participation pool (CPP). In accordance with this program, the association capitalizes this loan pool with a 6.0 percent investment in the bank in exchange for the net earnings this pool generates. The CPP program allows the association to manage its capital by controlling the amount of loan volume on the balance sheet. The program recognized earnings of $801, $935 and $1,244 in 2024, 2023 and 2022, respectively. The earnings from the program are under the control and discretion of the bank.

At December 31, 2024, 2023 and 2022, the association held two transactions, respectively, which are reported as loans on the consolidated balance sheet totaling $1,650, $1,729 and $1,803, with remaining commitments of $0 for the three years extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

Purchase and Sales of Loans:

The association has obtained loan guarantees from the Federal Agricultural Mortgage Corporation (Farmer Mac) through an arrangement with the bank in the form of standby commitments to purchase qualifying loans. At December 31, 2024, 2023 and 2022, loans totaling $6,229, $6,704 and $7,558, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $19, $23 and $28 in 2024, 2023 and 2022, respectively, and are reflected in "other noninterest expense" in the consolidated statement of income.

The association participates in loans with other lenders and is a net seller. As of December 31, 2024, 2023 and 2022, loan participations purchased by the association totaled $2,723,817, $2,309,821 and $2,079,009, or 21.0 percent, 19.1 percent and 18.1 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the System, totaling $14,581, $1,731 and $3,422, or 0.1 percent of loans in 2024, and 0.0 percent of loans in 2023 and 2022, respectively, and $2,708,606, $2,308,090 and $2,075,587, or 20.9 percent, 19.0 percent and 18.1 percent of loans, respectively, from entities within the System. Of the amounts purchased within the System, $485,969, $406,183 and $344,123 were purchased within the district as of December 31, 2024, 2023 and 2022, respectively. The association has also sold participations to other lenders within the System of $2,896,930, $2,467,422 and $2,244,723 as of December 31, 2024, 2023 and 2022, respectively. Of the amounts sold within the System, $1,759,682, $1,627,349, and $1,442,191 were sold within the district as of December 31, 2024, 2023, and 2022, respectively.

Investments:

Agricultural Mortgage-Backed Securities

During 2010, the association exchanged loans totaling $27,975 for Farmer Mac guaranteed mortgage-backed securities (AMBS). The loans were previously covered under the Long-Term Standby Commitments to Purchase (LTSCP) Agreement with Farmer Mac. These loans were sold to Farmer Mac and then repurchased in the form of a guaranteed AMBS investment. The primary objective in pursuing the AMBS conversion alternative is to reduce the association's credit exposure to Farmer Mac by putting the association in a position to benefit from the United States Treasury line of credit (under Section 8.13 of the Farm Credit Act), which is only available for the payment of Farmer Mac's guarantee obligations on securities, not for its obligations under the LTSCP program. No gain or loss was recognized in the financial statements as a result of the exchange transaction. These AMBS are included in the association's consolidated balance sheet as held-to-maturity investments in 'Other Assets' at an amortized cost balance of $634, $1,027 and $1,496 at December 31, 2024, 2023 and 2022, respectively. The association continues to service the loans included in that transaction.

Relationships with Unincorporated Business Entities

The association partners with other Farm Credit associations to facilitate a point of purchase equipment financing program under the name of AgDirect LLP (AgDirect). The AgDirect program operates through independent equipment dealers to originate and refinance agricultural equipment loans. The association's investment in AgDirect was $25,721, $19,846 and $16,339 at December 31, 2024, 2023 and 2022, respectively. Income from this program was $2,995, $2,493 and $2,054 for the years ended December 31, 2024, 2023 and 2022, respectively, and is included in "other income" in the accompanying Consolidated Statements of Comprehensive Income.

The association and the bank made investments in a limited partnership, the Advantage Capital Ag Partners L.P., that will provide junior capital to rural and agriculture businesses in the United States. This partnership is a Rural Business Investment Company (RBIC), and the investment by the association and the bank is allowed under the Mission-Related Investment authorities granted in the Farm Credit Act. The association's investment in RBIC was $4,528, $12,581 and $13,024 at December 31, 2024, 2023 and 2022, respectively. The association recorded (loss)/income from this investment in 2024, 2023 and 2022 of $(8,299), ($702) and ($78), respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due, and other property owned, net. The following table reflects the association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

	2024		2023		2022	
	Amount	**%**	Amount	%	Amount	%
Loans:						
Nonaccrual loans	**$ 68,335**	**99.1%**	$ 36,009	60.8%	$ 56,133	93.2%
Accruing loans 90 days or more past due	**-**	**-**	-	-	1,173	1.9%
Nonperforming loans	**68,335**	**99.1%**	36,009	60.8%	57,306	95.1%
Other property owned, net	**619**	**0.9%**	23,177	39.2%	2,924	4.9%
Nonperforming assets	**$ 68,954**	**100.0%**	$ 59,186	100.0%	$ 60,230	100.0%

At December 31, 2024, 2023 and 2022, nonperforming loans were $68,335, $36,009 and $57,306, representing 0.5 percent, 0.3 percent and 0.5 percent of loan volume, respectively. Nonaccrual loans increased $32,326 during 2024 primarily as a result of a downgrade of a large relationship during the fourth quarter. This increase was recognized primarily in the production and intermediate-term and real estate mortgage sectors and offset by a decrease in the farm-related business sector. In addition, the association saw a decrease in other property owned by $22,558 during 2024. Other property owned consists of five properties as of December 31, 2024.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with problem customers and industries through periods of adversity. To help mitigate and diversify credit risk, the association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

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

Allowance for Credit Losses on Loans:

The association employs a disciplined process and methodology to establish its allowance for credit losses on loans that have 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 requirements, the fair value of collateral-dependent loans is based upon appraisals or collateral valuations prepared by third-party or in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

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

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

Based upon ongoing risk assessment, loss history, and the procedures outlined above, the allowance for credit losses on loans of $42,144, $30,106 and $21,386 at December 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

The association also provides line of credit financing to customers to cover short-term and variable needs. As a result, the association has unfunded commitments for which a separate reserve is maintained. This reserve is reported as a liability on the association's consolidated balance sheet and was $499, $415 and $456 at December 31, 2024, 2023 and 2022, respectively.

Results of Operations:

The association's net income for the year ended December 31, 2024, was $263,816 as compared with $270,316 for the year ended December 31, 2023, reflecting a decrease of $6,500 or 2.4 percent. The association's net income for the year ended December 31, 2022, was $286,309. Net income decreased $15,993, or 5.6 percent, in 2023 as compared with 2022.

Net interest income for 2024, 2023 and 2022 was $361,517, $348,694 and $322,799, respectively. This reflects increases of $12,823 or 3.7 percent, for 2024 versus 2023 and $25,895 or 8.0 percent, for 2023 versus 2022. Net interest income is the principal source of earnings for the association and is impacted by loan volume, yields on loans and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2024 Average Balance	2024 Interest	2023 Average Balance	2023 Interest	2022 Average Balance	2022 Interest
Interest-earning assets	**$ 12,458,444**	**$ 813,062**	$ 11,723,093	$ 717,045	$ 11,054,195	$ 553,108
Interest-bearing liabilities	**10,902,594**	**451,545**	10,161,955	368,351	9,508,904	230,309
Impact of capital	**$ 1,555,850**		$ 1,561,138		$ 1,545,291	
Net interest income		**$ 361,517**		$ 348,694		$ 322,799

	2024 Average Yield	2023 Average Yield	2022 Average Yield
Yield on interest-earning assets	**6.53%**	6.12%	5.00%
Cost of interest-bearing liabilities	**4.14%**	3.62%	2.42%
Net interest spread	**2.39%**	2.50%	2.58%

	2024 vs. 2023 Increase (decrease) due to			2023 vs. 2022 Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income	**$ 44,981**	**$ 51,036**	**$ 96,017**	$ 33,469	$ 130,468	$ 163,937
Interest expense	**26,847**	**56,347**	**83,194**	15,817	122,225	138,042
Net interest income	**$ 18,134**	**$ (5,311)**	**$ 12,823**	$ 17,652	$ 8,243	$ 25,895

Interest income for 2024 increased by $96,017, or 13.4 percent, compared with 2023, due to an increase in loan volume and an increase in interest rates. Interest expense for 2024 increased by $83,194 or 22.6 percent, compared with 2023 primarily due to increased rates and an increase in the direct note balance. The interest rate spread decreased by 11 basis point to 2.39 percent in 2024 from 2.50 percent in 2023, primarily as a result of an increase in cost of funds. The interest rate spread decreased by 8 basis points to 2.50 in 2023 from 2.58 in 2022, also due to an increase in the cost of funds.

Noninterest income for 2024 decreased by $4,588, or 6.6 percent, compared with 2023, primarily as a result of lower other noninterest income due to RBIC losses and a lower gain on other property owned (OPO), partially offset by increases in patronage from the bank and increases in loan fees. The bank paid 34.0-basis point patronage on the association’s average direct note borrowings during 2024 compared with 26.7 basis points in 2023. Noninterest income for 2023 decreased by $24,346, or 25.8 percent, compared with 2022, primarily as a result of a lower patronage from the bank, a decrease in financially related services and a decrease in gain on sale of premises and equipment, offset by an increase in loan fees, an increase in gain on OPO, and an increase on other noninterest income. The bank paid a 26.7-basis-point cash patronage on the association’s average direct note borrowings in 2023 compared with a 64-basis point patronage in 2022. Other noninterest income decreased $9,381, or 48.6 percent, as a result of losses on the RBIC investments as of December 31, 2024.

Provision for loan losses increased by $12,460 or 146.3 percent, compared with 2023, due primarily to two large relationships that were downgraded or charged off, as well as some downgrades in the portfolio during 2024. There was a provision for credit losses of $8,518 in 2023, compared with a reversal of $1,003 in 2022. The increase in the provision was primarily a result of three large relationships that were downgraded or charged off, as well as some downgrades in the portfolio during 2023.

Noninterest expenses consists primarily of salaries, employee benefits, occupancy and equipment, and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Noninterest expenses increased in 2024 by $2,280, or 1.6 percent, compared with 2023. The increase is primarily driven by an increase in salaries and employee benefits of $3,291 or 3.8 percent, occupancy and equipment of $3,263 or 46.7 percent, and training of $1,090 or 69.4 percent, offset by a decrease in FCSIC insurance fund premium of $7,052 or 40.5 percent. The increases in expenses are a result of increased headcount and growth in the loan portfolio. Noninterest expenses increased $8,012 for 2023, or 6.1 percent, compared with 2022. The increase was driven by an increase in salaries and employee benefits of $5,052 or 6.2 percent, travel of $1,030 or 31.1 percent, and occupancy and equipment of $1,004 or 16.8 percent. The increases in expenses are a result of a full year since implementation of the association’s new lending platform, increased headcount and growth in the loan portfolio. All categories of noninterest expense increased during 2022 offset with a decrease in other expense of $140, or 10.6 percent, compared with 2021. The increase was a result of continued COVID-19 restrictions being completely lifted during the entire 2022 fiscal year, implementation of the association’s new lending platform, increased headcount and growth in the loan portfolio.

For the year ended December 31, 2024, the association’s return on average assets was 2.0 percent, as compared with 2.2 percent and 2.5 percent for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2024, the association’s return on average members’ equity was 13.7 percent, as compared with 14.6 percent and 16.4 percent for the years ended December 31, 2023 and 2022, respectively.

Because the association depends on the bank for funding, any significant positive or negative factors affecting the operations of the bank could have a similar effect on the operations of the association.

Liquidity and Funding Sources:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct loan pricing and asset/liability management process. All of the association's loans are match-funded with debt with similar terms by the bank.

The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $11,372,524, $10,524,700 and $9,840,475 as of December 31, 2024, 2023 and 2022, respectively, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 4.21 percent, 4.00 percent and 3.20 percent at December 31, 2024, 2023 and 2022, respectively. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by a financing agreement. This increase in note payable to the bank and related accrued interest payable since December 31, 2023, is due to an increase in the association's loan portfolio. The association's average own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,615,631, $1,597,882 and $1,648,158 for the years 2024, 2023 and 2022, respectively. The maximum amount the association may borrow from the bank as of December 31, 2024, was $12,815,480 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2025. As borrower payments are received, they are applied to the association's note payable to the bank. The association will continue to fund its operations through direct borrowings from the bank, capital surplus from prior years and member stock. It is management's opinion that funds available to the association are sufficient to fund its operations for the coming year.

Capital Resources:

The association's capital position remains strong, with total members' equity of $1,877,454, $1,796,461 and $1,728,347 at December 31, 2024, 2023 and 2022, respectively. The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1 (CET 1), tier 1 capital, total capital and permanent capital risk-based ratios. The non-risk adjusted ratios include a tier 1 leverage ratio and unallocated retained earnings (URE) and URE equivalent (UREE) leverage ratio. The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder's loan or otherwise at the option of the holder or is otherwise not at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance-sheet commitments adjusted by various percentages ranging from 0 to 1,250%, depending on the level of risk inherent in the various types of assets.

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

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

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

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

Association's ratios as of December 31:

	2024	2023	2022	**Regulatory Minimum with Buffer**
Risk-adjusted:				
Common equity tier 1 ratio	**10.9%**	11.5%	11.5%	7.00%
Tier 1 capital ratio	**12.4%**	13.0%	13.1%	8.50%
Total capital ratio	**12.6%**	13.3%	13.3%	10.50%
Permanent capital ratio	**12.4%**	13.1%	13.1%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	**13.3%**	13.9%	13.9%	5.00%
UREE leverage ratio	**4.6%**	5.0%	5.4%	1.50%

The association has been able to maintain solid levels of capital and strong capital ratios while declaring patronage refunds in cash to its stockholders in the amounts of $111,464, $118,791 and $127,595 in 2024, 2023 and 2022, respectively, and dividends of $10,000 for 2024, 2023 and 2022, respectively. The board of directors also issued $78,132, $124,707 and $142,433 in nonqualified written notices of allocation in 2024, 2023 and 2022, respectively. The reduction in allocated equity in 2024 is due to the increase in the stock investment on the association's direct note at the bank from 2.0 percent to 2.5 percent in March of 2025. In addition, the association retired $59,997, $70,065 and $59,747 of previously allocated nonqualified written notices of allocation in 2024, 2023 and 2022, respectively. See Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

The association utilizes income pools to determine and allocate the patronage refunds for its customers. Each patronage-eligible customer's loan(s) is assigned to a respective pool based upon common characteristics to service and account for such loans. For 2024, 2023 and 2022, the association utilized a participations purchased pool, a participations sold pool and a general loan pool. The participations purchased pool includes all patronage-eligible loans that are purchased from other farm credit entities. The sold loan pool includes any portion of a loan that the association originates but sells to another entity. The general pool includes all other patronage-eligible loans not included in the other pools. Net income is calculated for each pool by including all the net interest income and other income from the loans in the pool and a reasonable allocation of association expenses for each pool. The allocation of expenses is based upon the costs to service and account for the loans in the pool. Net income for each pool is determined by subtracting the allocation of expenses from the income of the loans in the pool. Any net income from the pool is eligible for distribution only to the customers with loans in that pool. If a pool does not generate net income, there are no earnings available for distribution to those customers with loans in that pool. All pools generated earnings available for distribution in 2024, 2023 and 2022.

Regulatory Matters:

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

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

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

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

On October 5, 2023, the FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the necessary actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish institution board reporting requirements. The final rule became effective on January 1, 2025.

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

Relationship with the Bank:

The association's statutory obligation to borrow only from the bank is discussed in Note 9, "Note Payable to the Bank" in the accompanying consolidated financial statements. The bank's ability to access capital of the association is discussed in Note 2 of the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank." The bank's role in mitigating the association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the consolidated financial statements, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The bank provides computer systems to support the critical operations of all district associations. In addition, the association has operating systems and facility-based systems that are not supported by the bank. As disclosed in Note 13, "Related Party Transactions," in the accompanying consolidated financial statements, the bank provides many services that the association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the bank bills district expenses to the associations, such as the Farm Credit System Corporation insurance premiums.

Report of Independent Auditors

To the Board of Directors of Capital Farm Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Austin, Texas
March 7, 2025

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31,		
	2024	**2023**	**2022**
ASSETS			
Loans	**12,990,455**	12,121,901	11,487,825
Less: Allowance for loan losses	**(42,144)**	(30,106)	(21,386)
Net Loans	**12,948,311**	12,091,795	11,466,439
Accrued interest receivable - loans	**120,675**	108,578	84,311
Investment in and receivable from the Bank:			
Capital stock	**218,693**	204,642	191,460
Receivable	**57,800**	23,531	21,295
Investments in other Farm Credit Institutions	**35,896**	29,304	16,928
Investment in Rural Business Investment Company	**4,528**	12,581	13,024
Other property owned, net	**619**	23,177	2,924
Premises and equipment, net	**88,763**	69,070	17,120
Right of use asset - leases	**5,244**	6,542	8,263
Other assets	**34,656**	19,704	20,466
Total assets	**$ 13,515,185**	$ 12,588,924	$ 11,842,230
LIABILITIES			
Note payable to the Bank	**$ 11,372,524**	$ 10,524,700	$ 9,840,475
Advanced conditional payments	**12,619**	10,310	11,034
Accrued interest payable	**39,187**	34,372	25,933
Lease liabilities	**5,553**	6,813	8,492
Drafts outstanding	**317**	555	378
Patronage distributions payable	**111,471**	118,797	127,603
Unfunded post-retirement medical obligation	**23,883**	21,925	21,420
Reserve for unfunded commitments	**499**	415	456
Other liabilities	**71,678**	74,576	78,092
Total liabilities	**11,637,731**	10,792,463	10,113,883
MEMBERS' EQUITY			
Capital stock and participation certificates	**28,319**	28,018	28,337
Preferred Stock	**200,000**	200,000	200,000
Nonqualified allocated retained earnings	**958,608**	940,473	885,831
Unallocated retained earnings	**689,338**	625,119	610,986
Accumulated other comprehensive income	**1,189**	2,851	3,193
Total members' equity	**1,877,454**	1,796,461	1,728,347
Total liabilities and members' equity	**$ 13,515,185**	$ 12,588,924	$ 11,842,230

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year Ended December 31,		
	2024	**2023**	**2022**
Interest Income			
Total interest income	**813,062**	717,045	553,108
Interest Expense			
Note Payable to the Bank	**450,944**	367,949	230,270
Advance conditional payments	**601**	402	39
Total interest expense	**451,545**	368,351	230,309
Net interest income	**361,517**	348,694	322,799
Provision for Loan Losses			
Provision for (reversal) of credit losses	**20,978**	8,518	(1,003)
Net interest income after provision for losses/ (loan loss reversal)	**340,539**	340,176	323,802
Noninterest Income			
Patronage income from the Bank	**41,287**	38,550	71,109
Loan fees	**9,438**	6,679	5,934
Financially related services income	**3,449**	2,863	3,552
Gain on sale of premises and equipment, net	**1,092**	1,345	2,015
Gain on other property owned, net	**68**	1,104	-
Other noninterest income	**9,933**	19,314	11,591
Total noninterest income	**65,267**	69,855	94,201
Noninterest Expense			
Salaries and employee benefits	**89,249**	85,958	80,906
Insurance Fund premium	**10,340**	17,392	18,050
Occupancy and equipment	**10,256**	6,993	5,989
Advertising	**5,143**	5,323	4,544
Purchased services	**5,048**	4,373	4,243
Travel	**4,365**	4,340	3,310
Public and member relations	**4,186**	4,203	3,463
Supervisory and exam expense	**2,765**	2,504	2,280
Data processing	**2,725**	2,270	1,984
Training	**2,661**	1,571	1,937
Business insurance expense	**1,482**	1,338	1,216
Director's expense	**1,448**	1,284	1,095
Communications	**1,028**	1,107	1,155
Loss on other property owned, net	**-**	-	338
Other noninterest expenses	**1,291**	1,051	1,185
Total noninterest expenses	**141,987**	139,707	131,695
Income before income tax	**263,819**	270,324	286,308
Provision for (benefit from) income tax	**3**	8	(1)
Net income	**$ 263,816**	$ 270,316	$ 286,309
Other comprehensive (loss) gain:			
Change in postretirement benefit plans	**(1,662)**	(342)	6,150
Income tax expense related items of other comprehensive income	-	-	-
Other comprehensive gain (loss), net of tax	**(1,662)**	(342)	6,150
COMPREHENSIVE INCOME	**$ 262,154**	$ 269,974	$ 292,459

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

CAPITAL FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(dollars in thousands)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings Non qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2021	$ 28,410	$ 200,000	$ 803,147	$ 604,705	$ (2,957)	$ 1,633,305
Comprehensive income:						
Net income	-	-	-	286,309	-	286,309
Other comprehensive gain	-	-	-	-	6,150	6,150
Capital stock/participation certificates issued	5,135	-	-	-	-	5,135
Capital stock/participation certificates/ allocated equities retired	(5,208)	-	(59,747)	-	-	(64,955)
Preferred stock issued	-	-	-	-	-	-
Issuance cost on preferred stock	-	-	-	-	-	-
Preferred stock dividends	-	-	-	(10,000)	-	(10,000)
Patronage distributions declared:						
Cash	-	-	-	(127,595)	-	(127,595)
Nonqualified allocations	-	-	142,433	(142,433)	-	-
Change in patronage declared and paid	-	-	(2)	-	-	(2)
Balance at December 31, 2022	28,337	200,000	885,831	610,986	3,193	1,728,347
Cumulative effect of implementation of CECL	-	-	-	(2,684)	-	(2,684)
Balance at January 1, 2023	**28,337**	**200,000**	**885,831**	**608,302**	**3,193**	**1,725,663**
Net income	-	-	-	270,316	-	270,316
Other comprehensive gain	-	-	-	-	(342)	(342)
Capital stock/participation certificates issued	3,173	-	-	-	-	3,173
Capital stock/participation certificates/ allocated equities retired	(3,492)	-	(70,065)	-	-	(73,557)
Preferred stock dividends	-	-	-	(10,000)	-	(10,000)
Patronage distributions declared:						
Cash	-	-	-	(118,791)	-	(118,791)
Nonqualified allocations	-	-	124,707	(124,707)	-	-
Change in patronage declared and paid	-	-	-	(1)	-	(1)
Balance at December 31, 2023	**28,018**	**200,000**	**940,473**	**625,119**	**2,851**	**1,796,461**
Net income	**-**	**-**	**-**	**263,816**	**-**	**263,816**
Other comprehensive (loss)	**-**	**-**	**-**	**-**	**(1,662)**	**(1,662)**
Capital stock/participation certificates issued	**3,297**	**-**	**-**	**-**	**-**	**3,297**
Capital stock/participation certificates/ allocated equities retired	**(2,996)**	**-**	**(59,997)**	**-**	**-**	**(62,993)**
Preferred stock dividends	**-**	**-**	**-**	**(10,000)**	**-**	**(10,000)**
Patronage distributions declared:						
Cash	**-**	**-**	**-**	**(111,464)**	**-**	**(111,464)**
Nonqualifed allocations	**-**	**-**	**78,132**	**(78,132)**	**-**	**-**
Change in patronage declared and paid	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Balance at December 31, 2024	**$ 28,319**	**$ 200,000**	**$ 958,608**	**$ 689,338**	**$ 1,189**	**$ 1,877,454**

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

CAPITAL FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 263,816**	$ 270,316	$ 286,309
Adjustments to reconcile net income to net			
Cash provided by operating activities:			
Provision for/(reversal of) loan losses	**20,978**	8,518	(1,003)
Provision on other property owned	**1,239**	145	40
(Gain)/loss on other property owned	**(930)**	(694)	272
Depreciation and amortization	**10,413**	9,569	5,434
Amortization of Right of Use Asset	**1,298**	1,721	577
(Gain)/loss on sale of premises and equipment, net	**(1,092)**	(1,345)	2,015
Loss on investment in RBIC	**8,299**	702	78
(Increase) in accrued interest receivable	**(12,090)**	(24,264)	(19,463)
Allocated equity patronage from the bank	**-**	(8,128)	-
(Increase)/decrease in other assets	**(41,982)**	(1,946)	1,197
Amortization of the discounted lease liability	**(1,260)**	(1,679)	(559)
Increase in accrued interest payable	**4,815**	8,439	11,659
(Decrease)/increase in other liabilities	**(2,602)**	(3,353)	5,259
Net cash provided by operating activities	**$ 250,902**	$ 258,001	$ 291,815
Cash flows from investing activities:			
(Increase) in loans, net	**$ (885,388)**	$ (667,508)	$ (1,039,603)
Cash recoveries of loans previously charged off	**1,408**	1,194	1,572
(Purchase of) investment in other Farm Credit Institutions	**(6,592)**	(4,248)	(1,797)
(Purchase of) investment in RBIC	**(246)**	(259)	(877)
(Purchase of) investment in the bank	**(14,051)**	(13,182)	(32,261)
Proceeds from investments held to maturity	**393**	469	456
(Purchases of) premises and equipment	**(48,283)**	(56,955)	(5,131)
Proceeds from sales of premises and equipment	**25,354**	3,582	(2,048)
Proceeds from sales of other property owned	**15,095**	3,210	278
Net cash used in investing activities	**$ (912,310)**	$ (733,697)	$ (1,079,411)

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

CAPITAL FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from financing activities:			
Net increase in note payable to the bank	**$ 847,824**	$ 684,225	$ 966,663
(Decrease)/ increase in drafts outstanding	**(238)**	177	(526)
Increase/(decrease) in advance conditional payments	**2,309**	(724)	(652)
Issuance of capital stock and participation certificates	**3,297**	3,173	5,135
Retirement of capital stock, participation certificates and allocated equities	**(62,993)**	(73,557)	(64,955)
Cash dividends paid	**(10,000)**	(10,000)	(10,000)
Patronage distributions paid	**(118,791)**	(127,598)	(108,069)
Net cash provided by financing activities	**$ 661,408**	$ 475,696	$ 787,596
Net (decrease) in cash	**-**	-	-
Cash at the beginning of the year	**-**	-	-
Cash at the end of the year	$ -	$ -	$ -
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned upon loan foreclosure	**$ 485**	$ 22,914	$ 2,587
Loans charged off	**10,264**	3,717	2,080
Cumulative effect of implementation of CECL	**-**	2,684	-
OPO sold and reclassed to Note Receivable	**7,639**		
Patronage distributions declared	**111,464**	118,791	(127,595)
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 446,730**	$ 359,912	$ 218,650
Income taxes	**-**	-	-

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

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(ALL DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Capital Farm Credit, ACA, including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA (collectively called the association), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas.

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

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

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

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

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

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

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") and the accounting and reporting policies of the association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. In consolidation, all significant intercompany accounts and transactions are eliminated and all material wholly owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise. The consolidated financial statements include the accounts of Capital Farm Credit, PCA and Capital Farm Credit, FLCA.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. Significant estimates are discussed in these notes, as applicable.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation.

A. Recently Issued or Adopted Accounting Pronouncements:

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

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The amendments in this ASU improve reportable segment disclosure but do not change the definition of segment, method of determining a segment, or the criteria for aggregating operating segments. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective or fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this guidance did not have an impact on the association's financial condition, results of operations or cash flows.

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 enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than 5.0 percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than 5.0 percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024, and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. 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.

In November 2024, the FASB issued 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, in the notes to financial statements, of specified information about certain costs and expenses. 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 generally accepted accounting principles (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. System institutions are currently assessing the potential impact of this standard on its disclosures.

B. Cash: Cash, as included in the balance sheet and statement of cash flows, represents cash on hand and on deposit at banks.

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

The association's investments include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) for which the association has the intent and ability to hold to maturity and that are consequently classified as held-to-maturity. Held-to-maturity are presented net of an allowance for credit losses on investments. Impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of whether any decline in fair value is due to a credit loss, all relevant information is considered at the individual security level. For mortgage-backed securities, performance indicators considered relate to the underlying assets, including default rates, delinquency rates, percentage of nonperforming assets, debt-to-collateral ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, analyst reports and forecasts, credit ratings and other market data.

The association holds additional investments in accordance with mission-related investment and other investment programs approved by the FCA. These programs allow the association to make investments that further the System's mission to serve rural America. Mission-related investments for which the association has the intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for the amortization of premiums and accretion of discounts.

Mortgage-backed securities issued by Farmer Mac are also considered allowable investments but are not included in the investment limitation specified by the Farm Credit Administration regulations. Farmer Mac investments are classified either as held-to-maturity or available-for-sale depending on the institution's ability and intent to hold the investment to maturity.

The association is also allowed to purchase and hold the portion of certain loans that non-System lenders originate and sell in the secondary market, and that the USDA unconditionally guarantees or insures as to the timely payment of principal and interest.

D. Loans and Allowance for Credit Losses on Loans

Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of five years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. The net amount of loan fees and related origination costs are not material to the consolidated financial statements taken as a whole. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans

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

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

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

Accrued interest receivable

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Collateral dependent loans

Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. The current expected credit losses (CECL) accounting guidance requires the association to measure the expected credit losses 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.

Allowance for Credit Losses

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

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the consolidated balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in liabilities.

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 ACL in those future periods.

Methodology for Allowance for Credit Losses on Loans

The allowance for credit losses is based upon estimates that consider the general financial strength of the overall economy and the agricultural economy, as well as the association's loan portfolio composition, credit administration and prior loan loss experience. The association calculates its allowance in two parts, specific allowances and a general allowance. The association evaluates all loans classified as nonaccrual for a specific allowance. This specific allowance is generally based upon the value of the collateral securing the loan relative to the loan amount outstanding. The association utilizes a third-party model to calculate its general allowance. Management has identified segments to group loans with similar repayment sources. The general allowance still utilizes the PD/LGD methodology. The model uses various economic forecasts and management applies a probability weighting based on management's best estimates. The association then inputs a reasonable and supportable forecast of three years, after which the model reverts back to the mean within the next two years. Additional significant inputs into the model include prepayment rate and credit conversion factor (CCF) for the association's unfunded commitments.

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

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

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

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

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

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

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

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

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

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

Allowance for Credit Losses on Unfunded Commitments

The association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in liabilities on the consolidated balance sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses are recorded for commitments that are unconditionally cancellable.

E. Capital Stock Investment in the Bank: The association's investment in the bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted annually. The bank requires a minimum stock investment of 2 percent of the association's average borrowing from the bank. This investment is carried at cost plus allocated equities from the bank in the accompanying consolidated balance sheet.

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

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

G. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost and not depreciated. Depreciation is provided on the straight-line method using estimated useful lives of each asset. Estimate useful lives are as follows: Buildings are 40 years, leasehold improvements are 15 years, furniture and equipment are 10 years, computer equipment and software are three years and automobiles are five years. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

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

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

The structure of the district's DB plan is characterized as multiemployer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. For the DB plan, the association recognized costs of $961, $1,668 and $3,083 for the years ended December 31, 2024, 2023 and 2022, respectively.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2024, made on their behalf into various investment alternatives. The association recognized costs for the DC plan of $3,506, $3,441 and $3,284 for the years ended December 31, 2024, 2023 and 2022, respectively.

The association also participates in the Farm Credit Benefits Alliance 401(k) plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The association's contributions to the 401(k) plan were $2,568, $2,503, and $2,399 for the years ended December 31, 2024, 2023 and 2022, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plan discussed above, the association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the association's consolidated balance sheet in other liabilities. The purpose of the plan is (a) to provide eligible employees (those with compensation in excess of $100 in the immediately preceding tax year) of the association who participate in the 401(k) plan with benefits in excess of the limitations on benefits imposed; (b) to allow a means for those employees to make pretax deferrals of additional amounts payable to them to a future payment date; and (c) to allow a means for participating employers to provide discretionary deferred income to those employees. The total expenses of the nonqualified plan included in the association's employee benefit costs were $187, $240 and $144 for the years ended December 31, 2024, 2023 and 2022, respectively.

In addition to pension benefits, the association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in liabilities on the consolidated balance sheets. Association employees hired after January 1, 2004, will be eligible for retiree medical benefits for themselves and their spouses but will be responsible for 100 percent of the related premiums.

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

Deferred income taxes have not been provided by the association on patronage stock distributions from the bank prior to January 1, 1993, the adoption date of FASB guidance on "Accounting for Income Taxes." Management's intent is (1) to permanently invest these and other undistributed earnings in the bank, thereby indefinitely postponing their conversion to cash or (2) to pass through any distribution related to pre-1993 earnings to association borrowers through qualified patronage allocations.

The association has not provided deferred income taxes on amounts allocated to the association that 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. The bank currently has no plans to distribute unallocated bank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the association level.

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

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

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

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

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

The fair value disclosures are disclosed in Note 14, "Fair Value Measurements."

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and a 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 CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

	2024			2023		2022	
Loan Type	**Amount**	**%**		Amount	%	Amount	%
Real estate mortgage	**$ 9,333,454**	**71.9%**	$	8,830,351	72.9%	$ 8,629,085	75.1%
Production and intermediate-term	**1,833,672**	**14.1%**		1,711,271	14.1%	1,420,590	12.4%
Farm-related business	**1,201,122**	**9.3%**		1,063,487	8.8%	969,269	8.4%
Communication	**251,657**	**1.9%**		211,603	1.7%	188,748	1.7%
Energy	**210,805**	**1.6%**		144,451	1.2%	141,142	1.2%
Rural residential real estate	**73,501**	**0.6%**		86,726	0.7%	104,966	0.9%
Water and waste disposal	**53,852**	**0.4%**		51,751	0.4%	12,314	0.1%
International	**16,230**	**0.1%**		-	0.0%	-	0.0%
Lease receivables	**14,512**	**0.1%**		20,532	0.2%	19,908	0.2%
Mission-related investments	**1,650**	**0.0%**		1,729	0.0%	1,803	0.0%
Total	**$ 12,990,455**	**100.0%**	$	12,121,901	100.0%	$ 11,487,825	100.0%

At December 31, 2024, the association held two transactions, which are reported as loans on the consolidated balance sheet totaling $1,650 and with $0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing qualified loans in rural areas.

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 435,831	$ 1,403,799	$ -	$ -	$ 435,831	$ 1,403,799
Production and intermediate-term	833,145	1,368,725	11,880	-	845,025	1,368,725
Farm-related business	890,924	124,406	2,701	-	893,625	124,406
Communication	251,657	-	-	-	251,657	-
Energy	210,805	-	-	-	210,805	-
Water and waste disposal	53,852	-	-	-	53,852	-
International	16,230	-	-	-	16,230	-
Lease receivables	14,512	-	-	-	14,512	-
Mission-related investments	1,650	-	-	-	1,650	-
Total	$ 2,708,606	$ 2,896,930	$ 14,581	$ -	$ 2,723,187	$ 2,896,930

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 association reviews, at least on an annual basis, or when a credit action is taken the probability of default category and the loss given default.

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

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

The following table presents the amortized cost of loans classified under the Uniform Loan Classification System as a percentage of the amortized cost of total loans:

	December 31, 2024	December 31, 2023
Acceptable	**96.4%**	97.3%
OAEM	**2.1%**	1.7%
Substandard/Doubtful	**1.5%**	1.0%
Total	**100.0%**	100.0%

There were no loans in the loss category.

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2024:

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 1,429,923	$ 999,340	$ 1,299,466	$ 2,149,511	$ 1,224,012	$ 1,955,429	$ 74,517	$ 10,886	$ 9,143,084
OAEM	3,861	14,173	10,042	36,433	19,529	22,407	-	-	106,445
Substandard/Doubtful	14,737	2,281	10,242	15,727	19,940	18,385	2,613	-	83,925
Total	$ 1,448,521	$ 1,015,794	$ 1,319,750	$ 2,201,671	$ 1,263,481	$ 1,996,221	$ 77,130	$ 10,886	$ 9,333,454
Current period gross charge-offs	1	4	5	80	1	26	-	-	117
Production and intermediate-term									
Acceptable	278,519	91,626	118,885	46,828	26,239	73,772	1,086,519	6,839	1,729,227
OAEM	7,742	5,085	409	662	1,383	4	36,613	-	51,898
Substandard/Doubtful	430	3,323	900	693	227	1,099	45,875	-	52,547
Total	286,691	100,034	120,194	48,183	27,849	74,875	1,169,007	6,839	1,833,672
Current period gross charge-offs	-	-	78	13	526	2	367	-	986
Farm-related business									
Acceptable	118,808	131,606	182,624	81,978	50,135	114,614	354,721	4,081	1,038,567
OAEM	5,994	-	11,767	10,657	17,327	32,785	28,520	1,748	108,798
Substandard/Doubtful	1,961	3,999	-	6,193	15,753	-	25,851	-	53,757
Total	126,763	135,605	194,391	98,828	83,215	147,399	409,092	5,829	1,201,122
Current period gross charge-offs	-	49	-	5,819	-	-	3,282	-	9,150
Communication									
Acceptable	75,724	49,116	29,831	58,818	9,822	21,307	5,339	-	249,957
OAEM	1,700	-	-	-	-	-	-	-	1,700
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	77,424	49,116	29,831	58,818	9,822	21,307	5,339	-	251,657
Current period gross charge-offs	-	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Energy									
Acceptable	29,003	27,311	31,104	35,000	-	27,050	52,126	9,211	210,805
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	29,003	27,311	31,104	35,000	-	27,050	52,126	9,211	210,805
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	-	246	8,815	18,247	15,146	29,359	-	-	71,813
OAEM	-	-	179	89	189	872	-	-	1,329
Substandard/Doubtful	-	-	-	209	-	150	-	-	359
Total	-	246	8,994	18,545	15,335	30,381	-	-	73,501
Current period gross charge-offs	-	-	-	2	-	9	-	-	11
Water and Waste Disposal Loans									
Acceptable	3,133	13,569	35,612	-	1,260	-	278	-	53,852
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	3,133	13,569	35,612	-	1,260	-	278	-	53,852
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
International									
Acceptable	-	-	7,495	8,735	-	-	-	-	16,230
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	7,495	8,735	-	-	-	-	16,230
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Lease Receivables									
Acceptable	259	-	985	359	-	3,167	-	-	4,770
OAEM	72	2,495	1,157	-	-	-	-	-	3,724
Substandard/Doubtful	-	1,408	69	3,500	1,041	-	-	-	6,018
Total	331	3,903	2,211	3,859	1,041	3,167	-	-	14,512
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Mission Related Loans									
Acceptable	-	-	-	-	-	1,650	-	-	1,650
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,650	-	-	1,650
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 1,935,369	$ 1,312,814	$ 1,714,817	$ 2,399,476	$ 1,326,614	$2,226,348	$ 1,573,500	$ 31,017	$ 12,519,955
OAEM	19,369	21,753	23,554	47,841	38,428	56,068	65,133	1,748	273,894
Substandard/Doubtful	17,128	11,011	11,211	26,322	36,961	19,634	74,339	-	196,606
Total	$ 1,971,866	$ 1,345,578	$ 1,749,582	$ 2,473,639	$ 1,402,003	$2,302,050	$ 1,712,972	$ 32,765	$ 12,990,455
Total current period gross charge-offs	1	53	83	5,914	527	37	3,649	-	10,264

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 1,136,168	$ 1,471,279	$ 2,367,765	$ 1,374,759	$ 568,251	$1,711,142	$ 226	$ 51,013	$ 8,680,603
OAEM	11,556	10,825	15,168	27,715	13,660	18,498	-	174	97,596
Substandard/Doubtful	2,474	15,590	8,682	5,588	5,435	10,541	3,842	-	52,152
Total	$ 1,150,198	$ 1,497,694	$ 2,391,615	$ 1,408,062	$ 587,346	$1,740,181	$ 4,068	$ 51,187	$ 8,830,351
Current period gross charge-offs	-	-	6	1	78	11	-	-	96
Production and intermediate-term									
Acceptable	258,481	176,169	110,457	42,196	39,578	70,680	935,600	15,473	1,648,634
OAEM	8,355	576	143	300	698	220	38,936	-	49,228
Substandard/Doubtful	2,732	288	1,033	1,129	227	1,507	6,493	-	13,409
Total	269,568	177,033	111,633	43,625	40,503	72,407	981,029	15,473	1,711,271
Current period gross charge-offs	-	-	-	-	13	-	2,299	-	2,312
Farm-related business									
Acceptable	144,040	199,171	171,509	63,187	55,176	63,487	248,944	34,095	979,609
OAEM	-	533	6,098	10,594	-	8,640	8,486	366	34,717
Substandard/Doubtful	2,881	-	14,615	16,948	3,446	1,610	9,661	-	49,161
Total	146,921	199,704	192,222	90,729	58,622	73,737	267,091	34,461	1,063,487
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Communication									
Acceptable	30,251	37,114	73,824	22,980	21,523	-	5,315	-	191,007
OAEM	-	14,905	-	5,397	-	-	294	-	20,596
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	30,251	52,019	73,824	28,377	21,523	-	5,609	-	211,603
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	5,838	36,523	35,868	-	-	28,414	27,757	9,558	143,958
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	493	-	-	493
Total	5,838	36,523	35,868	-	-	28,907	27,757	9,558	144,451
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	419	11,041	21,360	17,784	7,952	26,714	-	-	85,270
OAEM	-	13	100	470	-	620	-	-	1,203
Substandard/Doubtful	-	54	-	-	-	199	-	-	253
Total	419	11,108	21,460	18,254	7,952	27,533	-	-	86,726
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Water and Waste Disposal Loans									
Acceptable	14,489	35,957	-	1,305	-	-	-	-	51,751
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	14,489	35,957	-	1,305	-	-	-	-	51,751
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Lease Receivables									
Acceptable	4,647	3,383	759	259	-	3,931	-	-	12,979
OAEM	-	-	151	1,222	-	2,532	-	-	3,905
Substandard/Doubtful	-	-	3,648	-	-	-	-	-	3,648
Total	4,647	3,383	4,558	1,481	-	6,463	-	-	20,532
Current period gross charge-offs	-	-	-	-	-	1,309	-	-	1,309

	Term Loans by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Mission Related Loans									
Acceptable	-	-	-	-	-	1,729	-	-	1,729
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,729	-	-	1,729
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 1,594,333	$ 1,970,637	$ 2,781,542	$ 1,522,470	$ 692,480	$1,906,097	$ 1,217,842	$ 110,139	$ 11,795,540
OAEM	19,911	26,852	21,660	45,698	14,358	30,510	47,716	540	207,245
Substandard/Doubtful	8,087	15,932	27,978	23,665	9,108	14,350	19,996	-	119,116
Total	$ 1,622,331	$ 2,013,421	$ 2,831,180	$ 1,591,833	$ 715,946	$1,950,957	$ 1,285,554	$ 110,679	$ 12,121,901
Total current period gross charge-offs	$ -	$ -	$ 6	$ 1	$ 91	$ 1,320	$ 2,299	$ -	$ 3,717

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

December 31, 2022	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	98.9%	0.6%	0.5%	100.0%
Production and intermediate-term	98.1%	0.8%	1.1%	100.0%
Farm-related business	94.0%	1.6%	4.4%	100.0%
Communication	100.0%	-	-	100.0%
Energy	98.0%	-	2.0%	100.0%
Rural residential real estate	98.4%	1.4%	0.2%	100.0%
Water and waste disposal	100.0%	-	-	100.0%
Lease receivables	74.2%	19.3%	6.5%	100.0%
Mission-related investments	100.0%	-	-	100.0%
Total	98.4%	0.7%	0.9%	100.0%

There were no loans in the loss category.

Accrued interest receivable on loans of $120,675, $108,578 and $84,311 at December 31, 2024, 2023 and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the consolidated balance sheets. During 2024 and 2023, the association reversed $589 and $191, respectively, in accrued interest receivable against interest income.

The following percentages are based on the association's loan portfolio allocated by geographical market:

Association Markets	**2024**	**2023**	**2022**
Austin	**19.5%**	20.8%	21.6%
Houston	**16.6%**	17.3%	22.6%
Plains	**20.0%**	19.6%	19.2%
San Antonio	**13.5%**	13.7%	14.2%
South Texas	**7.5%**	7.8%	3.7%
Capital Markets	**22.9%**	20.8%	18.7%
Totals	**100.0%**	100.0%	100.0%

The following offices comprise each respective region:

Austin Market: Austin, Burnet, Clifton, Fredericksburg, Kerrville, Lockhart, Mason, Round Rock, San Saba, Taylor, Temple and Waco.

Houston Market: Bellville, Brenham, College Station, Conroe, Crockett, Dayton, Katy, La Grange, Livingston, Madisonville, Rosenberg, and Winnie.

Plains Market: Abilene, Bowie, Childress, Dalhart, Dimmit, Haskell, Hereford, Lamesa, Levelland, Littlefield, Lubbock, Muleshoe, Munday, Pampa, Perryton, Seminole, Snyder, Spur, Stamford, Vernon and Wichita Falls.

San Antonio Market: Alpine, Hondo, Jourdanton, Kenedy, New Braunfels, San Angelo, San Antonio, Sonora and Uvalde.

South Texas Market: Bay City, Edinburg, Edna, El Campo, Harlingen, Laredo, Robstown and Victoria.

Capital Markets include large loans comprised of purchased transactions outside of our territory and/or originated within our territory.

Note: During 2023, the association moved the Victoria, Edna, Bay City and El Campo offices from the Houston Market to the South Texas Market.

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

	2024		2023		2022	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Livestock	**$ 6,178,932**	**47.6%**	$ 5,891,360	48.6%	$ 5,738,490	50.0%
Crops	**1,952,219**	**15.0%**	$ 1,807,690	14.9%	$ 1,749,333	15.2%
Hunting	**1,589,369**	**12.2%**	$ 1,448,513	11.9%	$ 1,412,061	12.3%
Dairy	**686,027**	**5.3%**	$ 695,851	5.7%	$ 602,687	5.3%
Utilities	**426,542**	**3.3%**	$ 351,167	2.9%	$ 308,188	2.7%
Timber	**254,986**	**2.0%**	$ 228,598	1.9%	$ 243,112	2.1%
Rural home loans	**145,576**	**1.1%**	$ 163,796	1.4%	$ 187,114	1.6%
Poultry	**101,384**	**0.8%**	$ 104,635	0.9%	$ 108,117	0.9%
Industrial/organic chemical	**25,287**	**0.2%**	$ 5,132	0.0%	$ 7,928	0.1%
Other	**1,630,133**	**12.5%**	$ 1,425,159	11.8%	$ 1,130,795	9.8%
Total	**$ 12,990,455**	**100.0%**	$ 12,121,901	100.0%	$ 11,487,825	100.0%

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

To mitigate the risk of loan losses, the association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac through an arrangement with the bank. The agreements, which will remain in place until the loans are paid in full, give the association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2024, 2023 and 2022, loans totaling $6,229, $6,704 and $7,558, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $19, $23 and $28 in 2024, 2023 and 2022, respectively, and are included in "other noninterest expense" in the consolidated statements of comprehensive income.
The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned:

	December 31, 2024	December 31, 2023	December 31, 2022
Nonaccrual loans:			
Real estate mortgage	**$ 26,705**	$ 15,505	$ 25,539
Production and intermediate-term	**37,325**	3,741	9,950
Farm-related business	**3,660**	16,172	16,401
Energy	**-**	493	2,818
Residential real estate	**259**	98	128
Lease receivables	**386**	-	1,297
Total nonaccrual loans	**$ 68,335**	$ 36,009	$ 56,133
Accruing loans 90 days or more past due:			
Production and intermediate-term	**-**	-	1,186
Total accruing loans 90 days or more past due	**$ -**	$ -	$ 1,186
Total nonperforming loans	**$ 68,335**	$ 36,009	$ 57,319
Other property owned, net	**619**	23,177	2,924
Total nonperforming assets	**$ 68,954**	$ 59,186	$ 60,243
Nonaccrual loans as a percentage of total loans	**0.53%**	0.30%	0.49%
Nonperforming assets as a percentage of total loans and other property owned	**0.53%**	0.49%	0.52%
Nonperforming assets as a percentage of capital	**3.67%**	3.29%	3.49%

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

	December 31, 2024			Interest Income Recognized For the Year Ended December 31, 2024
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	
Nonaccrual loans:				
Real estate mortgage	**$ 4,722**	**$ 21,983**	**$ 26,705**	**$ 1,280**
Production and intermediate-term	**32,263**	**5,062**	**37,325**	**455**
Farm-related business	**-**	**3,660**	**3,660**	**26**
Energy	**-**	**-**	**-**	**125**
Rural residential real estate	**-**	**259**	**259**	**16**
Lease receivables	**386**	**-**	**386**	**-**
Total nonaccrual loans	**$ 37,371**	**$ 30,964**	**$ 68,335**	**$ 1,902**

	December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	$ -	$ 15,505	$ 15,505	$ 1,054
Production and intermediate-term	1,505	2,236	3,741	224
Farm-related business	10,341	5,831	16,172	869
Energy	493	-	493	-
Rural residential real estate	-	98	98	16
Total nonaccrual loans	$ 12,339	$ 23,670	$ 36,009	$ 2,163

The following table provides an aging analysis of past due loans at amortized cost by portfolio segment as of December 31:

December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans >90 Days and Accruing
Real estate mortgage	**$ 117,152**	**$ 10,178**	**$ 127,330**	**$ 9,206,124**	**$ 9,333,454**	**-**
Production and intermediate-term	**15,938**	**1,017**	**16,955**	**1,816,717**	**1,833,672**	**-**
Farm-related business	**12,532**	**3,660**	**16,192**	**1,184,930**	**1,201,122**	**-**
Communication	**-**	**-**	**-**	**251,657**	**251,657**	**-**
Energy	**-**	**-**	**-**	**210,805**	**210,805**	**-**
Rural residential real estate	**1,154**	**-**	**1,154**	**72,347**	**73,501**	**-**
Water and waste disposal	**-**	**-**	**-**	**53,852**	**53,852**	**-**
International				**16,230**	**16,230**	**-**
Lease receivables	**386**	**-**	**386**	**14,126**	**14,512**	**-**
Mission-related investments	**-**	**-**	**-**	**1,650**	**1,650**	**-**
Total	**$ 147,162**	**$ 14,855**	**$ 162,017**	**$ 12,828,438**	**$ 12,990,455**	**$ -**

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans >90 Days and Accruing
Real estate mortgage	$ 83,746	$ 4,787	$ 88,533	$ 8,741,818	$ 8,830,351	$ -
Production and intermediate-term	19,228	315	19,543	1,691,728	1,711,271	-
Farm-related business	3,237	16,172	19,409	1,044,078	1,063,487	-
Communication	-	-	-	211,603	211,603	-
Energy	-	-	-	144,451	144,451	-
Rural residential real estate	1,278	21	1,299	85,427	86,726	-
Water and waste disposal	-	-	-	51,751	51,751	-
Lease receivables	1,507	-	1,507	19,025	20,532	-
Mission-related investments	-	-	-	1,729	1,729	-
Total	$ 108,996	$ 21,295	$ 130,291	$ 11,991,610	$ 12,121,901	$ -

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

December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans >90 Days and Accruing
Real estate mortgage	$ 70,127	$ 16,698	$ 86,825	$ 8,608,541	$ 8,695,366	$ -
Production and intermediate-term	35,003	7,738	42,741	1,389,733	1,432,474	1,186
Farm-related business	9,083	-	9,083	964,982	974,065	-
Communication	-	-	-	188,994	188,994	-
Energy	-	-	-	141,783	141,783	-
Rural residential real estate	1,536	43	1,579	103,752	105,331	-
Water and waste disposal	-	-	-	12,318	12,318	-
Lease receivables	-	1,297	1,297	18,686	19,983	-
Mission-related investments	-	-	-	1,822	1,822	-
Total	$ 115,749	$ 25,776	$ 141,525	$ 11,430,611	$ 11,572,136	$ 1,186

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

	Year Ended December 31, 2024			
	Term Extension	**Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 8,464	$ 12	$ 8,476	0.1%
Production and intermediate-term	-	332	332	0.0%
Farm-related business	-	1,961	1,961	0.2%
Total	$ 8,464	$ 2,305	$ 10,769	0.1%

	Year Ended December 31, 2023			
	Term Extension	**Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 2,392	$ -	$ 2,392	0.0%
Production and intermediate-term	-	2,473	2,473	0.1%
Farm-related business	7,425	-	7,425	0.7%
Total	$ 9,817	$ 2,473	$ 12,290	0.1%

The tables above exclude loans that were modified during the period but were paid off, sold or charged off prior to period end.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2024 and December 31, 2023 was $320 and $79, respectively.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during 2024 and 2023:

	Term Extension Financial Effect	
	December 31, 2024	December 31, 2023
Real estate mortgage	Added a weighted average 7.5 years to the life of the loans	Added a weighted average 18 years to the life of the loans
Farm-related business	-	Added a weighted average 1 month to the life of the loans

	Payment Extension Financial Effect	
	December 31, 2024	December 31, 2023
Real estate mortgage	Added a weighted average 12 months to the payment extension	Added a weighted average 6 months to the payment extension
Farm-related business	Added a weighted average 12 months to the payment extension	-

Combination Term Extension and Payment Extension Financial Effect

	December 31, 2024	December 31, 2023
Production and intermediate-term	Added a weighted average 12 months to the payment extension and the life of the loans	-

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification during 2023 and that defaulted in the period presented. There were no loans that defaulted after a modification during 2024.

	Modified Loans that Subsequently Defaulted in 2023	
	Term Extension	
Real estate mortgage	$	1,526
Farm-related business		2,919
Total	**$**	**4,445**

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

December 31, 2024	**Payment Status of Loans Modified in the Past 12 Months**		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	**8,476**	-	-
Production and intermediate-term	**332**	-	-
Farm-related business	**1,961**		
Total	**$ 10,769**	**$ -**	**$ -**

December 31, 2023	**Payment Status of Loans Modified in the Past 12 Months**		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	2,392	-	-
Production and intermediate-term	2,473	-	-
Farm-related business	-	2,919	4,506
Total	**$ 4,865**	**$ 2,919**	**$ 4,506**

The tables above exclude loans that were modified during the period but were paid off, sold or charged off prior to period end. Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $0 and $2,893 at December 31, 2024 and December 31, 2023, respectively.

Troubled Debt Restructurings

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

The following tables present additional information regarding troubled debt restructurings that occurred during the year ended December 31, 2022:

The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

2022	Balance Pre-TDR designation	Balance Post-TDR designation
Troubled debt restructurings:		
Real estate mortgage	$ 1,431	$ 1,434
Production and intermediate- term	608	363
Energy	8,076	2,150
Total	$ 10,115	$ 3,947

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months of that year and for which there was a payment default during December 31, 2022. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional commitments to lend to borrowers whose loans have been modified in TDRs was $5,215 at December 31, 2022.

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

	Loans Modified as TDRs	TDRs in Nonaccrual Status*
	December 31, 2022	December 31, 2022
Troubled debt restructurings:		
Real estate mortgage	$ 6,394	$ 2,050
Production and intermediate- term	3,995	2,938
Farm-related business	1,729	-
Energy	2,150	2,150
Mission-related investments	1,803	-
Total	$ 16,071	$ 7,138

*Represents the portion of loans modified as TDRs that were in nonaccrual status.

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	International	Mission Related Investments	Lease Receivable	Total
Allowance for Credit Losses on Loan:										
Balance at December 31, 2023	$ 15,859	$ 4,929	$ 7,505	$ 152	$ 404	$ 668	$ -	$ 6	$ 583	$ 30,106
Charge-offs	(117)	(986)	(9,150)	(11)	-	-	-	-	-	(10,264)
Recoveries	91	904	409	4	-	-	-	-	-	1,408
Provision for (reversal of) loan losses	2,598	10,581	7,283	(48)	(109)	(191)	-	-	780	20,894
Balance at December 31, 2024	$ 18,431	$ 15,428	$ 6,047	$ 97	$ 295	$ 477	$ -	$ 6	$ 1,363	$ 42,144
Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2023	$ 25	$ 167	$ 201	$ -	$ 12	$ 10	$ -	$ -	$ -	$ 415
Provision for (reversal of) loan losses	(7)	75	7	-	(1)	10	-	-	-	84
Balance at December 31, 2024	$ 18	$ 242	$ 208	$ -	$ 11	$ 20	$ -	$ -	$ -	$ 499

	Real Estate Mortgage		Production and Intermediate Term		Farm-related business		Rural Residential Real Estate		Energy and Water and Waste Disposal		Communication		Mission-Related Investments		Lease Receivable		Total
Allowance for Credit Losses on Loan:																		
Balance at December 31, 2022	$	13,067	$	4,512	$	2,444	$	38	$	735	$	190	$	-	$	400	$	21,386
Charge-offs		(96)		(2,312)		-		-		-		-		-		(1,309)		(3,717)
Recoveries		137		911		113		3		30		-		-		-		1,194
(Reversal) provision for credit losses		1,709		2,568		3,158		(51)		(471)		329		-		1,284		8,526
CECL Adjustment-Allowance		1,042		(750)		1,790		162		110		149		6		208		2,717
Balance at December 31, 2023	$	15,859	$	4,929	$	7,505	$	152	$	404	$	668	$	6	$	583	$	30,106
Allowance for Credit Losses on Unfunded Commitments:																		
Balance at December 31, 2022	$	3	$	276	$	164	$	-	$	9	$	4	$	-	$	-	$	456
Provision for (reversal of) loan losses		8		41		(63)		-		3		3		-		-		(8)
CECL Adjustment-unfunded commitments		14		(150)		100		-		-		3		-		-		(33)
Balance at December 31, 2023	$	25	$	167	$	201	$	-	$	12	$	10	$	-	$	-	$	415

The allowance for credit losses as of December 31, 2024 was $42,643, reflecting an increase of $12,122 from December 31, 2023. The increase was primarily a result of a downgrade to a large relationship and a charge-off to another relationship during 2024. The allowance for credit losses at December 31, 2023, was $30,521. Excluding the impact of the adoption of the CECL accounting guidance of $2,684, the increase in 2023 was driven by a slight deterioration in credit quality in the overall portfolio.

The economic scenarios utilized in the December 31, 2024, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2025; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario.

Allowance for Credit Losses - Prior to CECL Adoption

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

	Real Estate Mortgage		Production and Intermediate Term		Farm-related business		Rural Residential Real Estate		Energy and Water and Waste Disposal		Communication		Mission-Related Investments		Lease Receivable		Total
Allowance for credit Losses:																		
Balance at December 31, 2021	$	11,221	$	5,501	$	2,519	$	38	$	3,476	$	128	$	47	$	66	$	22,996
Charge-offs		(213)		(1,155)		-		-		(712)		-		-		-		(2,080)
Recoveries		142		778		649		3		-		-		-		-		1,572
Provision for credit losses		1,906		(536)		(684)		(3)		(2,031)		58		(47)		334		(1,003)
Transfer to reserve on unfunded commitments		11		(76)		(40)		-		2		4		-		-		(99)
Balance at December 31, 2022	$	13,067	$	4,512	$	2,444	$	38	$	735	$	190	$	-	$	400	$	21,386

NOTE 4 — LEASES

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term, and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for our operating leases, the discount rates used to determine the present value of our lease liability are based on our incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. Our incremental borrowing rate for a lease is our cost of funds from the bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense are as follows:

	Classification	For the year ended December 31, 2024	2023
Operating lease cost	Operating	**$ 2,676**	$ 2,951
Short-term lease cost	Operating	**569**	233
Net lease cost		**$ 3,245**	$ 3,184

Other information related to leases is as follows:

	For the year ended December 31, 2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 2,676**	$ 2,908
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 1,703**	$ 686

Lease term and discount rate are as follows:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term in years:		
Operating leases	**2.63**	2.39
Weighted average discount rate:		
Operating leases	**4.7%**	3.2%

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

	Total Operating Leases
2025	$ 1,690
2026	1,303
2027	1,004
2028	907
2029	626
Thereafter	280
Total lease payments	5,810
Less: interest	-
Total	$ 5,810

The association leases office space in Abilene, Amarillo, Austin, Bay City, Brenham, Burnet, Conroe, Crockett, Devine, Edinburg, Fredericksburg, Harlingen, Haskell, Hondo, Katy, La Grange, Laredo, Livingston, Lubbock, New Braunfels, Robstown, Round Rock, San Antonio, Uvalde, Victoria, Seminole, and Winnie, Texas. The association also has leases for billboards and postage meters as of December 31, 2024, 2023 and 2022. Lease expense was $3,245, $3,184 and $2,995 for 2024, 2023 and 2022, respectively.

NOTE 5 – INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The association owned 41.8 percent, 41.3 percent and 40.7 percent of the issued stock of the bank as of December 31, 2024, 2023 and 2022. As of those dates, the bank's assets totaled $39,496,089, $37,283,319 and $35,990,140, respectively, and members' equity totaled $1,779,991, $1,686,694 and $1,623,363, respectively. The bank's earnings were $221,948, $199,906 and $269,886 during 2024, 2023 and 2022, respectively.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2024	2023	2022
Land and Improvements	$ **11,412**	$ 8,637	$ 5,243
Building and leasehold improvements	**74,695**	59,230	16,392
Furniture and equipment	**5,891**	2,729	2,030
Computer equipment and software	**2,353**	2,987	3,277
Automobiles	**8,570**	8,063	8,019
Construction in progress	**3,393**	5,841	49
	106,314	87,487	35,010
Accumulated depreciation	**(17,551)**	(18,417)	(17,890)
Total	$ **88,763**	$ 69,070	$ 17,120

In September 2024, the association relocated its corporate headquarters and credit office to its new building in College Station, Texas.

NOTE 7 – OTHER PROPERTY OWNED, NET:

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

	2024	2023	2022
Gain/ (loss) on sale of other property	$ **930**	$ 694	$ (272)
Carrying value adjustments	**(1,239)**	(145)	(40)
Operating income/(expense), net	**377**	555	(26)
Net gain/(loss) on other property owned	$ **68**	$ 1,104	$ (338)

The association's other property owned (OPO) at December 31, 2024, includes five properties totaling 203 acres. All these properties have been individually appraised, and the carrying amounts are not in excess of appraised values at December 31, 2024.

NOTE 8 – OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2024	2023	2022
Nonqualified deferred compensation trust	$ **9,790**	$ 8,462	$ 8,339
Prepaid captive insurance premium	**2,656**	2,834	3,047
Crop insurance commission receivable	**1,241**	1,366	2,360
Acquisition intangibles	**888**	1,106	1,345
Note receivable	**6,634**	-	-
Deposit on future acquisitions	**6,100**	-	-
Other assets	**7,347**	5,936	5,375
Total assets	$ **34,656**	$ 19,704	$ 20,466

Other liabilities comprised the following at December 31:

	2024	2023	2022
Accounts payable	$ **30,423**	$ 29,110	$ 28,397
FCS insurance payable	**10,357**	17,392	18,050
Nonqualified deferred compensation payable	**9,790**	8,462	8,339
Annual leave payable	**4,326**	4,226	4,089
Other liabilities	**16,782**	15,386	19,217
Total liabilities	$ **71,678**	$ 74,576	$ 78,092

NOTE 9 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct loan pricing and asset/liability management process. The association's indebtedness to the bank represents borrowings by the association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the bank's cost of funding the loans the association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the association's direct loan from the bank at December 31, 2024, 2023 and 2022 were $11,372,524 at 4.21 percent, $10,524,700 at 4.00 percent and $9,840,475 at 3.20 percent, respectively.

Under the Act, the association is obligated to borrow only from the bank unless the bank approves borrowing from other funding sources. The bank and FCA regulations have established limitations on the association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, 2023 and 2022, the association's note payable was within the specified limitations. The maximum amount the association may borrow from the bank as of December 31, 2024, was $12,815,480 as defined by the general financing agreement. This borrowing limit changes as the borrowing base increases or decreases.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness and reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2024, 2023 and 2022, the association was not subject to remedies associated with the covenants in the general financing agreement. Other than the funding relationship with the bank, the association has no other uninsured or insured debt.

NOTE 10 — MEMBERS' EQUITY:

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

Preferred Stock

On January 19, 2021, the association issued $200,000 in noncumulative perpetual preferred stock. The issuance carries an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026, and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year Treasury on the call date. The association made dividend payments on March 15, June 15, September 15, and December 15, 2024, for a total amount of $10,000.

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

In accordance with the Act and the association's capitalization bylaws, each borrower is required to invest in the association as a condition of borrowing. The investment in Class B capital stock or participation certificates is equal to 2 percent of the loan amount, up to a maximum amount of one thousand dollars. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

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

Each owner of Class B capital stock is entitled to a single vote, though participation certificates provide no voting rights to their owners except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference.

Within two years of repayment of a loan, the association capital bylaws require the conversion of any borrower's outstanding Class B and participation certificates to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of capital stock and participation certificates is made solely at the discretion of the association's board of directors. At December 31, 2024, 2023 and 2022, the association did not have any material Class A stock outstanding.

All stock and allocated equities are at-risk. Net losses recorded by the association shall first be applied against unallocated retained earnings. To the extent such losses exceed unallocated retained earnings, such losses would be applied in accordance with association bylaws and be borne first on a pro-rata basis by holders of all allocated equities and then on a pro rata basis by all holders of Class A stock, Class B capital stock and participation certificates and then on a pro-rata basis by all holders of preferred stock. In the event of liquidation or dissolution of the association, any assets of the association remaining after payment or retirement of all liabilities shall first be distributed to the holders of preferred stock pro-rata in proportion to the number of shares of preferred stock then outstanding until an amount equal to the aggregate par value of all shares of such preferred stock issued and outstanding has been distributed to such holders; second to the holders of stock and participation certificates pro rata in proportion to the number of shares or units of stock or participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders; third, to the holders of qualified allocated earnings on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders; fourth, to the holders of nonqualified allocated earnings on a pro rata basis until an amount equal to the total of all notices outstanding has been distributed to the holders; and fifth, any remaining assets of the association in excess of the association's obligations to external parties and to the bank shall be distributed to the members, in proportion to which the aggregate patronage of each such member bears to the total patronage of all such parties insofar as practicable, unless provided by law.

Dividends and patronage distributions may be paid as the board of directors may determine by resolution subject to capitalization requirements as defined by the FCA. The reduction in allocated equity in 2024 is due to the increase in the stock investment on the association's direct note at the bank from 2.0 percent to 2.5 percent in March of 2025. As this increase in stock will be accounted for as capital of the bank, it will not be available for future retirements, therefore, was not classified as allocated equity. Amounts not distributed are retained as unallocated retained earnings. The following patronage distributions were declared and paid in 2024, 2023 and 2022, respectively:

			Cash Patronage		
Date Declared		**Nonqualified Allocated Retained Earnings Issued**		**Amount**	**Date Paid (Payable)**
December 2024	**$**	**78,132**	**$**	**111,464**	**March 2025**
December 2023	$	124,707	$	118,791	March 2024
December 2022	$	142,433	$	127,595	March 2023

The association may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis pursuant to its bylaws. Allocated surplus may be evidenced by either "qualified written notices of allocation" or "nonqualified written notices of allocation," or both.

All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the discretion of the board, in order of issuance by years as funds are available. Currently, the association has no qualified allocated equity outstanding.

All allocations in the form of nonqualified notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the discretion of the board. The association currently has the following series of nonqualified allocated retained earnings outstanding, which includes adjustments made to finalize the computation of these contributions.

Declaration for Year	Nonqualified Allocated Retained Earnings
2015	$ 20,884
2016	77,795
2017	86,341
2018	97,044
2019	87,987
2020	117,585
2021	125,700
2022	142,433
2023	124,707
2024	78,132
Total	**$ 958,608**

In October 2024, the board of directors approved a resolution to retire $59,997 in nonqualified allocated equities that were paid to the stockholders in November 2024. The equities retired represented approximately 74 percent of the earnings allocated in 2015.

In October 2023, the board of directors approved a resolution to retire $70,065 in nonqualified allocated equities that were paid to the stockholders in November 2023. The equities retired represented all the earnings allocated in 2014.

In September 2022, the board of directors approved a resolution to retire $59,747 in nonqualified allocated equities that were paid to the stockholders in November 2022. The equities retired represented the remaining earnings allocated in 2013.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of December 31, 2024, the association is not prohibited from retiring stock or distributing earnings. Furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

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

	Association's ratios as of December 31:			
	2024	2023	2022	**Regulatory Minimum with Buffer**
Risk-adjusted:				
Common equity tier 1 ratio	**10.9%**	11.5%	11.5%	7.00%
Tier 1 capital ratio	**12.4%**	13.0%	13.1%	8.50%
Total capital ratio	**12.6%**	13.3%	13.3%	10.50%
Permanent capital ratio	**12.4%**	13.1%	13.1%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	**13.3%**	13.9%	13.9%	5.00%
UREE leverage ratio	**4.6%**	5.0%	5.4%	1.50%

Risk-weighted assets have been defined by FCA Regulation as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes that generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

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

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

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

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

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

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

(dollars in thousands)	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	$ 820,790	$ 820,790	$ 820,790	$ 820,790
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,325	28,325	28,325	28,325
Allocated equities held ≥seven years	908,675	908,675	908,675	908,675
Nonqualified allocated equities not subject to retirement	-			
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	36,170	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(215,020)	(215,020)	(215,020)	(215,020)
Other regulatory required deductions	(923)	(923)	(923)	(923)
	$ 1,541,847	**$ 1,741,847**	**$ 1,778,017**	**$ 1,741,847**
Denominator:				
Risk-adjusted assets excluding allowance	$ 14,305,093	$ 14,305,093	$ 14,305,093	$ 14,305,093
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(215,943)	(215,943)	(215,943)	(215,943)
Allowance for loan losses				(35,693)
	$ 14,089,150	**$ 14,089,150**	**$ 14,089,150**	**$ 14,053,457**

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the association's non-risk-adjusted capital, based on 90 average balances, are as follows at December 31, 2024:

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	$ 820,790	$ 820,790
Statutory minimum purchased borrower stock	28,325	-
Allocated equities held ≥seven years	908,675	-
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(215,020)	(215,020)
Other regulatory required deductions	(923)	(923)
	$ 1,741,847	**$ 604,847**
Denominator:		
Total Assets	$ 13,337,459	$ 13,337,459
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(248,627)	(248,627)
	$ 13,088,832	**$ 13,088,832**

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

At December 31, the association did not have shares of Class A capital stock, but it did have the following shares of Class B stock and participation certificates outstanding at a par value of $5 per share:

	2024	2023	2022
Class B stock	**5,465**	5,381	5,408
Participation certificates	**199**	223	259
Total	**5,664**	5,604	5,667

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

	2024	2023	2022
Accumulated other comprehensive income/(loss) at January 1	**$ 2,851**	$ 3,193	$ (2,957)
Actuarial (losses)/gains	**(1,440)**	(49)	6,219
Prior service (cost) credit	**-**	-	-
Amortization of prior service (credit) included in salaries and employee benefits	**(138)**	(183)	(183)
Amortization of actuarial (gain)/loss included in salaries and employee benefits	**(84)**	(110)	114
Income tax expense related to items of other comprehensive income	**-**	-	-
Other comprehensive (loss)/ gain, net of tax	**(1,662)**	(342)	6,150
Accumulated other comprehensive income at December 31	**$ 1,189**	$ 2,851	$ 3,193

NOTE 11 — INCOME TAXES:

The provision for (benefit from) income taxes are as follows for the years ended December 31:

	2024	2023	2022
Current federal tax	**$ 3**	$ 8	$ (1)
Deferred federal tax	**-**	-	-
Provision for/(benefit from) income taxes	**$ 3**	$ 8	$ (1)

The association has a net operating loss carryforward of $21,696 available to offset against future taxable income of which $1,039 expired in 2024, $1,811 will expire in 2025, $8,512 will expire in 2029 and $10,334 will expire in 2030.

The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of the association and FCLA subsidiary earnings. The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2024	2023	2022
Federal tax at statutory rate	**$ 55,401**	$ 56,768	$ 60,125
Federal income tax attributable to:			
Income not subject to federal tax	**$ (57,572)**	(51,757)	(55,378)
Nondeductible provision for loan losses	**$ 2,373**	443	(161)
Patronage distributions	**$ (185)**	(5,177)	(4,628)
(Charge-offs)/recoveries on loans	**$ (15)**	(275)	45
Other	**$ 1**	6	(4)
Provision for (benefit from) income taxes	**$ 3**	$ 8	$ (1)

Deferred tax assets are comprised of the following at December 31:

	2024	2023	2022
Allowance for losses on loans	**$ 3,157**	$ 833	$ 1,580
Net operating loss carryforward	**4,556**	4,556	4,556
Deferred tax assets	**7,713**	5,389	6,136
Valuation allowance	**(7,713)**	(5,389)	(6,136)
Net deferred tax asset	**$ -**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. At December 31, 2024, non-patronage income is expected to be less than 5 percent of total taxable income (before patronage), and all patronage income is expected to be disbursed over time. The expected future tax rates are based upon enacted tax laws.

The association recorded valuation allowances of $7,714, $5,389 and $6,136 during 2024, 2023 and 2022, respectively. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. The association follows FASB guidance on accounting for uncertainty in income taxes. At December 31, 2024, 2023 and 2022, the association did not recognize a tax liability for any uncertain tax positions.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

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

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

- Restored Employer Contributions – to allow "make up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year.
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan.
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan and to designate a vesting schedule.

The association elected to participate in the Supplemental 401(k) Plan and provided for elective deferrals and discretionary contributions to be made through the plan. The total expenses of the nonqualified plan included in the association's employee benefit costs were $187, $240 and $144 for the years ended December 31, 2024, 2023 and 2022, respectively.

Plan Name	**Farm Credit Benefits Alliance Nonqualifed Supplemental 401(k) Plan**
Present Value of accumulated benefits	**$9,790**
Contributions made during the year	**$187**
Distributions made during the year	**--**
Funded obligations	**$9,790**
Off-balance-sheet amounts including benefits earned but not vested	**None**

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

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

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the association chooses to stop participating in some of its multiemployer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

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

	2024	2023	2022
Funded status of plan	**75.7%**	73.3%	70.9%
Association's contribution	**$ 961**	$ 961	$ 3,083
Percentage of association's contribution to total	**25.9%**	25.9%	29.6%

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

Other Postretirement Benefits: In addition to pension benefits, the association provides certain health care benefits to qualifying retired employees (other postretirement benefits) for those employees hired on or before December 31, 2003. These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in the liability section of the association's consolidated balance sheet. Association employees hired after January 1, 2004, will be eligible for retiree medical benefits for themselves and their spouses but will be responsible for 100 percent of the related premiums.

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

Retiree Welfare Benefit Plans

	2024	2023	2022
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 21,925**	$ 21,420	$ 27,286
Service cost	**242**	233	358
Interest cost	**1,180**	1,089	846
Plan participants' contributions	**211**	215	226
Plan amendments	**-**	-	-
Actuarial loss (gain)	**1,440**	49	(6,219)
Benefits paid	**(1,115)**	(1,081)	(1,077)
Accumulated postretirement benefit obligation, end of year	**$ 23,883**	$ 21,925	$ 21,420
Change in Plan Assets			
Association contributions	**$ 904**	$ 866	$ 851
Plan participants' contributions	**211**	215	226
Benefits paid	**(1,115)**	(1,081)	(1,077)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (23,883)**	$ (21,925)	$ (21,420)
Amounts Recognized in Consolidated Balance Sheet			
Current liabilities	**$ (904)**	$ (953)	$ (958)
Noncurrent liabilities	**(22,979)**	(20,972)	(20,462)
Total	**$ (23,883)**	$ (21,925)	$ (21,420)
Amounts Recognized in Accumulated Other Comprehensive Income (AOCI)			
Net actuarial (gain)/loss	**$ (1,189)**	$ (2,713)	$ (2,871)
Prior service credit	**-**	(138)	(322)
Total	**$ (1,189)**	$ (2,851)	$ (3,193)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2024**	12/31/2023	12/31/2022
Discount rate	**5.35%**	5.50%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65)	**9.20%/10.80%**	7.50%/8.40%	7.20%/7.70%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034/2034**	2034/2034	2031/2031

Disclosure Information Related to Retirement Benefits	2024	2023	2022
Components of Net Postretirement Benefit Cost			
Service Cost	**$ 242**	$ 233	$ 358
Interest cost	**1,180**	1,089	846
Amortization of:			
Prior service credit	**(138)**	(183)	(183)
Actuarial (gain)/loss	**(84)**	(110)	114
Net postretirement benefit cost	**$ 1,200**	$ 1,029	$ 1,135
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss/(gain)	**$ 1,440**	$ 49	$ (6,219)
Amortization of:			
Prior service credit	**138**	183	183
Net actuarial gain/(loss)	**84**	110	(114)
Total recognized in other comprehensive loss (income)	**$ 1,662**	$ 342	$ (6,150)
AOCI Amounts Expected to be Amortized into Expense			
Prior service credit	**$ -**	$ (138)	$ (183)
Net actuarial (gain)/loss	**-**	(83)	(110)
Total	**$ -**	$ (221)	$ (293)

Weighted-Average Assumptions Used to Determine Net Postretirement Benefit Cost			
Measurement date	**12/31/2023**	12/31/2022	12/31/2021
Discount rate	**5.50%**	5.20%	3.15%
Health care cost trend rate assumed for next year (pre-/post-65)	**7.50%/8.40%**	7.20%/7.70%	6.80%/6.00%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2033/2033**	2031	2030

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2025	**$ 904**
Fiscal 2026	**1,027**
Fiscal 2027	**1,127**
Fiscal 2028	**1,221**
Fiscal 2029	**1,304**
Fiscal 2030 to 2034	**7,830**
Expected Contributions	
Fiscal 2025	**$ 904**

NOTE 13 — RELATED PARTY TRANSACTIONS:

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

Total loans to such persons for the association amounted to $60,504, $84,910 and $66,560 at December 31, 2024, 2023 and 2022, respectively. During 2024, 2023 and 2022, $411,707, $186,679 and $237,464 of new loans were made and repayments totaled $436,113, $168,329 and $194,252, respectively. These balances do not include sold loans. In the opinion of management, no such loans outstanding at December 31, 2024, 2023 and 2022, involved more than a normal risk of collection.

Expenses included in purchased services and data processing may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the bank and passed through to the associations, such as FCSIC expenses. The bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $3,399, $3,012 and $2,331 in 2024, 2023 and 2022, respectively.

The association received patronage income from the bank totaling $41,287, $38,550 and $71,109 during 2024, 2023 and 2022, respectively.

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. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, at December 31, 2024, 2023 and 2022 for each of the fair value hierarchy values are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

December 31, 2024	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Assets held in nonqualified benefit trusts	**$ 9,790**	**$ -**	**$ -**	**$ 9,790**
Total assets	**$ 9,790**	**$ -**	**$ -**	**$ 9,790**

December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	$ 8,462	$ -	$ -	$ 8,462
Total assets	$ 8,462	$ -	$ -	$ 8,462

December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	$ 8,339	$ -	$ -	$ 8,339
Total assets	$ 8,339	$ -	$ -	$ 8,339

Assets measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy values are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

December 31, 2024	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans*	**$ -**	**$ -**	**$ 27,303**	**$ 27,303**
Other property owned	-	-	**966**	**966**

December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ 8,911	$ 8,911
Other property owned	-	-	33,902	33,902

December 31, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ 19,424	$ 19,424
Other property owned	-	-	3,358	3,358

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral dependent loans for which real estate is the collateral.

With regard to nonaccrual 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 take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

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

	December 31, 2024				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Mission-related and other investments held-to-maturity	**634**	**-**	**-**	**615**	**615**
Net loans	**12,921,008**	**-**	**-**	**12,349,082**	**12,349,082**
Total Assets	**$ 12,921,642**	**$ -**	**$ -**	**$ 12,349,697**	**$ 12,349,697**
Liabilities:					
Note payable to the Bank	**11,372,524**	**-**	**-**	**10,870,385**	**10,870,385**
Total Liabilities	**$ 11,372,524**	**$ -**	**$ -**	**$ 10,870,385**	**$ 10,870,385**

	December 31, 2023				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ -	$ -	$ -	$ -	$ -
Mission-related and other investments held-to-maturity	1,027	-	-	992	992
Net loans	12,082,884	-	-	11,466,239	11,466,239
Total Assets	$ 12,083,911	$ -	$ -	$ 11,467,231	$ 11,467,231
Liabilities:					
Note payable to the Bank	10,524,700	-	-	9,988,759	9,988,759
Total Liabilities	$ 10,524,700	$ -	$ -	$ 9,988,759	$ 9,988,759

	December 31, 2022				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ -	$ -	$ -	$ -	$ -
Mission-related and other investments held-to-maturity	1,496	-	-	1,427	1,427
Net loans	11,447,015	-	-	10,616,129	10,616,129
Total Assets	$ 11,448,511	$ -	$ -	$ 10,617,556	$ 10,617,556
Liabilities:					
Note payable to the Bank	9,840,475	-	-	9,127,431	9,127,431
Total Liabilities	$ 9,840,475	$ -	$ -	$ 9,127,431	$ 9,127,431

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Investments held-to-maturity	Discounted cash flow	Prepayment rates Probability of default Loss severity
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield
Other property owned	Carrying value	Each collateral property is unique

	Valuation Technique(s)	Unobservable Input	Range of Inputs
Investments held-to-maturity	Discounted cash flow	Prepayment rates	3.5% - 31.2%

Valuation Techniques

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

A. Cash:

For cash, the carrying amount is a reasonable estimate of fair value. The fair value of term federal funds sold and securities purchased under resale agreements is based on currently quoted market prices, which are reflective of current interest rates.

B. Investment Securities:

Include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgments and experience with the securities. These fair value measurements are classified as Level 3 investments.

C. Loans Evaluated for Impairment:

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

D. Assets Held in Nonqualified Benefits Trusts:

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

E. Standby Letters of Credit:

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

F. 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.

G. Note Payable to the Bank:

The note payable to the bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the association's and bank's loan rates as well as on management estimates. For the purposes of this estimate it is assumed that the cash flow on the note is equal to the principal payments on the association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 15 — COMMITMENTS AND CONTINGENCIES:

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

The association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2024, the association had $2,185,155 of commitments to extend credit, and $92,749 of 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 balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts equal 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.

NOTE 16 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 are as follows:

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 89,835**	**$ 89,371**	**$ 90,884**	**$ 91,427**	**$ 361,517**
(Provision for) reversal of loan losses	**(5,959)**	**(2,393)**	**(2,241)**	**(10,385)**	**(20,978)**
Noninterest expense, net	**(13,049)**	**(15,648)**	**(19,430)**	**(28,596)**	**(76,723)**
Net income	**$ 70,827**	**$ 71,330**	**$ 69,213**	**$ 52,446**	**$ 263,816**

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 85,463	$ 86,151	$ 87,958	$ 89,122	$ 348,694
Reversal of (provision for) loan losses	(3,104)	(2,766)	(3,248)	600	(8,518)
Noninterest expense, net	(5,852)	(11,527)	(29,229)	(23,252)	(69,860)
Net income	$ 76,507	$ 71,858	$ 55,481	$ 66,470	$ 270,316

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 77,704	$ 79,054	$ 82,009	$ 84,032	$ 322,799
(Provision for) reversal of loan losses	1,836	(948)	(4,017)	4,132	1,003
Noninterest expense, net	(9,304)	(8,978)	(10,186)	(9,025)	(37,493)
Net income	$ 70,236	$ 69,128	$ 67,806	$ 79,139	$ 286,309

NOTE 17 – SEGMENT REPORTING:

The association's operations fall under one reportable segment. As per regulation and as discussed in Note 1, our business activities are primarily focused on providing financial services and credit to borrowers in the farming, ranching, agribusiness and rural community sectors. The association provides funding either by directly financing the eligible borrowers or indirectly financing through the purchase of participation loans in collaboration with other Farm Credit entities and other financial institutions. For the years ended December 31, 2024 and 2023, there were no relationships with revenues in excess of 10 percent of the association's total revenues. For the year ended December 31, 2022, the association had one relationship, which included the bank, with revenues in excess of 10 percent of the association's total revenues. Revenues are comprised of interest income and noninterest income.

The accounting policies for this segment are the same as those discussed in Note 2, "Summary of Significant Policies." The association's chief operating decision maker (CODM) is its chief executive officer, who uses net income as presented on the Statements of Comprehensive Income, as the reportable measure of segment profit or loss, to monitor actual versus plan results and benchmarking the association's performance with peers. The benchmarking analysis, along with the monitoring of actual versus plan results, are used in assessing performance of the association and in establishing recommendations on management's compensation. The measure of segment assets is reported on the Consolidated Balance Sheet as total assets. There is no separate segment financial information as the association only has one segment.

NOTE 18 – SUBSEQUENT EVENTS:

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

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

The descriptions of significant developments that had or could have a material impact on earnings or interest rates to borrowers, patronage or dividends and acquisitions or dispositions of material assets, if any, required to be disclosed in this section are incorporated herein by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

DESCRIPTION OF PROPERTY

Capital Farm Credit, ACA (the association) serves its 192-county territory through its main administrative office at 3902 South Traditions Drive, College Station, Texas, and through its accounting/administration, agri-insurance, loan processing/review, special assets and marketing/operations offices, which are in Amarillo, College Station, Devine, Hondo, Lubbock, and Round Rock, Texas. Additionally, there are 62 lending offices located throughout the territory. The association owns the office buildings in Alpine, Bellville, Bowie, Canadian, Childress, Clifton, College Station, Dalhart, Dayton, Dimmitt, Edna, El Campo, Hereford, Hondo, Jourdanton, Kenedy, Kerrville, La Grange, Lamesa, Levelland, Littlefield, Lockhart, Lubbock, Madisonville, Mason, Matador, Muleshoe, Pampa, Perryton, Rosenberg, San Angelo, San Saba, Snyder, Spur, Taylor, Temple, Uvalde, Vernon, Waco, and Wichita Falls, free of debt. The association leases office buildings in Abilene, Amarillo, Austin, Bay City, Brenham, Burnet, Conroe, Crockett, Devine, Edinburg, Fredericksburg, Harlingen, Haskell, Hondo, Katy, La Grange, Laredo, Livingston, Lubbock, New Braunfels, Robstown, Round Rock, San Antonio, Seminole, Uvalde, Victoria and Winnie, Texas.

In 2024, the association relocated its headquarters and credit office to College Station. The association built offices in Waco, Lockhart and San Angelo. The association renewed leases in Abilene, Amarillo, Bay City, Burnet, Brenham, Burnet, Crockett, Hondo, Livingston, New Braunfels and Robstown. The association closed the El Paso office. The association entered into new leases in Lubbock and Uvalde.

In 2023, brand-new leases were entered into for Haskell and San Antonio. The association renewed leases in Hondo, Livingston, Winnie, San Angelo, Austin, San Antonio, Waco, Edinburg, Harlingen, Brenham and Devine. The association closed the Stamford and Munday offices and consolidated them into the Haskell location.

In 2022, the association sold buildings in Tulia and in Stamford. New leases were entered into for office locations in New Braunfels, Seminole, Katy, Amarillo and Stamford. The association renewed leases in Alpine, Winnie, La Grange, Laredo, Conroe, Katy, Burnet, Abilene and Fredericksburg. During 2022, the association closed the Crosbyton, Goldthwaite, Sonora and Wheeler offices and consolidated them into Lubbock, San Saba, San Angelo and Pampa.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference to Note 10 to the consolidated financial statements, “Members’ Equity,” included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, “Note Payable to the Bank,” Note 12, “Employee Benefit Plans” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report. The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, “Summary of Significant Accounting Policies” and “Commitments and Contingencies,” respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

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

The association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Capital Farm Credit, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly stockholder reports can also be requested by emailing *Javier.Lemus@capitalfarmcredit.com*. The association's annual stockholder report is available on its website at *www.capitalfarmcredit.com* 75 days after the year end. Copies of the association's annual stockholder report can also be requested 90 days after the year end.

SELECTED FINANCIAL DATA

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

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

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

DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	ELECTED/ TIME IN POSITION	TERM EXPIRES
John Malazzo	Chairman & Stockholder-Elected Director	2007	2027
Kenton B. Kimball	Vice-Chairman and Stockholder-Elected Director	2000	2027
Paul Aelvoet	Stockholder-Elected Director	2000	2026
Jim Brock	Director-Elected Director	2022	2026
Kenny Brown	Stockholder-Elected Director	2021	2025
Dale Crenwelge	Stockholder-Elected Director	2008	2025
Rachel Cutrer	Stockholder-Elected Director	2022	2026
Josh Eilers*	Stockholder-Elected Director	2021	2025
Shelley Heinrich	Stockholder-Elected Director	2023	2027
Jerred Hurst	Director-Elected Director	2018	2026
Terry McAlister	Stockholder-Elected Director	1992	2026
Josh McDonald	Stockholder-Elected Director	2022	2026
Gary L. Palousek*	Stockholder-Elected Director	2003	2027
Danny Parker	Stockholder-Elected Director	1998	2025
Ronnie Riddle	Stockholder-Elected Director	2012	2028
Shane Sklar	Stockholder-Elected Director	2020	2028
Sharleen Walkoviak	Director-Elected Director	2018	2026
Lowell Woodward	Stockholder-Elected Director	2005	2026
Joe David Yates	Stockholder-Elected Director	2023	2027
Jeff Norte	President & Chief Executive Officer	2021	----
Chris Burt	Chief Human Resources Officer	2021	----
Jon Hutchinson	Chief Credit Officer	2021	----
Sally Lawson	Chief Financial Officer	2021	----
Phil Peabody	Chief Lending Officer	2021	----
Jennifer Thompson	Chief Administrative Officer	2022	----
Glenn Trant	Chief Operating Officer	2021	----
Wes Sutton	General Counsel	2018	----

Director-Elected Director: a director-appointed director who is not a stockholder, director, officer, employee or agent of a Farm Credit System institution (other than as an outside director of the association or its subsidiaries).
*Denotes board members who served during 2024 but will not continue in 2025.

A brief statement of the business and employment background of each director and senior officer as of December 31, 2024, is provided for informational purposes.

John Malazzo raises cotton and corn and has an F-1 heifer production operation in Brazos, Milam and Burleson counties, Texas. Mr. Malazzo resides in the Brazos River bottom near Caldwell, Texas. Mr. Malazzo also serves on the board of Producers Co-op of Bryan, Texas, which provides agricultural goods and services to farmers and ranchers.

Kenton B. Kimball is a third-generation farmer with a finance degree from Kansas State University. He previously owned and managed a 4,000 acre farm and stocker operation in Stratford, Texas. Mr. Kimball is the owner and president of Kimball Cattle Inc., a farming and cattle business. Mr. Kimball has also owned and managed agricultural operations in Sherman County, Texas, in the past.

Paul Aelvoet is a self-employed farmer/rancher in Medina County, Texas, and resides in Hondo, Texas. He is managing partner of Aelvoet Partners, D/A Cattle Co., and Scattered Oaks Ranch, LCC, which are farming and ranching operations. Mr. Aelvoet serves as co-chairman of the Hondo 4H Booster Club.

Jim Brock has extensive experience serving as a board member for many organizations throughout his career. Mr. Brock currently serves as the founding managing member of TBR Advisors, LLC in Houston, Texas, a business advisory services company that provides support and advice for organizations facing operation and financial challenges.

Kenny Brown has completed a career that has spanned 32 years in the Farm Credit System and retired from Capital Farm Credit in March of 2018. During these 32 years, he served as an examiner with the Farm Credit Administration, a lending officer with Heritage Land Bank in Tyler, Texas, and spent 17 years prior to retirement with Capital Farm Credit. Mr. Brown maintains a cattle operation in western Coryell County. He has served as a consultant with multiple Farm Credit institutions in Texas and New Mexico since retirement. He is a member of the Coryell County Farm Bureau.

Dale Crenwelge resides in Comfort, Kerr County, Texas, and his principal occupation is ranching and real estate investment and development. Mr. Crenwelge's business interests include serving as president, general partner, or manager of Crenwelge Commercial Consultants Inc., Crenwelge LLC, Grobe-Lich Properties LTD, Grobe-Lich Properties LLC, Austin Mini Storage, Inc., D and D Terrell County Ranch Partnership, Cactus Ridge, LLC, LaSoto Business Park, L.P., Paul Bee Holdings, LLC,, and Arch Ray on the River, LLC. Mr. Crenwelge serves on the board of Methodist Hill Country Memorial Hospital in Fredericksburg, Texas, Kerr County 4-H Foundation, Centurions of Kendall County, Schreiner University Agriculture and National Resources Advisory Council, and Kerr County Appraisal District Ag Advisory Committee.

Rachel Cutrer is a seventh-generation Texas rancher and businesswoman from Wharton County. In 1999, she created Ranch House Designs, the world leader in livestock marketing, and has served as CEO since its inception. Cutrer is also co-owner of BRC Ranch, one of the world's leading Brahman cattle operations, and a founder and partner of Brahman Country Beef, Brahman Country Genetics, and The Ranch Downtown.

Shelley Heinrich resides in Lubbock County, Texas, where she manages the financial responsibilities and daily operations related to her family's row crop and cow/calf operation in Lubbock, Lynn, and Motley counties. Heinrich owns and operates Kitalou, LLC and is a partner in 41 Farms, LLC and 1986 Farms, LLC. She is employed by the Cotton Board as the Southern Plains regional communications director.

Jerred Hurst resides in Lubbock, Lubbock County, Texas, and is the chief executive officer and owner of Primitive, a digital agency specializing in web design and development, branding, inbound marketing and social media. He has over 20 years of web and software expertise in various industries.

Terry McAlister resides in Electra, Texas, and farms and ranches in Wichita and Wilbarger counties. Mr. McAlister is president and CEO of McAlister Properties Inc. He serves as an appointed representative of the Wichita County Boll Weevil Eradication Foundation.

Josh McDonald started his farming business at age 15, renting a farm to grow crops and stocker cattle. He is now a partner and CFO at Blue Sky Farms, a family-owned, multistate dairy and farming operation based in Friona, Texas. Blue Sky Farms operations consist of dairy, alfalfa, cotton, and grain farming throughout the Panhandle, south plains, and central areas of Texas. He also runs stocker cattle on wheat and grass in the Texas Panhandle with his son. Mr. McDonald's other business interest include Sea Scrolls, a multistate real estate investment and development company; BSFM, a management and financial firm serving a variety of businesses; and Water & More, an irrigation retail business. Mr. McDonald serves as vice president of Created With a Purpose of West Texas, a pregnancy center supporting women and men in need, and is the founding president of the Farwell Economic Development Corporation.

Danny Parker is engaged in row crop farming and a cow/calf operation in Uvalde County and conducts his business as Danny Parker Farms. Mr. Parker resides in Uvalde, Texas, and serves as an executive director of the Gulf Compress in Corpus Christi, Texas, a cotton compress and warehouse co-op. Mr. Parker is vice chairman of the Uvalde County Livestock Show Steer Committee. He also serves on the Uvalde County AgriLife Agriculture Committee and Row Crops Advisory Committee.

Ronnie Riddle is owner and operator of Riddle Farms, a farming and ranching operation headquartered in Jones County, Texas, near Hamlin. He resides in Abilene, Texas, and farms in Fisher, Stonewall, Jones and Haskell counties. Mr. Riddle is a board member of the Texas Trail Council of the Boy Scouts of America.

Shane Sklar is a fourth-generation farmer and rancher from Edna, Texas. He is the owner of El Toro Farms, which specializes in cotton and corn production. He is also an owner in Sklar & Son Cattle, a cow-calf operation with cattle in Jackson and Bee counties. Mr. Sklar is an owner of and runs Sklar Seed, a grain sorghum, soybean and corn seed sales company that markets the LG Seeds brand.

Sharleen Walkoviak resides in Houston, Texas, and is a certified public accountant and co-owner of Covenant Technology Services LLC, which provides outsourced IT and consulting services and is based in Houston, Harris County, Texas. She is a member of the board of directors of the Houston Livestock Show and Rodeo. Other roles and responsibilities include serving as director and treasurer of Amigas Para Niños, member of the Vision Board of the Norman Borlaug Youth in Agriculture Program and membership chairman of the Advisory Council of The Bush School of Government and Public Service at Texas A&M University.

Lowell Woodward ranches in Pecos, Crockett, Brewster and Upton counties, and resides in Pecos County, Texas. Mr. Woodward raises sheep, goats, cattle and horses, and has a hunting operation. He is a director of the Texas Sheep and Goat Raisers Association and co-owner of Woodward Inc., an apartment complex.

Joe David Yates resides in Mason, Texas, and ranches in Texas and New Mexico. Mr. Yates sells ranch real estate in Texas, New Mexico and Oklahoma, with an office in Mason, Texas. He is the owner and president of Joe David Yates Inc. and is the vice president/secretary of Stewart Ranch, with operations in Texas and New Mexico. Additionally, he has an ownership interest in a title company in Mason, Texas.

Jeff Norte serves as the association's president and chief executive officer. Mr. Norte has been with the association since September 2010. Prior to joining the association, he served in various credit and risk positions, including overseeing credit for CoBank's corporate and international portfolio, as well as several years as a regulator in Kansas City with the FDIC. He is a veteran of the military, having served with the U.S. Army. Mr. Norte is a certified public accountant and received his MBA from Concordia University Texas.

Chris Burt serves as the association's chief human resources officer. Mr. Burt joined the association in 2021. Prior to joining the association, he served as the executive vice president, chief employee experience officer for GM Financial in Fort Worth, Texas. He is a certified senior professional in human resources (SPHR). Mr. Burt received his undergraduate degree in psychology from Auburn University and his Master of Business Administration from the University of Texas at Arlington.

Jon Hutchinson serves as the association's chief credit officer. He joined the association in 2010 as a senior credit officer and has held a variety of credit leadership positions, most recently senior vice president and director of commercial credit. Prior to joining the association, Mr. Hutchinson served in credit leadership positions with John Deere Credit and as an examiner with the Farm Credit Administration. He has a Bachelor of Science in agricultural business from Colorado State University, and a Master of Science in business administration from Iowa State University.

Sally Lawson serves as the association's chief financial officer. Mrs. Lawson joined Capital Farm Credit in 2004 and has more than 30 years of financial and accounting experience. She has held various roles in the finance department, most recently as the vice president of finance. Mrs. Lawson has a bachelor's degree in finance from Texas Tech University and an advanced degree from the American Bankers Association Stonier Graduate School of Banking, in partnership with University of Pennsylvania's Wharton School of Business. In addition, she holds a certificate of leadership from the Wharton School of Business.

Phil Peabody serves as the association's chief lending officer. Mr. Peabody has been with the association since 2004. He has served in various roles in the association, most recently leading the enterprise risk management function as chief risk officer. Prior to that, he served as a branch manager and loan officer in West Texas. Mr. Peabody has bachelor's and master's degrees in agricultural and applied economics from Texas Tech University.

Jennifer Thompson serves as the association's chief administrative officer. Ms. Thompson joined Capital Farm Credit in 2013 where she has served within the internal credit review team before managing association efforts around compliance and procedures as senior vice president of compliance. Prior to joining the association, Ms. Thompson was a commissioned examiner with the Farm Credit Administration. Ms. Thompson has a Bachelor of Business Administration in finance from Texas A&M University.

Glenn Trant serves as the association's chief operating officer. Mr. Trant joined Capital Farm Credit in 2008 after a merger with First Ag Credit and has more than 30 years of Farm Credit experience. Mr. Trant previously served as interim chief lending officer; senior vice president, lending and relationship management; as well as regional president. He has a Bachelor of Science in agricultural economics and an MBA in finance and accounting from Texas A&M University.

Wes Sutton serves as the association's general counsel and manages the legal department. Mr. Sutton earned his undergraduate degree from Erskine College and his Juris Doctor from the University of South Carolina School of Law and is a member of the South Carolina Bar and the State Bar of Texas. Prior to his employment with the association, he was general counsel and executive vice president with AgSouth Farm Credit. He has also held several positions in the legal department at AgFirst Farm Credit Bank and has over 20 years of service with the Farm Credit System.

COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

During 2024, directors were compensated for their service to the association in the form of an honorarium of $9,500 per quarter, $600 per day for each meeting attended, $200 per meeting for conference calls and $500 for travel days when required. Committee chairperson receives an additional $200 per meeting for committee meetings. The board chairperson and vice chairperson were compensated $800 per meeting for each board meeting attended, and directors were also reimbursed for certain expenses incurred while representing the association in an official capacity. Mileage for attending official meetings during 2024 was paid at the IRS-approved rate of 67.0 cents per mile. A copy of the travel policy is available to stockholders of the association upon request.

	Number of Days Served		
Director	Board Meetings	Other Official Activities	Total Compensation in 2024
Paul Aelvoet	12	17	$ 56,700
James Brock	12	5	47,000
Kenny Brown	12	18	58,200
Dale Crenwelge	12	17	60,100
Rachel Ann Cutrer	12	7	48,200
Josh Eilers	5	10	30,100
Shelley Heinrich	12	11	50,800
Jerred Hurst	12	9	49,400
Kenton B. Kimball	12	28	66,500
John Malazzo	12	32	64,500
Terry McAlister	12	13	51,800
Josh McDonald	12	23	65,700
Gary L. Palousek	11	12	57,400
Danny Parker	9	11	52,900
Ronnie Riddle	12	11	56,100
Shane Sklar	12	13	53,800
Sharleen Walkoviak	12	12	52,800
Lowell Woodward	12	16	58,300
Joe David Yates	12	18	56,800
			$ 1,037,100

There were seven board meetings during 2024. The aggregate compensation paid to directors in 2024, 2023 and 2022 was $1,037,100, $929,398 and $718,600, respectively.

Additional detail regarding director compensation paid for committee service (which is included in the table above) for 2024 is as follows:

	Committee				
Director	Audit	Compensation	Governance	Other*	Total
Paul Aelvoet	$ 800	$ -	$ 3,200	$ 7,200	$ 11,200
James Brock	3,000	-	-	-	3,000
Kenny Brown	600	-	2,400	8,200	11,200
Dale Crenwelge	-	-	-	10,600	10,600
Rachel Ann Cutrer	-	3,000	-	1,200	4,200
Josh Eilers	-	-	1,200	4,800	6,000
Shelley Heinrich	600	-	2,400	3,800	6,800
Jerred Hurst	-	-	-	5,400	5,400
Kenton B. Kimball	3,000	1,800	-	12,200	17,000
John Malazzo	1,800	2,800	1,200	10,200	16,000
Terry McAlister	3,000	-	-	4,800	7,800
Josh McDonald	-	3,000	-	10,200	13,200
Gary L. Palousek	-	2,400	-	5,600	8,000
Danny Parker	-	600	600	5,600	6,800
Ronnie Riddle	3,000	-	-	3,600	6,600
Shane Sklar	-	-	-	7,800	7,800
Sharleen Walkoviak	4,000	-	600	3,200	7,800
Lowell Woodward	-	3,000	-	6,800	9,800
Joe David Yates	-	-	-	10,800	10,800
	$ 19,800	$ 16,600	$ 11,600	$ 122,000	$ 170,000

*Other includes the following meetings that were held: credit, director development, national director conference, new director orientation, Texas District Conference, Director Advancement Program (DAP), Director Leadership, Risk, Farm Credit Council and FCBT stockholder, Audit Summit, Risk 360, Risk Roundtable, compliance and audit conference.

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $410,405, $354,447 and $376,503, in 2024, 2023 and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

A critical factor to the association's success is its ability to attract, develop and retain staff who are knowledgeable and efficient in their ability to support the association in the execution of its strategic objectives and delivery of association results that maximize the value received by its membership. The association operates utilizing a compensation program that focuses on the performance and contributions of its employees in achieving the association's financial and operational objectives, all for the ultimate benefit of its membership. The association's board of directors, based on recommendations of its Compensation Committee, establishes the salary and approves the incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for evaluation and establishment of salary and incentive plans used by the association.

Chief Executive Officer (CEO) Compensation Table and Policy

CEO Compensation

Name of Individual	Year	Salary (a)	Long-Term Incentives (b)	Current Year Incentives (c)	Other (d)	Change in Pension Value (e)	Total*
Jeff Norte, CEO	**2024**	**$ 750,438**	**$ 98,249**	**$ 577,301**	**$ 49,543**	**$ -**	**$ 1,475,531**
Jeff Norte, CEO	2023	644,521	98,603	555,210	66,142	-	1,364,476
Jeff Norte, CEO	2022	578,256	83,115	254,350	53,755	-	969,476

(a) Gross salary
(b) Cash payout of long-term incentives
(c) Cash payout of annual incentives
(d) Includes contributions to 401(k) and defined contribution plans, automobile benefits, discretionary bonuses, premiums paid for life insurance and other taxable fringe items of minimal value.
(e) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.

Refer to Note 12 – Employee Benefit Plans for detailed explanation on the increase to the retiree welfare plan's projected benefit obligation and corresponding impact to change in pension value.

*The table above does not include the estimated long-term incentive accruals of $1,122,356. For details regarding these accruals, see disclosure more fully discussed within the LTI section of this discussion and analysis.

Compensation of Other Senior Officers

The following table summarizes the compensation paid to all senior officers, excluding the CEO, of the association during 2024, 2023 and 2022. Amounts reflected in the table are presented in the year the compensation was paid.

Name of Group	Year	Salary (a)	Long-Term Incentives (b)	Current Year Incentives (c)	Other (d)	Change in Pension Value (e)	Total*
Aggregate No. of Senior Officers in Year Excluding CEO							
7	**2024**	**$ 2,228,045**	**$ 363,363**	**$ 911,625**	**$ 312,430**	**$ -**	**$ 3,815,463**
7	2023	2,083,503	288,070	922,538	297,768	-	3,591,879
7	2022	1,953,247	190,712	688,027	258,422	-	3,090,408

(a) Gross salary
(b) Cash payout of long-term incentives
(c) Cash payout of annual incentives
(d) Includes contributions to 401(k) and defined contribution plans, automobile benefits, discretionary bonuses, premiums paid for life insurance and other taxable fringe items of minimal value.
(e) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.

Refer to Note 12 – Employee Benefit Plans for detailed explanation on the increase to the retiree welfare plan's projected benefit obligation and corresponding impact to change in pension value.

*The table above does not include the estimated LTI incentive accruals of $1,932,797. For details regarding these accruals, see disclosure more fully discussed within the long-term incentives section of this discussion and analysis.

Disclosure of total compensation paid to any senior officer included in the summary compensation table above is available to our shareholders upon request.

Incentive Plan for Officers and Employees:

The association utilizes two incentive plans: the annual (short-term) incentive plan (STI) based on individual and association performance that drives behavior that supports annual association goals, and the Long-Term Incentive plan (LTI), which was developed to reward key employees for achievement of the association's long-term goals and objectives. Both plans utilize parameters for measuring achievement at either threshold, target or superior performance levels. The LTI evaluates performance annually and is earned over a rolling three-year performance period.

Annual (Short-Term) Incentive Plan (STI)

The STI plan is a balanced scorecard plan that rewards employees for achieving desired business goal objectives for the year. The STI is an annual plan that is administered by the board.

At the beginning of each plan year, the board reviews and approves STI plan performance objectives for the association and the award matrix by which all incentives under the STI shall be calculated. Each STI plan participant is assigned an incentive award target calculated as a percentage of base pay that may be awarded if the association and participant achieve target performance goals. Failure to meet minimum thresholds for individual goals will result in no incentive, while achievement at superior levels for individual goals will result in the maximum incentive opportunity available at that salary grade for that goal. Potential individual award percentages vary based upon an employee's job grade level and are higher for those persons serving to direct performance of the association, which includes its senior lending staff and senior officers. Award payments vary depending upon the extent to which the association goals are achieved.

For calendar year 2024, the board approved the following goal performance measures, weightings and performance goals:

Performance Measures	Weight	Performance Goals Target	2024 Actual Performance	Performance Achievement
Acceptable credit quality as percentage of total loans	15%	96.00%	96.38%	Between Target & Superior
Net charge-offs as percentage of average loans plus other property owned	10%	0.10%	0.07%	Between Target & Superior
Nonearning assets as percentage of loans plus other property owned	15%	0.60%	0.55%	Between Target & Superior
Return on equity results compared to System peer group	30%	3rd of System peers	1st	Superior
Loan Growth - Net change in 12 Month Avg of Managed Volume (recorded investment + participations sold plus syndicated loans agented for CFC Customers)	30%	7%	7.96%	Between Threshold & Target
Total	100%			

As part of this plan, the association has also established parameters for goal performance that define threshold and superior levels of incentive opportunities when more or less than the targeted goals are achieved. If less than the threshold level of performance is achieved for a particular performance measure, no incentives will be awarded for that performance measure. Financial results for 2024 resulted in the association's achievement of goal performance that overall achieves superior goals in one of the five measures. As a result, the board approved and the association accrued an estimated payment of $16,734,486 in STI incentives. As specified by the plan, these incentives are to be paid by March 15, 2025.

Long-Term Incentive Plan (LTI)

The purpose of the association's LTI is to offer a financial rewards package to key employees based on the long-term performance of the association. The board is the administrator of the LTI. The board has retained the authority to review and approve plan participants, the incentives prior to payment and the LTI metrics and goals as presented by the CEO and members of management. Any additions or deletions to the participant list must be submitted for board approval prior to the beginning of a performance period (the consecutive 36-month period beginning January 1 and ending December 31). Each participant is assigned an incentive award goal, calculated as a percentage of base salary at the beginning of the performance period at threshold, target and superior performance levels.

At the beginning of each calendar year, the board approves the LTI plan objectives for the association and the award formula or matrix by which all awards under this plan are based. Since its inception in 2011, the LTI plan established goals and metrics that management and the board felt were long term in nature and fostered the long-term health and viability of the association and its stockholders. These goals included loan volume growth, operating efficiency and capital distributions to the association's stockholders. The association's

vision is to be the partner of choice for lending and related services in rural America through outstanding people, performance and member value. The board believes the goals established for the LTI support this vision.
For the LTI performance period 2023-2025, the board approved the following goal performance measures, weightings and performance goals, which are consistent with goals established for the LTI plan performance periods of 2021-2023 and 2022-2024.

Performance Measures	Performance Goals Target	Weight
Capital distributions - Three-year average annual cash patronage plus allocated equity retirements in excess of certain % of average accrual loans	1.0%	33.3%
Loan Growth - Three Year Avg of Net Change in 12 Month Avg of Managed Volume (Recorded Investments + Participations Sold + Syndicated Loans Agented for CFC Customers)	8.0%	33.3%
Three-year average operating expenses as a percentage of net interest income plus other income	3rd of large system associations	33.4%

The actual/projected results for LTI performance and the estimated incentives based upon the performance for each of the three performance periods are as follows:

	Performance Level					
Plan Period	Capital Distributions	Growth	Efficiency	CEO LTI	Senior Officer LTI	Other Officers LTI
2022-2024 projected	Superior	Between Target & Superior	Between Threshold & Target	339,515	636,106	1,010,242
2023-2025 projected	Superior	Between Threshold & Target	Threshold	362,220	617,323	836,811
2024-2026 projected	Between Target & Superior	Between Target & Superior	Threshold	420,621	679,368	833,106

Recognition Awards

At Capital Farm Credit we are committed to recognizing our employees with a variety of awards. We believe in recognition as a key element in building a healthy and productive work environment.

The Bravo! Award is a recognition that can be earned when any employee wants to quickly recognize a co-worker or any employee across the association. This award consists of an electronic card with a link to select a gift of their choice through the Snappy website. Senior officers do not participate in this program.

The WOW! Award is a discretionary bonus program that is part of the association’s Compensation Administration Plan. This recognition program is designed as a tool to allow managers to provide monetary rewards to recognize outstanding employees’ actions. This program allows for recognition of employees’ service efforts as they go above and beyond in performance of their job responsibilities. Senior officers do not participate in this program.

Other

Employees who use their personal automobile for business purposes were reimbursed during 2024 at the IRS-approved rate of 67.0 cents per mile. Employees assigned an association automobile are required to maintain records of their business and personal use. This data is used to annually impute to the employee’s taxable wages the personal use value of the automobile following the IRS lease value rules.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2024, 2023 or 2022. Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting association business. A copy of the association’s travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

RELATIONSHIP WITH INDEPENDENT AUDITORS

No change in auditors has taken place since the last annual report to stockholders, and no disagreements with auditors have occurred that the association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing this disclosure.

Fees for professional services paid by the association during 2024 to PricewaterhouseCoopers are as follows:

Service Category	Fees
Audit-related services	$ 183,900
Nonaudit services*	59,299
	$ 243,199

*Nonaudit services include fees related to the financial statement disclosure checklist and tax compliance services, which were approved by the association's audit committee.

Fees paid in 2024 related to 2023 audit services were $16,500.
Fees paid in 2024 for professional services rendered in 2024 were $226,699.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The association partners with other Farm Credit associations to facilitate a point of purchase equipment financing program under the name of AgDirect LLP (AgDirect). The AgDirect program operates through independent equipment dealers to originate and refinance agricultural equipment loans. The association's investment in AgDirect was $25,721, $19,846 and $16,339 at December 31, 2024, 2023 and 2022, respectively. Income from this program was $2,995, $2,493 and $2,054 for the years ended December 31, 2024, 2023 and 2022, respectively, and is included in other income in the accompanying Consolidated Statements of Comprehensive Income.

The association and the bank made investments in a limited partnership, the Advantage Capital Ag Partners LP, that will provide junior capital to rural and agriculture businesses in the United States. This partnership is a Rural Business Investment Company (RBIC), and the investment by the association and the bank is allowed under the Mission-Related Investment authorities granted in the Farm Credit Act. The association's investment in RBIC was $4,528, $12,581 and $13,024 at December 31, 2024, 2023 and 2022, respectively. The association recorded (loss)/income from this investment in 2024, 2023, and 2022 of ($8,299), ($702) and ($78), respectively. This investment is included on the consolidated balance sheets.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers dated March 7, 2025, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

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

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

The association has a policy to make a concerted effort to finance young, beginning or small farmers and ranchers, and producers or harvesters of aquatic products (YBS program). For purposes of the association's YBS program, young producers are defined as those age 35 or younger. Beginning producers are defined as producers with 10 years or less of experience at farming, ranching or producing or harvesting aquatic products. A small producer is defined as one who normally generates less than $350,000 in annual gross cash farm income of agricultural or aquatic products. Using statistics obtained from a United States Department of Agriculture 2022 census and information from the association's loan accounting records as of December 31, 2024, the following table compares the percentage of YBS farmers in the association's territory (based on USDA data) with the percentage of YBS customers in the association's loan portfolio. Though the measurement (farmers) used in the USDA census information is not directly comparable to the measurement (customers) used by the association, the statistics presented herein serve as a quantitative measurement of the association's success in attracting and making loans to young, beginning and/or small farmers who live or have operations in the association's territory.

In the following table, 6.1 percent of the farmers in the association's territory are "Young" farmers while, 18.1 percent of our customers who live or operate in the association's territory meet the "Young" criterion. The same explanation applies to the Beginning and Small categories.

FARMERS, RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS CLASSIFIED AS:	FARMERS IN TERRITORY	ASSOCIATION CUSTOMERS
Young	6.1%	18.1%
Beginning	34.1%	70.0%
Small	95.2%	90.1%

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

Category	Loan Counts	Volume in Thousands	Percent of Total Loan Counts	Percent of Total Volume
Young only	232	$ 106,919	0.8%	0.8%
Young & beginning	690	299,085	2.2%	2.1%
Young & small	480	85,924	1.6%	0.6%
Beginning only	569	310,599	1.8%	2.2%
Beginning & small	14,984	4,438,459	48.3%	31.8%
Small only	6,683	2,162,219	21.5%	15.5%
Young, beginning, & small (YBS)	4,429	908,311	14.3%	6.5%
Non-YBS	2,959	5,664,149	9.5%	40.5%
System total	**31,026**	**$ 13,975,665**	**100.0%**	**100.0%**

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

Category	Loan Counts	Volume in Thousands	Percent of Total Loan Counts	Percent of Total Volume
Young only	39	$ 21,410	0.8%	0.6%
Young & beginning	185	122,349	4.0%	3.6%
Young & small	75	23,773	1.6%	0.7%
Beginning only	128	83,641	2.8%	2.5%
Beginning & small	1,565	543,727	33.9%	16.1%
Small only	1,196	532,614	25.9%	15.7%
Young, beginning, & small (YBS)	574	133,069	12.4%	3.9%
Non-YBS	860	1,928,175	18.6%	56.9%
System total	**4,622**	**$ 3,388,758**	**100.0%**	**100.0%**

Capital Farm Credit has established a YBS department to provide and execute a strategic vision for association YBS programs. The association's YBS initiatives are branded under the name "AgriRoots." The three pillars of the YBS AgriRoots strategy consist of: Education, Financial and Outreach.

Education - The association recognizes the need for supporting YBS borrowers with business and financial trainings to increase knowledge and success of operations. The association hosts an annual AgriRoots Next Generation conference to support YBS borrowers with topics such as business and financial best practices, estate planning, marketing, global economic trends. The AgriRoots conference provides optimal networking and peer-to-peer engagement.

The association has launched the AgriRoots Emerging Leaders program. Offered across the state, these lender-led educational trainings provide YBS borrowers with basic skills necessary to grow their businesses. Emerging Leader educational topics include: Building Your Financial Team, Financial Documentation, Did You Make a Profit?, Business and Personal Balance Sheets, Cash Flow Analysis, Business Planning and Goal Setting.

In addition, the association allocates funds each year to send YBS borrowers to educational conferences including, but not limited to: Texas Farm Bureau Young Farmer and Rancher Conferences, The Executive Program for Agricultural Producers and, Texas A&M AgriLife Beef Cattle Short Course.

Financial - The association implemented a policy that permits the association to provide constructive credit to serve any financing need of YBS customers who are taking demonstrated steps to become more fully engaged as full-time farmers or ranchers. Also, the association has adopted underwriting standards that contain flexible criteria that permit the credit needs of customers to be met when the customer falls short of meeting an established standard but has one or more compensating strengths to offset the area of weakness. These flexible criteria, while still requiring reasonable and prudent underwriting standards, allow customers who engage in agriculture operations less than full time to have the capital resources they need to begin or grow their operations.

In addition, the association has implemented several specific loan programs to support YBS borrowers. The AgVista loan program is designed to serve beginning and underserved YBS borrowers who would benefit from educational training and mentorship. The association's NextGen loan program is available to support YBS borrowers aiming to continue an existing operation or begin a new one with adequate training and mentorship to support their business success. The AgStart loan program provides youths the opportunity to purchase a 4-H or FFA livestock project or a general purpose livestock loan.

Lastly, the association cooperates with government agencies to structure loans with third-party guarantees when the applicant does not have sufficient equity or proven repayment sources to qualify for credit by themselves. These programs and efforts allow YBS customers to begin an agriculture operation, maintain their operation through stressful periods or make expansions in herd size, facilities or acreage.

Outreach - Attracting and retaining YBS customers is critical to the association's mission. The association dedicates over $50,000 to support YBS borrowers through the GROW your AgriRoots producer grant program. YBS borrowers apply for grants and are selected based on several factors, with an emphasis on business and financial acumen.

The employees of Capital Farm Credit are involved in working with youth livestock programs that have historically produced individuals who become farmers and ranchers in the future. Hundreds of hours are spent annually serving in various capacities that promote livestock shows and sales for youths across the state, and Capital Farm Credit spends over $1 million annually sponsoring and contributing to these programs. These programs are spread across the state and include county, regional and statewide shows and involve both 4-H and FFA programs.

In addition, the association sponsors and supports programs and organizations around the state that are targeted at young, beginning or small farmers or ranchers, some in cooperation with various county and statewide organizations but also with the Texas A&M AgriLife Extension Service.

The involvement and support of these programs also helps YBS farmers/ranchers become aware of Capital Farm Credit and understand how its loan programs and services can be of value to them as they improve or expand their current operations but also aids them in improving or expanding their operation regardless of whether they do business with Capital Farm Credit.

Developing quantitative standards that may be used to measure the number of YBS customers served as compared with the number in the association's territory – In each year's business plan, the board establishes YBS goals and develops quantitative standards to measure the level of success in achieving the established goals. The business plan also defines how and when the standards will be measured and assigns responsibility to an officer for monitoring, tracking and reporting the standards. The progress in achieving the goals is reported to the board of directors each quarter. Through this process, the board is able to evaluate if the programs implemented by management are successful in achieving the goals in the business plan and are successful in achieving compliance with the board's policy direction to serve the needs of YBS customers.

CAPITAL FARM CREDIT

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