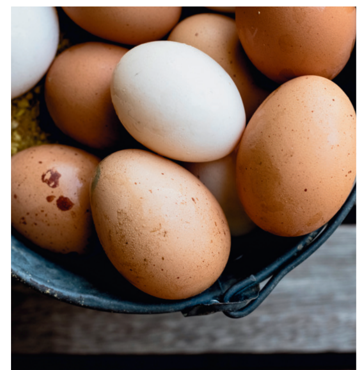
Legacy Ag Credit, ACA

2024 ANNUAL REPORT



Part of the Farm Credit System

Letter to Stockholders

On behalf of the board of directors and staff of Legacy Ag Credit, ACA (Legacy or association), we are pleased to present our 2024 Annual Report and financial results.

Legacy is proud to be a member of the Farm Credit System, operating as a borrower-owned cooperative since 1916. Our mission, to support rural America by offering competitive and consistent financing for agricultural needs in Northeast Texas, is who we are and is what will continue to drive us forward for the next 100 years.

We are pleased to report that the association reported net earnings of $5.1 million in 2024. In addition, total assets were $392.7 million, net loans outstanding were $376.1 million, and member's equity was $71.9 million, as of Dec. 31, 2024.

Legacy's board is delighted to announce it has approved a cash patronage of $3.05 million, or approximately 60% of 2024 net income, payable to our members in March 2025. This marks the 14th consecutive year that the association has returned a portion of its profits to its members, and it remains a priority for the board and management.

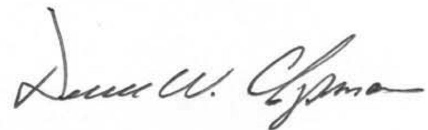
The Legacy board and management continue to be optimistic about our future. Credit quality at the association remains healthy, a reflection of the economy across our territory and prudent and sound loan underwriting standards. Inflation and the resulting higher interest rates are creating challenges for our lending team as our funding costs have risen and interest rates on loans have increased accordingly. However, population growth continues to drive demand for land, rural homes and other agricultural needs. All 10 counties in our territory showed positive population growth over the past few years, with three counties experiencing annual population growth of more than 2.0% and one, Kaufman County, experiencing annual population growth rates of more than 7.0%, making it one of the fastest-growing counties in the nation.

Legacy is also happy to report that we continue to support the next generation of agriculture through our Young, Beginning, and Small Farmer loan programs, through our annual scholarship program to deserving high school students involved in agriculture and through many contributions to local FFA, 4-H and other student organizations. Legacy has more than $50.0 million in loans outstanding to young farmers and more than $190.0 million in loans outstanding to borrowers who are beginning farmers.

We appreciate your continued support as we work to promote agriculture and rural lifestyles here in Northeast Texas.

Please join us at our annual stockholder meeting on April 23, 2025, at 9 a.m. in our Sulphur Springs office location.

Terry Milligan
Chairman, Board of Directors



Derrell W. Chapman, CPA
Chief Executive Officer

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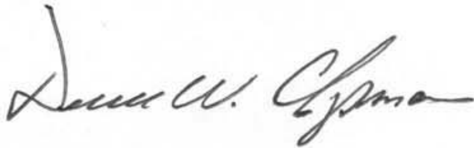
REPORT OF MANAGEMENT

The consolidated financial statements of Legacy Ag Credit, ACA (Association or Legacy) 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' (FCBT or Bank) 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 (PwC), 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 (FCA).

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 we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.



Derrell W. Chapman, CPA, Chief Executive Officer
March 7, 2025

Terry Milligan, Chairman, Board of Directors
March 7, 2025

Heather Johnson, CPA, Chief Financial Officer
March 7, 2025

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of directors Cheryl Scott, Terry Milligan, Danny Evans and Tommy Goodson. In 2024, 17 committee meetings were held. The committee oversees the scope of Legacy'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 Legacy's website. The committee approved the appointment of PwC as the association's independent auditor 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 Legacy'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 Dec. 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's and the association's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence. 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 such other matters and received such 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 Dec. 31, 2024.

Audit Committee members

Cheryl Scott, CPA, chair
Terry Milligan
Danny Evans
Tommy Goodson

March 7, 2025

Legacy Ag Credit, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Cash	**$ 162**	$ 138	$ 127	$ 105	$ 129
Loans	**377,157**	375,773	363,933	344,279	299,171
Less: allowance for credit losses on loans	**1,094**	1,095	1,243	1,417	1,173
Net loans	**376,063**	374,678	362,690	342,862	297,998
Investment in and receivable from FCBT	**7,994**	6,605	6,418	5,370	4,735
Other assets	**8,507**	8,262	7,126	5,657	5,162
Total assets	**$ 392,726**	$ 389,683	$ 376,361	$ 353,994	$ 308,024
Liabilities					
Obligations with maturities of one year or less	**$ 1,362**	$ 1,566	$ 2,215	$ 2,131	$ 1,554
Obligations with maturities greater than one year	**319,445**	318,275	306,350	286,948	243,375
Total liabilities	**320,807**	319,841	308,565	289,079	244,929
Members' Equity					
Capital stock and participation certificates	**$ 1,173**	$ 1,177	$ 1,193	$ 1,172	$ 1,084
Allocated retained earnings	**23,929**	22,858	21,076	20,082	18,644
Unallocated retained earnings	**46,785**	45,738	45,467	43,660	43,360
Accumulated other comprehensive income (loss)	**32**	69	60	1	7
Total members' equity	**71,919**	69,842	67,796	64,915	63,095
Total liabilities and members' equity	**$ 392,726**	$ 389,683	$ 376,361	$ 353,994	$ 308,024
Statement of Income Data					
Net interest income	**$ 10,993**	$ 10,910	$ 9,985	$ 9,048	$ 8,153
(Provision for loan losses) loan loss reversal	**-**	205	100	(139)	85
Income from FCBT	**1,123**	1,128	2,178	1,872	1,409
Other noninterest income	**552**	825	575	827	487
Noninterest expense	**(7,551)**	(7,710)	(7,192)	(7,400)	(5,621)
Net income (loss)	**$ 5,117**	$ 5,358	$ 5,646	$ 4,208	$ 4,513
Key Financial Ratios for the Year					
Return on average assets	**1.3%**	1.4%	1.5%	1.3%	1.5%
Return on average members' equity	**7.4%**	7.9%	8.7%	6.7%	7.4%
Net interest income as a percentage of average earning assets	**3.0%**	3.0%	2.8%	2.9%	2.8%
Net charge-offs (recoveries) as a percentage of average loans	**0.001%**	0.002%	0.021%	-0.033%	-0.005%

Legacy Ag Credit, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2024	2023	2022	2021	2020
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**18.3%**	17.9%	18.0%	18.3%	20.5%
Debt as a percentage of members' equity	**446.1%**	457.9%	455.1%	445.3%	388.2%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.4%	0.4%
Common equity tier 1 ratio	**18.6%**	18.4%	18.1%	19.0%	20.6%
Tier 1 capital ratio	**18.6%**	18.4%	18.1%	19.0%	20.6%
Total capital ratio	**19.0%**	18.7%	18.5%	19.5%	21.1%
Permanent capital ratio	**18.7%**	18.5%	18.1%	19.1%	20.7%
Tier 1 leverage ratio	**16.7%**	16.5%	16.3%	17.2%	18.9%
UREE leverage ratio	**16.4%**	16.2%	16.0%	18.2%	20.0%
Net Income Distribution					
Cash dividends	**$ 3,000**	$ 3,231	$ 2,846	$ 2,470	$ 2,400

The association’s ratios remained above the regulatory minimums, including the conservation and leverage buffers at Dec. 31, 2024. For more information, see Note 8 – Members Equity in the accompanying financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Legacy - including its wholly-owned subsidiaries, Legacy, PCA and Legacy Land Bank, FLCA - for the years ended Dec. 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 information statement 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 might differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. 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 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.

Significant Events

In January 2025, Legacy declared a $3,050,000 patronage for all members who had eligible loans with the association during fiscal year 2024. The association anticipates paying patronage in March 2025. Patronage totaled $3,000,000 and $3,231,241 for fiscal years 2023 and 2022, respectively.

In December 2024, the association received a direct loan patronage of $1,056,988 from FCBT representing 33.53 basis points on the average daily balance of the association's direct loan with the Bank. Also, the association received a capital markets patronage of $66,430 from the Bank, representing 75 basis points on the association's average balance of participations with the Bank.

The association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio

The association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual

operating loans comprising the majority of the commercial loans and 20- 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.

The composition of the association's loan portfolio, including principal less funds held of $377,156,787; $375,772,990; and $363,932,965 as of Dec. 31, 2024, 2023 and 2022, respectively, is described more fully in detailed tables in Note 3 – Loans and Allowance for Credit Losses in the accompanying financial statements.

Purchase and Sales of Loans

During 2024, 2023 and 2022, the association was participating in loans with other lenders. As of Dec. 31, 2024, 2023 and 2022, these participations totaled $68,431,839; $65,781,388; and $55,188,872 or 18.1%, 17.5% and 15.2% of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $36,036,658; $38,060,661; and $40,749,09, or 52.7%, 57.9% and 73.8% of loans, respectively. The association has also sold participations of $8,996,190; $9,292,852; and $9,751,548 as of Dec. 31, 2024, 2023 and 2022, respectively.

Risk Exposure

Nonpeforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

The following table illustrates the association's components and trends of nonperforming assets serviced for the prior three years as of Dec. 31:

Nonperforming Assets

	2024		2023		2022	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual loans	**$ 342,511**	**100.0%**	$ 440,261	100.0%	$ 3,032,482	78.5%
Accruing loans 90 days or more past due	**-**	**0.0%**	-	0.0%	833,006	21.5%
Nonperforming assets	**$ 342,511**	**100.0%**	$ 440,261	100.0%	$ 3,865,488	100.0%

At Dec. 31, 2024, 2023 and 2022, nonperforming loans were $342,511, $440,261 and $3,865,488, representing 0.1%, 0.1% and 1.1% of loan volume, respectively.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, 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.

To help mitigate and diversify credit risk, the association has employed practices including obtaining credit guarantees and engaging in loan participations.

Allowance for Credit Losses on Loans

The association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss

is determined to be permanent, fixed or nonrecoverable, 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, 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 Jan. 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 and the procedures outlined above, the allowance for credit losses on loans of $1,094,246; $1,095,402; and $1,243,348 at Dec. 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

Results of Operations

The Association's net income for the year ended Dec. 31, 2024, was $5,117,372 as compared with $5,358,194 for the year ended Dec. 31, 2023, reflecting a decrease of $240,822, or 4.5%. The association's net income for the year ended Dec. 31, 2023, was $5,358,194 as compared with $5,646,471 for the year ended Dec. 31, 2022, reflecting a decrease of $288,277, or 5.1%.

Net interest income for 2024, 2023 and 2022 was $10,992,911, $10,910,255 and $9,985,399, respectively, reflecting increases of $82,656, or 0.8%, for 2024 vs. 2023 and $924,856, or 9.26%, for 2023 vs. 2022. Net interest income is the principal source of earnings for the association and is impacted by volume, yields on assets 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		2023		2022	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 373,050,304**	**$ 22,728,744**	$ 366,339,494	$ 20,921,016	$ 358,843,323	$ 17,230,277
Interest-bearing liabilities	**315,359,925**	**11,735,833**	309,544,877	10,010,761	302,747,571	7,244,878
Impact of capital	**$ 57,690,379**		$ 56,794,617		$ 56,095,752	
Net interest income		**$ 10,992,911**		$ 10,910,255		$ 9,985,399

	2024	**2023**	**2022**
	Average Yield	**Average Yield**	**Average Yield**
Yield on loans	**6.09%**	5.71%	4.80%
Cost of interest-bearing liabilities	**3.72%**	3.23%	2.39%
Interest rate spread	**2.37%**	2.48%	2.41%

	2024 vs. 2023			2023 vs. 2022		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 383,241**	**$ 1,424,487**	**$ 1,807,728**	$ 359,936	$ 3,330,803	$ 3,690,739
Interest expense	**188,059**	**1,537,013**	**1,725,072**	162,660	2,603,223	2,765,883
Net interest income	**$ 195,182**	**$ (112,526)**	**$ 82,656**	$ 197,277	$ 727,579	$ 924,856

Interest income for 2024 increased by $1,807,728, or 8.6%, compared with 2023, primarily due to an increase in average yields on loans and an increase in average loan volume. Interest expense for 2024 increased by $1,725,072, or 17.2%, compared with 2023 due to an increase in the cost of funding as well as an increase in average debt volume. The interest rate spread decreased by 11 basis points to 2.37% in 2024 from 2.48% in 2023, primarily due to an increase in the average cost of interest-bearing liabilities, which was partially offset by an increase in average yields on loans. The interest rate spread increased by 7 basis points to 2.48% in 2023 from 2.41% in 2022, primarily due to an increase in average yields on loans that exceeded the increase in average cost of interest-bearing liabilities.

Noninterest income for 2024 decreased by $278,256, with 14.2%, compared with 2023, due primarily to 2023's recognition of a gain on the sale of Legacy's Canton branch property. Noninterest income for 2023 decreased by $799,118, or 29.0%, compared with 2022, due primarily to the $1.1 million reduction in Legacy's direct note patronage from FCBT.

Provisions for loan losses were $366 in 2024 compared with a credit of $204,576 in 2023, which was primarily due to payoffs of two capital market relationships carrying specific reserves for a credit loss reversal.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, information systems, accounting and loan processing, among others. Operating expenses declined by $159,720, or 2.1%, in 2024 compared with 2023 primarily due to decreases in advertising/public relations expenditures, directors travel, depreciation and a $189,104 decrease in premiums to the FCSIC, resulting from a decrease in the premium rates from 18 basis points in 2023 to 10 basis points in 2024. These decreases were offset by increased spending for professional services and salaries for new hires.

For the year ended Dec. 31, 2024, the association's return on average assets was 1.30%, as compared with 1.40% and 1.5% for the years ended Dec. 31, 2023, and 2022, respectively. For the year ended Dec. 31, 2024, the association's return on average members' equity was 7.4%, as compared with 7.9% and 8.7% for the years ended Dec. 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 might have an 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.

The primary source of liquidity and funding for the association is a direct loan from the Bank. The outstanding balance of $318,438,479, $317,332,782 and $305,607,123 as of Dec. 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 3.72%, 3.23% and 2.39% at Dec. 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 general financing agreement (GFA) with the Bank. The increase in notes payable to the Bank and related accrued interest payable since Dec. 31, 2023, is due to increased loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $57,853,977, $57,453,873 and $57,358,943 at Dec. 31, 2024, 2023 and 2022, respectively. The maximum amount the Association may borrow from the Bank as of Dec. 31, 2024, was $379,622,042 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA , which is Sept. 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default; 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 borrower 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 $71,919,052, $69,842,306 and $67,795,984 at Dec. 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, 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 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 [common equity tier 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 above regulatory minimums. The following table reflects the association's capital ratios at Dec. 31:

	2024	2023	2022	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	18.69 %	18.46 %	18.14 %	7.00 %
Common equity tier 1 ratio	18.63	18.40	18.06	7.00
Tier 1 capital ratio	18.63	18.40	18.06	8.50
Total capital ratio	18.96	18.71	18.50	10.50
Tier 1 leverage ratio	16.73	16.50	16.32	5.00
UREE leverage ratio	16.43	16.19	16.00	1.50

Regulatory Matters

At Dec. 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% risk-weighting to such exposures instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-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 $500,000. The effective date of the final rule has been extended to Jan. 1, 2026, from the original effective date of Jan. 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 Nov. 8, 2018, continues to assign a 50% or 75% 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 Oct. 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 Jan. 1, 2025.

On Oct. 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 Nov. 29, 2024. The rule is subject to a public comment period ending March 31, 2025.

In 2024, 2023 and 2022, the association paid patronage distributions of $3,000,000, $3,231,241 and $2,846,000, respectively, paid from unallocated retained earnings. In January 2025, the board of directors approved a $3,050,000 patronage distribution for basis year 2024 earnings to be paid in March 2025. See Note 8 – Members Equity in the accompanying financial statements for further information.

Relationship With the Bank

The association's statutory obligation to borrow only from the Bank is discussed in Note 7 – Note Payable to the Bank – in the accompanying financial statements.

The Bank's ability to access capital of the association is discussed in Note 2 – Summary of Significant Accounting Policies – in the accompanying financial statements 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 7 – 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, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 11 – Related Party Transactions in the accompanying 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 district associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary

For more than 100 years, regardless of the state of the agricultural economy, Legacy's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this association.

Report of Independent Auditors

To the Board of Directors of Legacy Ag Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Legacy Ag 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,

PricewaterhouseCoopers LLP, 835 West 6th Street, Suite 1600, Austin, Texas 78703
T: (512) 477 1300, www.pwc.com/us

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

Legacy Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2024	**2023**	**2022**
Assets			
Cash	**$ 161,925**	$ 138,043	$ 127,481
Loans (includes $354, $350 and $328 held at fair value)	**377,156,787**	375,772,990	363,932,965
Less: allowance for credit losses on loans	**1,094,246**	1,095,402	1,243,348
Net loans	**376,062,541**	374,677,588	362,689,617
Accrued interest receivable	**2,851,111**	2,436,348	1,808,462
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**6,308,050**	6,173,070	6,016,770
Allocated Equity	**253,681**	253,681	
Other	**1,431,942**	178,118	401,341
Premises and equipment	**5,415,984**	5,605,940	5,076,354
Other assets	**240,326**	220,526	240,754
Total assets	**$ 392,725,560**	$ 389,683,314	$ 376,360,779
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 318,438,479**	$ 317,332,782	$ 305,607,123
Advance conditional payments	**-**	1,000	-
Accrued interest payable	**1,005,705**	942,054	742,186
Drafts outstanding	**26,269**	43,222	454,833
Other liabilities	**1,336,055**	1,521,950	1,760,653
Total liabilities	**320,806,508**	319,841,008	308,564,795
Members' Equity			
Capital stock and participation certificates	**1,173,240**	1,176,510	1,192,520
Nonqulified allocated retained earnings	**23,929,068**	22,858,251	21,076,255
Unallocated retained earnings	**46,784,675**	45,738,155	45,466,759
Accumulated other comprehensive income (loss)	**32,069**	69,390	60,450
Total members' equity	**71,919,052**	69,842,306	67,795,984
Total liabilities and members' equity	**$ 392,725,560**	$ 389,683,314	$ 376,360,779

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2024	**2023**	**2022**
Interest Income			
Loans	**$ 22,728,744**	$ 20,921,016	$ 17,230,277
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**11,732,787**	10,010,564	7,244,878
Advance conditional payments	**3,046**	197	-
Total interest expense	**11,735,833**	10,010,761	7,244,878
Net interest income	**10,992,911**	10,910,255	9,985,399
Provision for credit losses (credit loss reversal)	**366**	(204,576)	(99,985)
Net interest income after provision for credit losses (credit loss reversal)	**10,992,545**	11,114,831	10,085,384
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**1,123,387**	1,127,881	2,178,243
Loan fees	**347,541**	354,480	426,174
Refunds from Farm Credit System Insurance Corporation	**85,099**	164	-
Financially related services income	**140**	126	164
Gain (loss), other	**822**	50	-
Gain (loss) on sale of premises and equipment, net	**49,710**	393,419	(5,220)
Other noninterest income	**68,742**	77,577	153,454
Total noninterest income	**1,675,441**	1,953,697	2,752,815
Noninterest Expenses			
Salaries and employee benefits	**4,670,777**	4,578,407	4,374,319
Directors' expense	**181,905**	241,224	228,093
Purchased services	**535,913**	480,663	497,234
Travel	**281,192**	283,932	245,589
Occupancy and equipment	**660,278**	694,823	570,196
Communications	**123,241**	113,883	90,936
Advertising	**123,945**	159,185	143,814
Public and member relations	**250,948**	269,738	214,556
Supervisory and exam expense	**149,905**	138,931	124,984
Insurance Fund premiums	**245,433**	434,537	471,067
Other components of net periodic postretirement benefit cost	**6,441**	7,809	7,082
Other noninterest expense	**320,636**	307,202	223,858
Total noninterest expenses	**7,550,614**	7,710,334	7,191,728
NET INCOME	**5,117,372**	5,358,194	5,646,471
Change in postretirement benefit plans	**(37,321)**	8,940	59,038
COMPREHENSIVE INCOME	**$ 5,080,051**	$ 5,367,134	$ 5,705,509

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Non-Qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2021	$ 1,171,860	$ 20,081,509	$ 43,660,726	$ 1,412	$ 64,915,507
Comprehensive income			5,646,471	59,038	5,705,509
Capital stock/participation certificates and allocated retained earnings issued	182,590				182,590
Capital stock/participation certificates and allocated retained earnings retired	(161,930)				(161,930)
Patronage dividends:					
Cash			(2,845,692)		(2,845,692)
Nonqualified allocations		994,746	(994,746)		-
Balance at December 31, 2022	1,192,520	21,076,255	45,466,759	60,450	67,795,984
Cumulative effect of a change in accounting principle			(74,032)		(74,032)
Balance at January 1, 2023	1,192,520	21,076,255	45,392,727	60,450	67,721,952
Comprehensive income			5,358,194	8,940	5,367,134
Capital stock/participation certificates issued	146,800				146,800
Capital stock/participation certificates and allocated retained earnings retired	(162,810)				(162,810)
Patronage dividends:					
Cash			(3,230,770)		(3,230,770)
Nonqualified allocations		1,781,996	(1,781,996)		
Balance at December 31, 2023	1,176,510	22,858,251	45,738,155	69,390	69,842,306
Comprehensive income			5,117,372	(37,321)	5,080,051
Capital stock/participation certificates issued	116,035				116,035
Preferred stock retired					
Capital stock/participation certificates and allocated retained earnings retired	(119,305)				(119,305)
Patronage dividends:					
Cash			(3,000,035)		(3,000,035)
Nonqualified allocations		1,070,817	(1,070,817)		
Balance at December 31, 2024	**$ 1,173,240**	**$ 23,929,068**	**$ 46,784,675**	**$ 32,069**	**$ 71,919,052**

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2024	**2023**	**2022**
Cash flows from operating activities:			
Net income	**$ 5,117,372**	$ 5,358,194	$ 5,646,471
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**366**	**(204,576)**	**(99,985)**
Depreciation	**447,558**	423,406	361,557
(Gain) loss on sale of premises and equipment, net	**(49,710)**	(393,419)	5,220
(Gain) loss on sale of other assets	**(822)**	(50)	
(Increase) decrease in accrued interest receivable	**(414,763)**	(627,886)	(619,571)
Decrease (increase) in other receivables from the Farm Credit Bank	**(1,253,824)**	223,223	(224,091)
Decrease (increase) in other assets	**(18,978)**	20,278	(48,742)
Increase in accrued interest payable	**63,651**	199,868	246,266
(Decrease) increase in other liabilities	**(227,738)**	(253,734)	(131,533)
Net cash provided by operating activities	**3,663,112**	4,745,304	5,135,592
Cash flows from investing activities:			
Increase in loans, net	**(1,488,187)**	(11,947,050)	(19,841,060)
Cash recoveries of loans previously charged off	**3,000**	6,569	3,600
Farm Credit Bank of Texas:			
Purchase of investment in	**(134,980)**	(156,300)	(824,250)
Allocated equity in	**-**	(253,681)	-
Purchases of premises and equipment	**(227,002)**	(1,027,702)	(1,056,802)
Proceeds from sales of premises and equipment	**123,500**	575,154	250
Net cash used in investing activities	**(1,723,669)**	(12,803,010)	(21,718,262)
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**1,105,697**	11,725,659	19,155,306
(Decrease) increase in drafts outstanding	**(16,953)**	(411,611)	276,508
(Decrease) increase in advance conditional payments	**(1,000)**	1,000	(1,433)
Issuance of capital stock and participation certificates	**116,035**	146,800	182,590
Retirement of capital stock and participation certificates	**(119,305)**	(162,810)	(161,930)
Cash patronage paid	**(3,000,035)**	(3,230,770)	(2,845,692)
Net cash (used in) provided by financing activities	**(1,915,561)**	8,068,268	16,605,349
Net increase in cash	**23,882**	10,562	22,679
Cash at the beginning of the year	**138,043**	127,481	104,802
Cash at the end of the year	**$ 161,925**	$ 138,043	$ 127,481
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	**$ -**	$ -	$ 77,673
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 11,732,787**	$ 9,810,696	$ 6,998,612

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Legacy Ag Credit, ACA, including its wholly-owned subsidiaries, Legacy, PCA and Legacy Land Bank, 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 the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt and Wood 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 Dec. 31, 2024, the System consisted 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 Dec. 31, 2024, the District consisted of the Bank, one FLCA and 11 ACA parent companies, 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 System 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% 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% 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, people 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.

The association's financial condition may be affected by factors that affect the bank. The financial condition and results of operations of the bank might 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") of the association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). 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.

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 loan losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. 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.

The association recently adopted, effective Jan. 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 December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after Dec. 15, 2025. The adoption of this guidance is not expected to have a material impact on the institution's financial condition, results of operations or cash flows but will impact the income tax disclosures.

A. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

B. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 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. 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 not 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 and penalty interest incurred as a 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 deemed uncollectible is either 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, and 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 balance sheet. The association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

   Loan Modifications 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. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity 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 Jan. 1, 2023, the 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 balance sheet;
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities; and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the balance sheet.

Determining the appropriateness of the ACL 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.

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, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancelation 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 the 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. 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 loan type and credit quality rating 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 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 credit losses in the existing portfolio.

The association's 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 two years. Subsequent to the forecast period, the association reverts to long-run historical loss experience over a one-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 bank 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 might 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 quarterly.

Prior to Jan. 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.

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 other liabilities on the Condensed Combined Statement of Condition. 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 institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancelable.

C. Capital Stock Investment in the Farm Credit Bank of Texas: 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 periodically based on the association's proportional utilization of the bank compared with other district associations. The Bank requires a minimum stock investment of 2% of the association's average borrowing from the bank. This investment is carried at cost plus allocated equities 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% of the average outstanding balance of borrowings from the bank to a maximum of 5% of the average outstanding balance of borrowings from the bank.

In January 2025, the bank's board of directors approved a change to FCBT's capitalization policy. Through 2024, associations and qualifying OFIs were required to maintain an investment in the bank equal to 2% percent of their average borrowings from the bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.5% percent of their average borrowings from the bank and will be determined on a semi-annual basis.

D. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

E. 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 sheet. Advance conditional payments are not insured. Interest is generally paid by the association on such accounts at rates established by the board of directors.

F. Employee Benefit Plans: Substantially all employees of the association might 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. The DB plan is closed to new participants. Participants generally include employees hired prior to Jan. 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.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to Jan. 1, 1996, and employees hired on or after Jan. 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0% of eligible pay for the year ended Dec. 31, 2024, made on their behalf into various investment alternatives.

The structure of the district's DB plan is characterized as multiemployer, because 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. The association recognized pension costs for the DC plan of $178,291, $180,423 and $183,338 for the years ended Dec. 31, 2024, 2023 and 2022 respectively. For the DB plan, the association recognized pension costs of $8,725, $14,382 and $25,160 for the years ended Dec. 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% of employee contributions up to 3.0% of eligible earnings and to match 50% of employee contributions for the next 2.0% of employee contributions, up to a maximum employer contribution of 4.0% of eligible earnings. Association 401(k) plan costs are expensed as incurred. The association's contributions to the 401(k) plan were $137,451, $136,283 and $138,404 for the years ended Dec. 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 other liabilities on the consolidated balance sheet.

G. 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 allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. (If the association utilizes the book basis, then replace the preceding sentence with "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 (more than 50% 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.

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

I. 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, which relate to deferred compensation and the 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 actively 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.

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, 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 presented in Note 12 – Fair Value Measurements.

J. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of Dec. 31 follows:

	2024		2023		2022	
Loan Type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Real estate mortgage	**$ 317,427,752**	**84.1%**	$ 316,952,280	84.3%	$ 308,324,835	84.8%
Agribusiness:						
Loans to cooperatives	**1,476,397**	**0.4%**	2,567,359	0.7%	4,584,393	1.3%
Processing and marketing	**19,166,774**	**5.1%**	15,356,382	4.1%	16,158,542	4.4%
Farm-related business	**863,294**	**0.2%**	2,475,307	0.7%	2,275,713	0.6%
Production and intermediate-term	**14,816,090**	**3.9%**	13,782,434	3.7%	10,867,818	3.0%
Rural residential real estate	**10,806,572**	**2.9%**	10,237,682	2.7%	9,261,897	2.5%
Communication	**9,180,840**	**2.4%**	8,631,222	2.3%	7,224,417	2.0%
Energy	**2,457,867**	**0.7%**	2,785,077	0.7%	3,236,720	0.9%
Water and wastewater	**961,201**	**0.3%**	2,985,247	0.8%	1,998,630	0.5%
Total	**$ 377,156,787**	**100.0%**	$ 375,772,990	100.0%	$ 363,932,965	100.0%

The association may purchase or sell 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 Dec. 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	$ 29,393,133	$ 8,996,190	$ -	$ -	$ 29,393,133	$ 8,996,190
Agribusiness	20,643,171	-	-	-	20,643,171	-
Communication	9,180,840	-	-	-	9,180,840	-
Production and intermediate-term	5,795,627	-	-	-	5,795,627	-
Energy	2,457,867	-	-	-	2,457,867	-
Water and wastewater	961,201	-	-	-	961,201	-
Total	$ 68,431,839	$ 8,996,190	$ -	$ -	$ 68,431,839	$ 8,996,190

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

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) 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 credit quality indicators by loan type and the related principal balance as of Dec. 31, 2024. Accrued interest receivable on loans of $2,851,111, $2,436,348 and $1,808,462 at Dec. 31, 2024, 2023 and 2022, respectively, has been excluded from the amortized cost of loans and is reported separately in the balance sheet.

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage									
Acceptable	$ 42,007,924	$ 40,737,220	$ 47,625,324	$ 64,362,227	$ 36,731,510	$ 77,708,302	$ 977,651	$ -	$ 310,150,158
OAEM	-	-	3,356,591	-	247,755	372,451	2,147,742	-	6,124,539
Substandard/Doubtful	-	-	331,326	312,982	-	508,747	-	-	1,153,055
Loss	-	-	-	-	-	-	-	-	-
	$ 42,007,924	$ 40,737,220	$ 51,313,241	$ 64,675,209	$ 36,979,265	$ 78,589,500	$ 3,125,393	$ -	$ 317,427,752
Production and intermediate-term									
Acceptable	$ 283,631	$ 3,824,143	$ 232,034	$ 72,967	$ 67,551	$ 221,174	$ 10,001,737	$ 112,853	$ 14,816,090
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ 283,631	$ 3,824,143	$ 232,034	$ 72,967	$ 67,551	$ 221,174	$ 10,001,737	$ 112,853	$ 14,816,090
Agribusiness									
Acceptable	$ 2,591,641	$ 5,149,991	$ 6,496,755	$ 1,773,995	$ 1,516,098	$ 800,000	$ 2,438,988	$ -	$ 20,767,468
OAEM	-	-	598,542	-	-	-	140,455	-	738,997
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ 2,591,641	$ 5,149,991	$ 7,095,297	$ 1,773,995	$ 1,516,098	$ 800,000	$ 2,579,443	$ -	$ 21,506,465

Communications									
Acceptable	$ 2,645,534	$ 2,591,299	$ -	$ -	$ 3,823,936	$ -	$ 120,071	$ -	$ 9,180,840
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ 2,645,534	$ 2,591,299	$ -	$ -	$ 3,823,936	$ -	$ 120,071	$ -	$ 9,180,840
Energy									
Acceptable	$ -	$ -	$ -	$ -	$ -	$ 2,336,715	$ 121,152	$ -	$ 2,457,867
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ 2,336,715	$ 121,152	$ -	$ 2,457,867
Water and wastewater									
Acceptable	$ -	$ 961,201	$ -	$ -	$ -	$ -	$ -	$ -	$ 961,201
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ -	$ 961,201	$ -	$ -	$ -	$ -	$ -	$ -	$ 961,201
Rural residential real estate									
Acceptable	$ 1,395,623	$ 1,385,936	$ 2,391,067	$ 3,004,994	$ 1,709,003	$ 919,949	$ -	$ -	$ 10,806,572
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	$ 1,395,623	$ 1,385,936	$ 2,391,067	$ 3,004,994	$ 1,709,003	$ 919,949	$ -	$ -	$ 10,806,572
Total Loans									
Acceptable	$ 48,924,353	$ 54,649,790	$ 56,745,180	$ 69,214,183	$ 43,848,098	$ 81,986,140	$ 13,659,599	$ 112,853	$ 369,140,196
OAEM	-	-	3,955,133	-	247,755	372,451	2,288,197	-	6,863,536
Substandard/Doubtful	-	-	331,326	312,982	-	508,747	-	-	1,153,055
Loss	-	-	-	-	-	-	-	-	-
	$ 48,924,353	**$ 54,649,790**	**$ 61,031,639**	**$ 69,527,165**	**$ 44,095,853**	**$ 82,867,338**	**$ 15,947,796**	**$ 112,853**	**$ 377,156,787**

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

	Term Loans Amortized Cost by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage									
Acceptable	$ 45,009,556	$ 60,394,327	$ 71,211,194	$ 40,765,375	$ 24,928,326	$ 66,424,123	$ -	$ -	$ 308,732,901
OAEM	2,646,437	1,817,210	-	262,498	-	701,228	2,147,061	-	7,574,434
Substandard/Doubtful	-	-	-	-	-	644,945	-	-	644,945
	$ 47,655,993	$ 62,211,537	$ 71,211,194	$ 41,027,873	$ 24,928,326	$ 67,770,296	$ 2,147,061	$ -	$ 316,952,280
Production and intermediate-term									
Acceptable	$ 4,222,371	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 229,633	$ 7,559,985	$ 51,200	$ 12,882,351
OAEM	891,588	-	-	-	-	8,495	-	-	900,083
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 5,113,959	$ 392,770	$ 184,289	$ 139,164	$ 102,939	$ 238,128	$ 7,559,985	$ 51,200	$ 13,782,434
Agribusiness									
Acceptable	$ 5,629,304	$ 6,859,834	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,318,899	$ -	$ 19,902,216
OAEM	-	373,253	-	-	-	-	123,579	-	496,832
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 5,629,304	$ 7,233,087	$ 3,049,716	$ 2,244,463	$ 800,000	$ -	$ 1,442,478	$ -	$ 20,399,048
Communications									
Acceptable	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 3,060,056	$ -	$ -	$ 5,502,741	$ -	$ -	$ 68,425	$ -	$ 8,631,222

Energy									
Acceptable	$ -	$ -	$ -	$ -	$ -	$ 2,631,678	$ 153,399	$ -	$ 2,785,077
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ 2,631,678	$ 153,399	$ -	$ 2,785,077
Water and wastewater									
Acceptable	$ 985,772	$ -	$ -	$ -	$ -	$ 1,999,475	$ -	$ -	$ 2,985,247
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 985,772	$ -	$ -	$ -	$ -	$ 1,999,475	$ -	$ -	$ 2,985,247
Rural residential real estate									
Acceptable	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	$ 1,383,801	$ 2,851,696	$ 3,138,399	$ 1,807,092	$ 268,521	$ 788,173	$ -	$ -	$ 10,237,682
Total Loans									
Acceptable	**$ 60,290,860**	**$ 70,498,627**	**$ 77,583,598**	**$ 50,458,835**	**$ 26,099,786**	**$ 72,073,082**	**$ 9,100,708**	**$ 51,200**	**$ 366,156,696**
OAEM	**3,538,025**	**2,190,463**	**-**	**262,498**	**-**	**709,723**	**2,270,640**	**-**	**8,971,349**
Substandard/Doubtful	**-**	**-**	**-**	**-**	**-**	**644,945**	**-**	**-**	**644,945**
	$ 63,828,885	**$ 72,689,090**	**$ 77,583,598**	**$ 50,721,333**	**$ 26,099,786**	**$ 73,427,750**	**$ 11,371,348**	**$ 51,200**	**$ 375,772,990**

The following table shows loans classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans by loan type as of Dec. 31, 2024, 2023 and 2022:

	2024	2023	2022
Real estate mortgage			
Acceptable	**97.7** %	97.4 %	99.0 %
OAEM	**1.9**	2.4	0.4
Substandard/doubtful	**0.4**	0.2	0.6
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**100.0**	93.5	99.9
OAEM	**-**	6.5	0.1
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**96.1**	96.8	92.4
OAEM	**3.9**	3.2	-
Substandard/doubtful	**-**	-	7.6
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**100.0**	100.0	91.7
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	8.3
	100.0	100.0	100.0
Water and wastewater			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**97.9**	97.4	98.7
OAEM	**1.8**	2.4	0.4
Substandard/doubtful	**0.3**	0.2	0.9
	100.0 %	100.0 %	100.0 %

The following percentages are based on the borrower's physical location, the borrower's headquarter location or the physical location of the underlying collateral where applicable:

County	**2024**	2023	2022
Van Zandt	**11.7%**	10.8%	12.5%
Hopkins	**7.5%**	7.9%	10.3%
Wood	**6.0%**	6.8%	8.4%
Upshur	**4.9%**	5.1%	6.2%
Kaufman	**4.6%**	5.0%	8.6%
Gregg	**4.4%**	3.9%	0.6%
Harrison	**3.8%**	3.0%	4.2%
Franklin	**2.8%**	2.3%	3.8%
Marion	**0.8%**	0.9%	1.7%
Rains	**0.9%**	0.8%	2.0%
Other	**52.6%**	53.5%	41.7%
Totals	**100.0%**	100.0%	100.0%

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 loan losses.

	2024		**2023**		**2022**	
Operation/Commodity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Livestock, except dairy and poultry	**$ 111,777,158**	**29.6%**	$ 106,476,415	28.4%	$ 104,962,318	28.8%
Poultry and eggs	**90,286,198**	**23.9%**	95,302,739	25.4%	91,877,843	25.2%
General farms, primarily crops	**46,534,872**	**12.3%**	48,378,633	12.9%	806,000	0.2%
Hunting, trapping and game propagation	**37,641,150**	**10.0%**	37,948,265	10.1%	33,154,172	9.1%
Rural home loans	**16,013,369**	**4.2%**	11,761,219	3.1%	9,839,793	2.7%
Timber	**12,868,183**	**3.4%**	14,801,050	4.0%	21,369,171	5.9%
Communication	**9,180,840**	**2.4%**	8,631,222	2.3%	7,224,417	2.0%
Animal specialties	**8,917,610**	**2.4%**	8,304,421	2.2%	7,129,179	2.0%
Food and kindred products	**7,542,774**	**2.0%**	4,801,690	1.3%	6,373,599	1.8%
Other	**5,549,496**	**1.5%**	4,026,169	1.1%	752,409	0.2%
Paper and allied products	**5,267,908**	**1.4%**	5,413,557	1.4%	5,194,449	1.4%
Fruit and tree nuts	**5,017,022**	**1.3%**	5,045,887	1.3%	5,086,259	1.4%
Wholesale trade - nondurable goods	**3,774,418**	**1.0%**	4,722,617	1.3%	4,902,280	1.3%
Dairy farms	**3,394,601**	**0.9%**	3,876,429	1.0%	1,667,303	0.5%
Horticultural specialties	**2,958,093**	**0.8%**	3,174,933	0.8%	221,844	0.1%
Electric services	**2,457,867**	**0.7%**	2,785,077	0.8%	3,236,720	0.9%
Field crops except cash grains	**2,404,865**	**0.6%**	2,693,361	0.7%	52,291,307	14.4%
Agricultural services	**1,814,727**	**0.5%**	1,214,389	0.3%	1,247,395	0.3%
Chemical and allied products	**1,516,098**	**0.4%**	2,244,463	0.6%	2,275,713	0.6%
Metal Cans	**626,341**	**0.2%**	839,396	0.2%	1,113,971	0.3%
Farm and garden machinery equipment	**622,242**	**0.2%**	376,944	0.1%	236,755	0.1%
Building materials, hardware and garden supplies	**484,780**	**0.1%**	541,984	0.1%	597,210	0.2%
Real estate	**290,069**	**0.1%**	355,365	0.1%	63,321	0.0%
Cash grains	**175,172**	**0.1%**	-	0.0%	-	0.0%
Vegetables and melons	**40,934**	**0.0%**	57,290	0.0%	63,548	0.0%
General farms, primarily livestock	**-**	**0.0%**	-	0.0%	247,358	0.1%
Water Supply	**-**	**0.0%**	1,999,475	0.5%	1,998,630	0.5%
Total	**$ 377,156,787**	**100.0%**	$ 375,772,990	100.0%	$ 363,932,964	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 the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (or 97% 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 the loan-to-value ratios in excess of the regulatory maximum.

The following table reflects nonperforming assets, which is composed of nonaccrual loans, accruing loans 90 days or more past due:

	December 31, 2024	December 31, 2023	December 31, 2022
Nonaccrual loans:			
Real estate mortgage	**$ 342,511**	$ 440,261	$ 1,531,950
Agribusiness	**-**	-	1,230,368
Energy	**-**	-	270,164
Total nonaccrual loans	**342,511**	440,261	3,032,482
Accruing loans 90 days or more past due:			
Real estate mortgage	**-**	-	833,006
Total nonperforming assets	**$ 342,511**	$ 440,261	$ 3,865,488
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%	0.8%
Nonperforming assets as a percentage of total loans	**0.1%**	0.1%	1.1%
Nonperforming assets as a percentage of capital	**0.5%**	0.6%	5.7%

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 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	**$ -**	**$ 342,511**	**$ 342,511**	**$ 90,583**
Agribusiness	**-**	**-**	**-**	**924**
Total nonaccrual loans	**$ -**	**$ 342,511**	**$ 342,511**	**$ 91,507**

	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	$ -	$ 440,261	$ 440,261	$ 111,928
Production and intermediate-term	-	-	-	49,537
Agribusiness	-	-	-	1,847
Total nonaccrual loans	$ -	$ 440,261	$ 440,261	$ 163,312

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	**$ 308,734**	**$ 59,252**	**$ 367,986**	**$ 317,059,766**	**$ 317,427,752**	**$ -**
Production and intermediate-term	**13,659**	**-**	**13,659**	**14,802,431**	**14,816,090**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,476,397**	**1,476,397**	**-**
Processing and marketing	**-**	**-**	**-**	**19,166,774**	**19,166,774**	**-**
Farm-related business	**-**	**-**	**-**	**863,294**	**863,294**	**-**
Communication	**-**	**-**	**-**	**9,180,840**	**9,180,840**	**-**
Energy	**-**	**-**	**-**	**2,457,867**	**2,457,867**	**-**
Water and waste-water	**-**	**-**	**-**	**961,201**	**961,201**	**-**
Rural residential real estate	**-**	**-**	**-**	**10,806,572**	**10,806,572**	**-**
Total	**$ 322,393**	**$ 59,252**	**$ 381,645**	**$ 376,775,142**	**$ 377,156,787**	**$ -**

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,130,621	$ -	$ 2,130,621	$ 316,896,424	$ 319,027,045	$ -
Production and intermediate-term	-	-	-	13,965,427	13,965,427	-
Loans to cooperatives	-	-	-	2,575,352	2,575,352	-
Processing and marketing	-	-	-	15,393,229	15,393,229	-
Farm-related business	-	-	-	2,493,419	2,493,419	-
Communication	-	-	-	8,664,344	8,664,344	-
Energy	-	-	-	2,795,324	2,795,324	-
Water and waste-water	-	-	-	3,017,809	3,017,809	-
Rural residential real estate	-	-	-	10,277,389	10,277,389	-
Total	$ 2,130,621	$ -	$ 2,130,621	$ 376,078,717	$ 378,209,338	$ -

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 355,876	$ 675,028	$ 1,030,904	$ 308,829,510	$ 309,860,414	$ -
Production and intermediate-term	-	-	-	10,960,092	10,960,092	-
Loans to cooperatives	-	-	-	4,609,760	4,609,760	-
Processing and marketing	371,966	95,473	467,439	15,744,625	16,212,064	-
Farm-related business	-	-	-	2,287,215	2,287,215	-
Communication	-	-	-	7,246,589	7,246,589	-
Energy	-	766	766	3,245,582	3,246,348	-
Water and waste-water	-	-	-	2,028,852	2,028,852	-
Rural residential real estate	40,644	-	40,644	9,249,449	9,290,093	-
Total	$ 768,486	$ 771,267	$ 1,539,753	$ 364,201,674	$ 365,741,427	$ -

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, disaggregated by loan type and type of modification granted. The association did not materially modify any loans with borrowers experiencing financial difficulty during the year ended Dec. 31, 2023.

	Year Ended December 31, 2024	
	Term Extension	**Percentage of Total by Loan Type**
Real estate mortgage	$ 120,523	100.00%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the year ended Dec. 31, 2024, was $490.

There was no material financial effect of modifications made to borrowers experiencing financial difficulty during 2024.

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

	Payment Status of Loans Modified in the Past 12 Months
December 31, 2024	**Current**
Real estate mortgage	$ 120,523

There are no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at Dec. 31, 2024.

Troubled Debt Restructurings

Prior to Jan. 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 might have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The following tables present additional information regarding troubled debt restructurings that occurred during the year ended Dec. 31, 2022:

	Loans Modified as TDRs	TDRs in Nonaccrual Status*
	December 31, 2022	**December 31, 2022**
Troubled debt restructurings:		
Real estate mortgage	**$ 1,508,034**	**$ 675,028**
Energy	**270,164**	**270,164**
Total	**$ 1,778,198**	**$ 945,192**

* Represents the portion of loans modified as TDRs that are 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% of the association's lending and leasing limit base, but the association's board of directors have generally established more restrictive lending limits.

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

	Real Estate Mortgage	and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	Internationa l	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2023	$ 940,360	$ 16,919	$ 67,755	$ 30,472	$ 1,462	$ 19,605	$ 18,850	$ (21)	$ 1,095,402
Charge-offs	(1,094)	-	-	-	-	-	-	-	(1,094)
Recoveries	1,094	3,000	-	-	-	-	-	-	4,094
Provision for credit losses (credit loss reversal)	(47,396)	35,642	13,721	108	(356)	(678)	(656)	(19)	366
Transfers to/from reserve for unfunded commitments	(93)	(14,575)	11,314	(1,188)	1	-	-	19	(4,522)
Commodity Reclassification	-	-	-	-	(424)	(17,169)	17,572	21	-
Balance at December 31, 2024	**$ 892,871**	**$ 40,986**	**$ 92,790**	**$ 29,392**	**$ 683**	**$ 1,758**	**$ 35,766**	**$ -**	**$ 1,094,246**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2023	$ -	$ 2,346	$ 20,901	$ 686	$ 19	$ -	$ -	$ 19	$ 23,971
Transfers to/from reserve for unfunded commitments	93	14,575	(11,314)	1,188	(1)	-	-	(19)	4,522
Balance at December 31, 2024	**$ 93**	**$ 16,921**	**$ 9,587**	**$ 1,874**	**$ 18**	**$ -**	**$ -**	**$ -**	**$ 28,493**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	International	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	$ 863,647	$ 16,578	$ 297,202	$ 3,060	$ 54,663	$ 859	$ 7,339	$ -	$ 1,243,348
Cumulative effect of a change in accounting principle	(38,313)	14,684	33,954	5,719	1,151	17,593	-	-	34,788
Balance at January 1, 2023	$ 825,334	$ 31,262	$ 331,156	$ 8,779	$ 55,814	$ 18,452	$ 7,339	$ -	$ 1,278,136
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	3,600	-	-	2,969	-	-	-	6,569
Provision for credit losses (credit loss reversal)	114,668	(22,306)	(273,995)	21,736	(57,320)	1,153	11,490	-	(204,574)
Merger adjustment	-	-	-	-	-	-	-	(2)	(2)
Transfers to/from reserve for unfunded commitments	358	4,363	10,594	(43)	(1)	-	21	(19)	15,273
Balance at December 31, 2023	**$ 940,360**	**$ 16,919**	**$ 67,755**	**$ 30,472**	**$ 1,462**	**$ 19,605**	**$ 18,850**	**$ (21)**	**$ 1,095,402**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative effect of a change in accounting principle	358	6,709	31,496	642	18	-	21	-	39,244
Balance at January 1, 2023	$ 358	$ 6,709	$ 31,496	$ 642	$ 18	$ -	$ 21	$ -	$ 39,244
Transfers to/from reserve for unfunded commitments	(358)	(4,363)	(10,594)	43	1	-	(21)	19	(15,273)
Balance at December 31, 2023	**$ -**	**$ 2,346**	**$ 20,902**	**$ 685**	**$ 19**	**$ -**	**$ -**	**$ 19**	**$ 23,971**

The allowance for credit losses as of Dec. 31, 2024, was $1,094,246, reflecting an immaterial decrease of $1,156 from Dec. 31, 2023, due to negligible loan growth.

The economic scenarios utilized in the Dec. 31, 2024, estimate for the allowance for credit losses were based on the following: a baseline scenario that 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.

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	Agri-business	Communi-cations	Energy	Water and wastewater	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at								
December 31, 2021	$ 820,811	$ 301,325	$ 32,877	$ 2,994	$251,392	$ 1,982	$ 6,025	$1,417,406
Charge-offs	-	-	-	-	(77,673)	-	-	(77,673)
Recoveries	-	3,600	-	-	-	-	-	3,600
Provision for loan losses	42,835	(288,347)	264,325	66	(119,056)	(1,123)	1,315	(99,985)
December 31, 2022	$ 863,646	$ 16,578	$ 297,202	$ 3,060	$ 54,663	$ 859	$ 7,340	$1,243,348

NOTE 4 — 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 1.21%, 1.24% and 1.28% of the issued stock of the bank as of Dec. 31, 2024, 2023 and 2022. As of those dates, the bank's assets totaled $39.5 billion, $37.28 billion and $35.99 billion, and members' equity totaled $1.78 billion, $1.69 billion and $1.62 billion. The bank's earnings were $222.0 million, $199.9 million and $269.9 million during 2024, 2023 and 2022.

NOTE 5 — PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at Dec. 31:

	2024	2023	2022
Land and improvements	**$ 1,233,252**	$ 1,233,252	$ 1,249,676
Building and improvements	**3,851,820**	3,833,550	2,683,668
Furniture and equipment	**505,889**	494,915	360,444
Computer equipment and software	**299,037**	302,602	271,743
Automobiles	**852,994**	904,048	662,275
Construction in progress	**-**	-	1,025,818
	6,742,992	6,768,367	6,253,624
Accumulated depreciation	**(1,327,008)**	(1,162,427)	(1,177,270)
Total	**$ 5,415,984**	$ 5,605,940	$ 5,076,354

The association owns buildings in Sulphur Springs, Canton, Gilmer, Longview and Terrell, and leases office space in Sulphur Springs (three locations) and Marshall. Two of the Sulphur Springs building leases are one-year leases that

expire in 2025, and the third is a three-year lease that expires in 2026. Lease expense was $73,200, $65,550 and 54,828, for 2024, 2023 and 2022, respectively. Minimum annual lease payments for the next three years are as follows:

	Operating Leases
2025	$ 73,200
2026	23,400
Thereafter	-
Total lease payments	$ 96,600

NOTE 6 — OTHER ASSETS AND OTHER LIABILITIES

Other assets comprised the following at Dec. 31:

	2024	2023	2022
Accounts receivable - other	**$ 182,567**	$ 180,558	$ 194,603
Other	**57,759**	39,968	46,151
Total	**$ 240,326**	$ 220,526	$ 240,754

Other liabilities comprised the following at Dec. 31:

	2024	2023	2022
Accounts payable	**$ 845,177**	$ 1,077,327	$ 1,315,716
Postretirement benefits liability	**245,113**	193,902	220,172
Accrued annual leave	**240,866**	242,406	216,242
Other	**4,899**	8,315	8,523
Total	**$ 1,336,055**	$ 1,521,950	$ 1,760,653

NOTE 7 — 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 GFA. 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 GFA, which is Sept. 30, 2025, 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 Dec. 31, 2024, 2023 and 2022, was $318,438,479 at 3.72%, $317,332,782 at 3.23% and $305,607,123 at 2.39%, 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 Dec. 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 Dec. 31, 2024, was $379,622,042, as defined by the GFA.

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 provisions for conducting business, maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or

repayment of indebtedness. As of and for the years ended Dec. 31, 2024, 2023 and 2022, the association was not subject to remedies associated with the covenants in the GFA.

Other than our funding relationship with the bank, we have no other uninsured or insured debt.

NOTE 8 — MEMBERS' EQUITY

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

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 Jan. 6, 1988, or were issued or allocated prior to Oct. 6, 1988.

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 A capital stock (for farm loans) or participation certificates (for rural home and farm related business loans) is equal to 2% of the loan amount, up to a maximum amount of $1,000. 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.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At Dec. 31, 2024, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

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 5% of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C 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 Class C shares is made solely at the discretion of the association's board of directors. At Dec. 31, 2024, 2023 and 2022, the association had $0, $0, and $1,000, respectively, of Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A, Class C capital stock, and participation certificates. In the event of liquidation of the association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the association's obligations to external parties and to the bank would be distributed to the association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2024, 2023 and 2022, respectively:

Date Declared	Date Paid	Patronage Declared
January 2024	March 2024	3,000,000
January 2023	March 2023	3,231,241
January 2022	March 2022	2,846,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of Dec. 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 Dec. 31, 2024:

	Regulatory Minimums with Buffer	As of December 31, 2024
Risk-adjusted:		
Common equity tier 1 ratio	7.00%	18.63%
Tier 1 capital ratio	8.50%	18.63%
Total capital ratio	10.50%	18.96%
Permanent capital ratio	7.00%	18.69%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.73%
UREE leverage ratio	1.50%	16.43%

Risk-weighted assets have been defined by FCA Regulations 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-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- inclusion of off-balance-sheet commitments less than 14 months; and
- 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, 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 common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-weighted 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 and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted 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 subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5% 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-weighted capital, based on 90-day average balances, were as follows at Dec. 31, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	45,298,271	45,298,271	45,298,271	45,298,271
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,169,191	1,169,191	1,169,191	1,169,191
Nonqualified allocated equities not subject to retirement	23,929,068	23,929,068	23,929,068	23,929,068
Allowance for loan losses and reserve for credit losses subject to certain limitations*			1,123,407	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(6,429,750)	(6,429,750)	(6,429,750)	(6,429,750)
	63,966,780	**63,966,780**	**65,090,187**	**63,966,780**
Denominator:				
Risk-adjusted assets excluding allowance	349,753,366	349,753,366	349,753,366	349,753,366
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(6,429,750)	(6,429,750)	(6,429,750)	(6,429,750)
Allowance for loan losses				(1,123,407)
	343,323,616	**343,323,616**	**343,323,616**	**342,200,209**
Calculated Ratio	**18.63%**	**18.63%**	**18.96%**	**18.69%**

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

The components of the association's nonrisk-weighted capital, based on 90-day average balances, were as follows at Dec. 31, 2024:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	45,298,271	45,298,271
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	1,169,191	-
Allocated equities:		
Nonqualified allocated equities not subject to retirement	23,929,068	23,929,068
Amount of allocated investments in other System institutions	(6,429,750)	(6,429,750)
	63,966,780	**62,797,589**
Denominator:		
Total Assets	389,710,831	389,710,831
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(7,384,868)	(7,384,868)
	382,325,963	**382,325,963**
Calculated Ratio	**16.73%**	**16.43%**

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 Dec. 31 of the following years, the association had the following shares of Class A capital stock, Class C stock and participation certificates outstanding at a par value of $5 per share:

ACA Table

	2024	2023	2022
Class A stock	**214,958**	216,516	220,306
Class C stock	**-**	-	200
Participation certificates	**19,690**	18,786	17,998
Total	**234,648**	235,302	238,504

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Nonpension postretirement benefits

	Before Tax	Deferred Tax	Net of Tax
December 31, 2024	**$ 32,069**	**$ -**	**$ 32,069**
December 31, 2023	$ 69,390	$ -	$ 69,390
December 31, 2022	$ 60,450	$ -	$ 60,450

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension 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 Dec. 31:

	2024	2023	2022
Accumulated other comprehensive income (loss) at January 1	**$ 69,390**	$ 60,450	$ 1,412
Actuarial gains (losses)	**(32,670)**	12,642	60,603
Amortization of prior service (credit) costs included in salaries and employee benefits	**(1,565)**	(1,565)	(1,565)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(3,086)**	(2,137)	-
Other comprehensive income (loss), net of tax	**(37,321)**	8,940	59,038
Accumulated other comprehensive income at December 31	**$ 32,069**	$ 69,390	$ 60,450

NOTE 9 — INCOME TAXES:

There was no provision for income taxes for the years ended Dec. 31, 2024, 2023, and 2022.

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 Dec. 31:

	2024	2023	2022
Federal tax at statutory rate	**$ 1,074,648**	$ 1,125,221	$ 1,185,759
Effect of nontaxable FLCA subsidiary	**(1,856,040)**	(1,721,821)	(1,659,949)
Change in valuation allowance	**781,392**	596,600	474,190
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

Deferred tax assets and liabilities are comprised of the following at Dec. 31:

	2024	2023	2022
Deferred Tax Assets			
Allowance for loan losses	**$ 5,043**	$ 3,553	$ 14,010
Loss carryforwards	**8,331,648**	7,555,101	7,268,147
Gross deferred tax assets	**8,336,691**	7,558,654	7,282,157
Deferred tax asset valuation allowance	**(8,336,691)**	(7,558,654)	(7,282,157)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The ACA is required to maintain an investment in the bank of 2% of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the Bank over that allocated to the 2% investment requirement. Upon formation of the ACA, additional amounts of excess investment previously held by the PCA were included in the calculation of the 2% requirement of the ACA.

The association recorded valuation allowances of $8,336,691, $7,558,654 and $7,282,157 during 2024, 2023 and 2022, respectively. The valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50% probability), based on management's estimate, that they will not be realized. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 10 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits

Alliance 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, because 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 DB 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. DB 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 executive 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 of 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; and
- 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 did not elect to participate in the Supplemental 401(k) Plan.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is 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 a percentage approved by the plan sponsor. The DB Plan sponsor is the board 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 obligation exceeded the net assets of the DB plan as of Dec. 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; and
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 DB Plan, the Association's contributions, and the percentage of association contribution to total plan contributions for the years ended Dec. 31, 2024, 2023 and 2022:

	2024	2023	2022
Funded status of plan	**75.7 %**	73.3 %	70.9 %
Association's contribution	**$ 8,725**	$ 14,382	$ 25,160
Percentage of Association's contribution to total contributions	**0.2 %**	0.2 %	0.2 %

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%, 74.1% and 71.8% at Dec. 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). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities. The following table reflects the benefit obligation, cost and actuarial assumptions for the association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2024**	**2023**	**2022**
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 207,648**	$ 220,962	$ 286,181
Service cost	**3,698**	3,446	5,328
Interest cost	**11,092**	11,077	8,647
Plan participants' contributions	**1,065**	1,035	6,062
Actuarial loss (gain)	**32,670**	(12,642)	(60,603)
Benefits paid	**(11,060)**	(16,230)	(24,653)
Accumulated postretirement benefit obligation, end of year	**$ 245,113**	$ 207,648	$ 220,962
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**9,995**	15,195	18,591
Plan participants' contributions	**1,065**	1,035	6,062
Benefits paid	**(11,060)**	(16,230)	(24,653)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (245,113)**	$ (207,648)	$ (220,962)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (245,113)**	$ (207,648)	$ (220,962)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (30,068)**	$ (65,824)	$ (55,319)
Prior service cost (credit)	**(2,001)**	(3,566)	(5,131)
Total	**$ (32,069)**	$ (69,390)	$ (60,450)
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) - medical	**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	2031

Total Cost	2024	2023	2022
Service cost	**$ 3,698**	$ 3,446	$ 3,446
Interest cost	**11,092**	11,077	11,077
Amortization of:			
Unrecognized prior service cost	**(1,565)**	(1,565)	(1,565)
Unrecognized net loss (gain)	**(3,086)**	(2,137)	(2,137)
Net postretirement benefit cost	**$ 10,139**	$ 10,821	$ 10,821
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 32,670**	$ (12,642)	$ (60,603)
Amortization of net actuarial loss (gain)	**1,565**	2,137	-
Amortization of prior service cost	**3,086**	1,565	1,565
Total recognized in other comprehensive income	**$ 37,321**	$ (8,940)	$ (59,038)
AOCI Amounts Expected to be Amortized Into Expense in 2025			
Unrecognized prior service cost	**$ (1,565)**	$ (1,565)	$ (1,565)
Unrecognized net loss (gain)	**(407)**	(3,086)	(2,137)
Total	**$ (1,972)**	$ (4,651)	$ (3,702)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2023**	**12/30/2022**	**12/31/2021**
Discount rate	**5.50%**	5.20%	3.15%
Health-care cost trend rate assumed for next year (pre-/post-65) - medical	**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**	2031	2030

Expected Future Cash Flows	
Expected Benefit Payments (net of employee contributions)	
Fiscal 2025	**$ 12,597**
Fiscal 2026	**12,340**
Fiscal 2027	**12,013**
Fiscal 2028	**11,644**
Fiscal 2029	**11,219**
Fiscal 2030–34	**55,795**
Expected Contributions	
Fiscal 2025	**$ 12,597**

NOTE 11 — 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 people 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 people at Dec. 31, 2024, 2023 and 2022 for the association amounted to $7,341,428, $4,803,803 and $8,711,421. During 2024, 2023 and 2022 new loans of $3,893,110, $3,810,548 and $3,443,998 were made, and repayments totaled $1,355,485, $7,718,165 and $3,198,033, respectively. In the opinion of management, no such loans outstanding at Dec. 31, 2024, 2023 and 2022 involved more than a normal risk of collectability.

Expenses included in purchased services 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 District associations, such as FCSIC expenses. The bank charges the individual district associations directly for these services based on each association's proportionate usage. These expenses totaled $477,331, $612,721 and $634,728 in 2024, 2023 and 2022, respectively.

The association received patronage payments from the bank totaling $1,123,387, $845,603 ($591,922 cash and $253,681 allocated equity) and $2,178,243 during 2024, 2023 and 2022, respectively.

NOTE 12 — 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 and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ -	$ -

December 31, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ 1,324,866	$ 1,324,866

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				
		Fair Value Measurement Using			
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 161,925**	**$ 161,925**	**$ -**	**$ -**	**$ 161,925**
Net loans	**376,062,541**	**-**	**-**	**354,167,915**	**354,167,915**
Total Assets	**$ 376,224,466**	**$ 161,925**	**$ -**	**$ 354,167,915**	**$ 354,329,840**
Liabilities:					
Note payable to Bank	**$ 318,438,479**	**$ -**	**$ -**	**$ 299,952,556**	**$ 299,952,556**

	December 31, 2023 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 138,043**	**$ 138,043**	**$ -**	**$ -**	**$ 138,043**
Net loans	**374,677,588**	**-**	**-**	**349,731,081**	**349,731,081**
Total Assets	**$ 374,815,631**	**$ 138,043**	**$ -**	**$ 349,731,081**	**$ 349,869,124**
Liabilities:					
Note payable to Bank	**$ 317,332,782**	**$ -**	**$ -**	**$ 296,265,955**	**$ 296,265,955**

	December 31, 2022 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 127,481	$ 127,481	$ -	$ -	$ 127,481
Net loans	361,364,752	-	-	328,064,480	328,064,480
Total Assets	$ 361,492,233	$ 127,481	$ -	$ 328,064,480	$ 328,191,961
Liabilities:					
Note payable to	$ 305,607,123	$ -	$ -	$ 277,512,399	$ 277,512,399

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

The association had no assets or liabilities measured at fair value on a recurring or nonrecurring basis for 2024, 2023 or 2022.

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

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 might 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:

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.

NOTE 13 — 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 commercial 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 might require payment of a fee. At Dec. 31, 2024, $24,070,563 of commitments and $37,917 of commercial letters of credit were outstanding.

Because many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the consolidated balance sheets 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 are equal to the contract amounts, assuming that borrowers fail to meet their obligations completely 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 14 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended Dec. 31 (in thousands) follow:

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 2,739**	**$ 2,748**	**$ 2,750**	**$ 2,756**	**$ 10,993**
(Provision for) reversal of loan losses	**35**	**(36)**	**8**	**(7)**	**-**
Noninterest income (expense), net	**(1,619)**	**(1,369)**	**(1,404)**	**(1,484)**	**(5,876)**
Net income	**$ 1,155**	**$ 1,343**	**$ 1,354**	**$ 1,265**	**$ 5,117**

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 2,862	$ 2,650	$ 2,737	$ 2,816	$ 11,065
(Provision for) reversal of loan losses	87	81	128	(91)	205
Noninterest income (expense), net	(1,267)	(1,052)	(1,723)	(1,871)	(5,913)
Net income	$ 1,682	$ 1,679	$ 1,142	$ 854	$ 5,357

	2022				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 2,411	$ 2,474	$ 2,537	$ 2,563	$ 9,985
(Provision for) reversal of loan losses	(17)	(25)	13	129	100
Noninterest income (expense), net	(1,143)	(1,105)	(1,112)	(1,078)	(4,438)
Net income	$ 1,251	$ 1,344	$ 1,438	$ 1,614	$ 5,647

NOTE 15 — SUBSEQUENT EVENTS

Subsequent to March 7, 2025, which is the date the financial statements were issued or available to be issued, Legacy will pay a $3,050,000 patronage to eligible borrowers based on 2024 earnings.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the people 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 from Note 1 — Organization and Operations, included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

Legacy serves its 10-county territory through its main administrative and lending office at 303 Connally St., Sulphur Springs, Texas 75482. Additionally, there are five branch lending offices located throughout the territory. The association owns office buildings in Sulphur Springs, Gilmer, Canton, Terrell and Longview. The association leases three office buildings in Sulphur Springs and one building in Marshall.

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 consolidated financial statements of the association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 8 — 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 7 — Note Payable to the Bank," Note 10, "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 13 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 might be impacted by factors that affect the bank, as discussed in Note 1 — Organization and Operations, included in this annual report. The financial condition and results of operations of the bank might materially affect the stockholders' investment in the association.

The annual and quarterly stockholder reports of FCBT 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 bank annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditBank.com*. The annual and quarterly stockholder reports are also available on its 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 Legacy Ag Credit, ACA 303 Connally St., Sulphur Springs, Texas 75482 or calling (903) 885-9566. Copies of the association's quarterly stockholder reports can also be requested by emailing *sherry.sturgis@legacyaca.com*. The association's annual stockholder report is available on its website at *www.legacyaca.com* 75 days after the fiscal year end. Copies of the association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended Dec. 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 member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Terry D. Milligan	Chairman of the Board	2010	2025
Cheryl Scott	Board-appointed director	2019	2025
Brandon Sides	Director	2017	2026
Danny Evans	Director	2018	2027
Thomas Goodson	Director	2021	2027
Robert Tiller	Director	2022	2025
Whit Dale	Director	2023	2026
Derrell Chapman	CEO	2017	-
Heather Johnson	CFO	2011	-
Jake Agaron	SVP/CCO	2014	-
Sherry Sturgis	SVP/CAO	2007	-
Yancy Murray	SVP/Lending	2007	-

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Terry D. Milligan, director, chairman of the board and a member of the audit committee. Milligan owns and operates a beef cattle and hay production operation in Van Zandt County and Bryan and Atoka counties in Oklahoma, and he operates Milligan & Company Fire Ant Control. In 2015, he retired from the USDA after 34 years of service. Milligan holds an associate's degree in Farm and Ranch Management from Murray State College in Tishomingo, Okla. He has served as chairman of the board since 2016. He had previously served as vice chairman of the board and executive session secretary, and he is the association's representative on the Farm Credit Bank of Texas Stockholder Advisory Council and nominating committee. He has served as stockholder-elected director since his election in 2010.

Cheryl Scott, director and chair of the audit committee. Scott resides in the Miller Grove community in Hopkins County, Texas, and is a certified public accountant and an accounting instructor at East Texas A&M University. She earned a bachelor of science degree in Professional Accountancy and a master of business administration degree from East Texas A&M University. Scott previously served as the director of financial reporting and the director of emerging financial services at the university. She has also served as business manager for the NCAA Lone Star Conference. Scott was selected as an outside or board-appointed director in September 2019.

Brandon Sides, director, vice chairman of the board and chairman of the compensation committee. He resides in Canton, Texas, where he is owner and operator of Sides Pea Farm & Processing Facility. He serves on the Dallas School District Farm to School

Steering Committee. Sides holds a bachelor of arts degree in political science with a minor in business and Spanish from the University of Texas. Mr. Sides has served as stockholder-elected director since his election in 2017.

Danny Evans, director and member of the audit committee. Evans resides near Sulphur Springs, Texas, where he owns and operates a beef cattle and hay production operation. He holds a bachelor of science degree in agricultural education from East Texas A&M University, where he also earned a master's degree in agriculture. He was a high school agriculture teacher for two years before operating a dairy farm for 33 years. Evans discontinued his dairy operation in 2009 and served as a county commissioner for Hopkins County for 16 years. He currently serves on the board of the Hopkins/Rains County Farm Bureau (agricultural federation) and has previously served on the Region D Water Planning Group (regional water service) and on several agricultural commodity and farmer cooperative boards. Evans has served as stockholder-elected director since his election in 2018.

Thomas Goodson, director and member of audit committee. Goodson resides in Smith County and owns and operates East Texas Seals in Van Zandt County, an oil and gas industry parts and supply business. He also owns and operates, with wife Dedra, Goodson Land and Cattle Company, a 150-head beef cattle operation that produces registered Angus seed stock. He is president of the Parker Hannifin Distributor Advisory Council (oil and gas industry group). He earned a bachelor's degree in business administration from the University of North Texas. Goodson has served as stockholder-elected director since his election in 2021.

Robert Tiller, director and member of compensation committee. Dr. Tiller holds a doctor of veterinary medicine degree from Texas A&M University and has been a practicing veterinarian in Texas and Louisiana since 1976. Dr. Tiller is the owner/operator of Tiller Veterinary Clinic in Waskom, Texas. He also owns a ranch operation encompassing 7,000 acres in Panola and Harrison counties and produces beef cattle, hay, and timber and is owner of Tiller Irrigation. Dr. Tiller is a member of the Texas Southwest Cattle Raisers Association, the Texas Veterinary Medicine Association and the Louisiana Veterinary Medicine Association. He has served as stockholder-elected director since his election in 2022.

Whit Dale, director and member of compensation committee. Dale holds a bachelor of science degree in animal science from East Texas A&M University. He has served as a public safety officer with the Highland Park Department of Public Safety for more than 18 years and is a licensed real estate agent in state of Texas at Century 21 Patterson Agency. Dale owns and operates a cow/calf operation in Rains County, Texas. He resides in Point, Texas, and has served as stockholder-elected director since his election in 2023.

Derrell Chapman, CPA, serves as chief executive officer. He was selected as CEO and began his service with the association in September 2017. He previously served as president and CEO and as a director of First Federal Bank Texas and its holding company, East Texas Financial Services, Inc., both in Tyler, Texas. He previously served as chief financial officer of those same entities. Chapman was also a regional president for a $22 billion commercial bank in the Tyler market. He has a bachelor of business administration degree in finance from Texas A&M University in College Station. Chapman is a certified public accountant licensed in the state of Texas and has more than 40 years of experience in the financial services industry.

Jake Aragon joined the association in 2014 and currently serves as chief credit officer. Aragon began his FCS career with Farm Credit of New Mexico in 2000. He has more than 20 years of farm credit experience in various capacities with associations and served as CCO with AgriLand, FCS, prior to that association's merger with Texas AgFinance, FCS. Aragon holds a bachelor of business administration degree in finance with a minor in management and a bachelor of accountancy degree with a minor in economics from New Mexico State University.

Sherry Sturgis joined Legacy in 2007 and serves as senior vice president and chief administrative officer. Sturgis has more than 22 years of banking experience in the Sulphur Springs area, most recently serving as senior administrative officer with Guaranty Bond Bank. She began her banking career in 1988 with Texas Commercial Savings, continuing while under the management of the Resolution Trust Corporation, and served as administrative officer of First American Bank & Mortgage until the merger with Guaranty Bond Bank. Sturgis has extensive operational experience, including credit operations and human resource management. She attended East Texas A&M University.

Heather Johnson, CPA, joined Legacy in 2011 and currently serves as chief financial officer, having previously served as controller. She has more than 30 years of financial accounting and reporting experience. Johnson holds a bachelor of business administration degree in accounting from Texas Christian University and is a certified public accountant licensed in the state of Texas.

Yancy Murray, joined Legacy in 2007 and currently serves as senior vice president of lending. Murray has more than 20 years of lending experience in commercial banking farm credit. He holds a bachelor of business administration degree in management from East Texas Baptist University.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the association in the form of an honorarium at the rate of $850 per day for in-person official activities, $150 for teleconference meetings lasting one hour or less and $300 for teleconferences lasting more than one hour. For committee meetings conducted the same day as the board meetings, additional compensation at the rate of $150 per hour for a time period not to exceed three hours was also paid to board members. The chair of the board and audit committee chair each received a monthly retainer of $1,100 per in-person meeting and were paid the regular honorarium for all other in-person activities each month. The retainer is paid monthly whether or not there is an in-person meeting or activity. Directors also were 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 cents per mile. A copy of the travel policy is available to stockholders of the association upon request.

	Number of Days Served Associated With		
Director	Board Meetings	Other Official Activities	Total Compensation in 2024
Terry D. Milligan	11	31	$ 26,960
Cheryl Scott	11	48	30,297
Brandon Sides	10	8	14,963
Danny Evans	10	27	19,429
Thomas Goodson	10	21	15,710
Robert Tiller	9	2	7,975
Whit Dale	10	6	15,263
			$ 130,597

The aggregate compensation paid to directors in 2024, 2023 and 2022 was $130,597, $180,225 and $169,383, respectively. Additional details regarding director compensation paid for committee service (included in the table above) are as follows for 2024:

	Committee	
Director	Audit	Other Official Activities
Terry D. Milligan	$ 4,760	$ 22,200
Cheryl Scott	5,535	24,762
Brandon Sides	-	14,963
Danny Evans	4,360	15,069
Thomas Goodson	4,510	11,200
Robert Tiller	-	7,975
Whit Dale	-	15,263
	$ 19,165	$ 111,432

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $51,309, $60,999 and $58,710, in 2024, 2023 and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The compensation plan for all employees provides for base salaries to be administered consistent with competitive financial industry survey data of like-sized financial institutions. In 2024, bonuses were paid in accordance with the bonus plan as discussed below.

A critical factor to the association's success is its ability to attract, develop and retain staff members 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 to the stockholders. This objective holds particularly true for the association's chief executive officer (CEO) and senior officer group. 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 stockholder/members. The association's board of directors, through its compensation committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the association's evaluation and establishment of salary and incentive plans used by the association.

All association employees, with the exception of the CEO and loan officers who do not meet established minimums of production goals, can earn compensation above base salary through an annual success-sharing incentive plan. The term of the plan is each calendar year beginning January 1 through December 31. The team-based plan is based upon the achievement of predetermined association performance goals for interest rate spreads, accrual loan volume growth, adjusted net income and loan fees collected.

Production-based incentive payments can be earned by loan officers when they meet and exceed their team-based loan production goals. Loan officers can earn 10-25 basis points times the amount of their team-based loan production based on a tiered production goal established by management. The loan officer team must achieve a minimum in core portfolio loan production in order to earn any incentive under the association-wide portion of the plan.

Additionally, a pool will be created based on 50% of the total dollars in incentive payments earned by the loan officer production incentive results, and the team members other than the relationship managers/loan officers will share in that pool in a manner as determined and defined by the CEO.

The following criteria is also used for determining eligibility for the incentive pay: (1) the association must receive an overall rating of "satisfactory" on credit administration on its Internal Credit Review; and (2) eligible employees must receive an annual performance rating of "meets standards" on their individual performance reviews.

Chief Executive Officer (CEO) Compensation Policy

The CEO may be awarded additional compensation above his base salary based upon board discretion. The board takes into consideration the CEO's performance relative to a previously agreed upon CEO Principal Accountabilities document, various association performance metrics, a peer performance comparison and district CEO overall compensation packages.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the association during 2024, 2023 and 2022. This might include other nonsenior officers if their total compensation is within the top five highest-paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or Number in group (a)	Year	Salary (b)	Bonus (c)	Deferred/ Perquisite (d)	Total
Derrell Chapman, CEO	**2024**	**$ 265,000**	**$ -**	**$ 35,548**	**$ 300,548**
	2023	260,000	20,000	37,109	317,109
	2022	250,000	37,500	40,646	328,146
Senior Officers/OHCI (a)					
5	**2024**	**$ 784,302**	**$ -**	**$ 112,694**	**$ 896,996**
5	2023	761,098	66,860	100,249	928,207
5	2022	716,734	153,985	126,470	997,189

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.

(b) Gross salary, including retention plan compensation for certain senior officers.

(c) At the time of publication, no determination had been made for 2024 bonuses to be paid in the subsequent calendar year.

(d) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.

Certain employees are assigned association-owned vehicles for use in normal business operations and for a defined allowance of personal miles. These employees reimburse the association for personal miles at a board-established rate. For all nonreimbursed personal mileage traveled in association vehicles, the association includes in the earnings of the respective employees an amount derived by an IRS-established method. Amounts relating to personal use of association vehicles are included in the "Deferred/Perquisite" column in the table above along with other association-provided benefits. Employees who use their personal automobile for business purposes were reimbursed during 2024 at the IRS-approved rate of 67 cents per mile. Employees assigned association automobiles reimburse the association for personal miles at a board-established rate.

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, sustenance and other related expenses while conducting association business. A copy of the association's travel policy is available to stockholders upon request.

Disclosure of the compensation paid during 2024 to any senior officer or officer included in the table is available and will be disclosed to stockholders of the association upon written 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 11 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There have been no events that have occurred in the past five years (bankruptcy, conviction or naming in a criminal proceeding or judgment or finding limiting a right to engage in a business) that are material to the evaluation of the ability or integrity of any person who served as director or senior officer of the association.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The association selected PricewaterhouseCoopers LLP to audit its financial statements and provide an opinion thereon for its 2024 annual report. The total fees for professional services rendered by PricewaterhouseCoopers LLP for the association related to 2024 were $110,700 for audit services, $14,900 for tax services and $2,000 for nonaudit services.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The association has no business relationships with any unincorporated business entities as of Dec. 31, 2024.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP 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. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the association or its members.

2025 CREDIT AND SERVICES PLAN TO YOUNG, BEGINNING, AND SMALL (YBS) FARMERS AND RANCHERS

Mission

The association will make a concerted and cooperative effort to offer credit and related services to young, beginning, or small (YBS) farmers, ranchers, producers or harvesters of aquatic products as supported by their creditworthiness. Sound and constructive credit to YBS farmers may include credit for nonagricultural purposes (other credit needs) as well as agricultural purposes.

Definitions

- Young Farmer – age 35 or younger
- Beginning Farmer – 10 years or less experience
- Small Farmer - $350,000 or less gross agricultural income

The association's YBS plan outlines strategies to increase market share, a YBS market outreach program that generates participation and involvement by association staff at the field level.

Strategies include:

1. YBS Program on the association website.
2. Legacy Ag Credit Community Commitment.
3. New Generation Loan Program.
4. Utilization of demographic information by state and county.
5. Community impact and involvement, sponsorships, and educational programs.

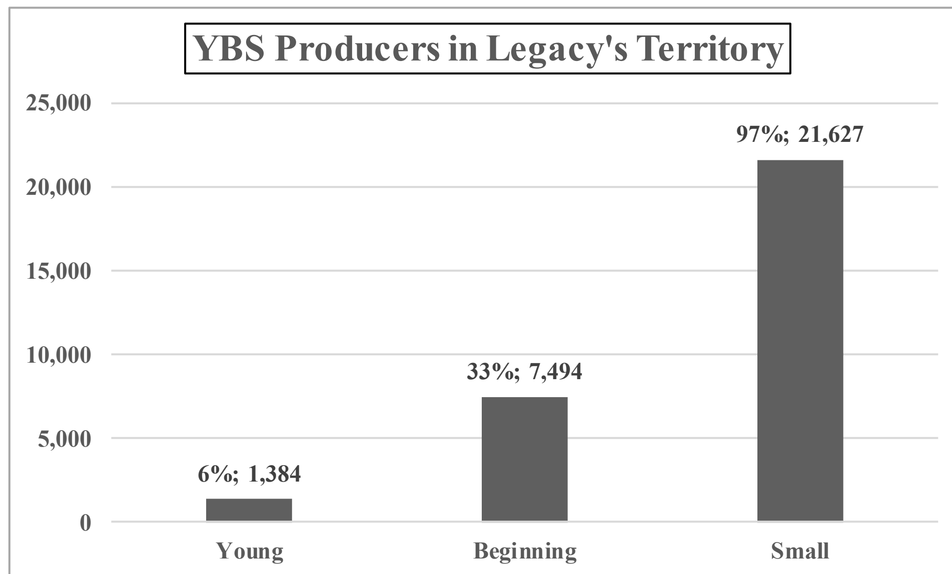
The results of these outreach and education programs are reported to the board on an annual basis.

USDA 2022 Census of Agricultural Data

In February 2024, the USDA published its 2022 Ag Census. The census provides information about America's farms and ranches and those who operate them, including new data about on-farm decision-making, down to the county level. Information collected directly from farmers and ranchers tells us that farm numbers and land in farms have declined since the 2017 census. A comparison of the 2022 census with the 2017 census indicates an increase in larger operations (5,000 acres or more) but fewer smaller and middle-sized farms. The average age of all farmers and ranchers continues to rise. It should be noted that from the 2017 census to the 2022 census, there has been an increase of 3.87% in farmers 35 years of age and younger.

Demographic Data – Legacy's 10 County Territory – Updated USDA Ag Census

The following chart represents young, beginning, and small farms within Legacy's territory.

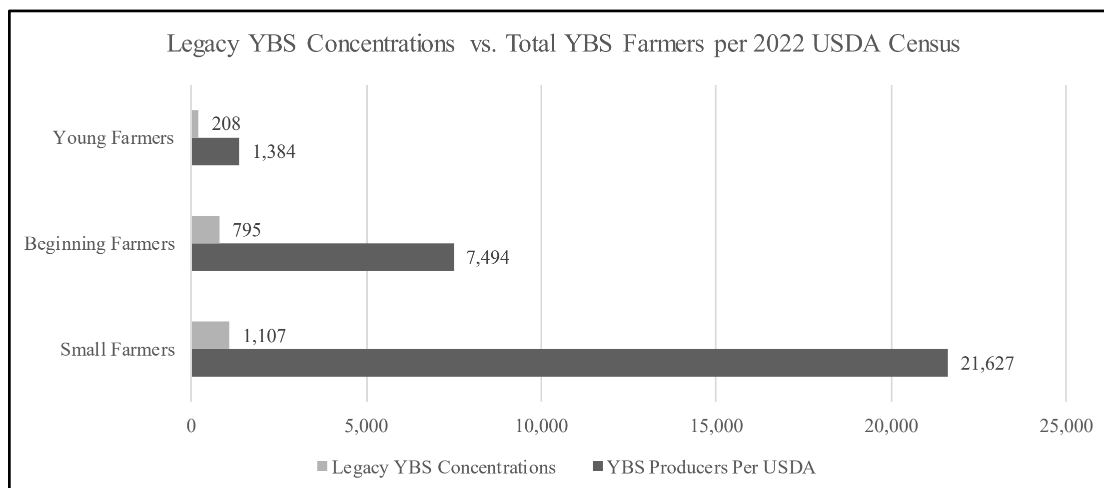


Legacy's portfolio consisted of 1,649 loans as of Dec. 31, 2024; 1,637 loans as of year-end 2023; and 1,648 loans as of year-end 2022. The table below represents Legacy's YBS concentrations as of year-end 2022, 2023, and 2024, respectively, based upon the total number of loans in the portfolio.

	2024 Count / % of Total Portfolio		2023 Count / % of Total Portfolio		2022 Count / % of Total Portfolio	
Total YBS	1,175	71.3%	1,177	71.9%	1,215	74.9%
Young	208	12.6%	201	12.2%	199	12.2%
Beginning	795	48.2%	793	49.1%	802	49.1%
Small	1,107	67.1%	1,172	71.7%	1,172	71.7%

** Some loans may be included in multiple Y, B or S categories*

The chart below illustrates association YBS concentrations by category as compared with total YBS borrowers per the 2022 USDA Census. Within Legacy's 10-county territory, the association only services 5.1% of total small farmers, 10.6% of total beginning farmers and 15.0% of total young farmers. These figures indicate significant opportunity for increases in loan production within the YBS segment.



Association Goals

Each year, the board and management establish quantitative targets in the business plan to measure and evaluate progress toward serving YBS farmers and ranchers in our territory. The association's YBS loans, as a percentage of total loans outstanding at year-end, are reflected in the above table for the three-year period of 2022-2024. Based on the 2022 USDA Ag Census, there are additional lending opportunities to serve the YBS segment within the association's territory.

The association will continue its efforts to aggressively serve its marketplace. The association has established a different growth goal for each segment based upon the current portfolio and 2022 census data. YBS categories are not mutually exclusive, with borrowers meeting the definition for more than one category for reporting purposes. The goals for the next three years are based on a progressive sliding scale within each category with consideration given to the current percentage in the portfolio and most recent census data. The association is projecting YBS loans to increase but projecting the total percentage of YBS loans to decrease as loan growth is realized in non-YBS markets. Concerns about the economy and high start-up costs for ag operations are projected to keep YBS growth low during 2025. This will progressively improve as time brings stability to the economy and lowers the current high-cost barrier of entry into ag production. However, there should be some volume growth opportunities due to the higher cost of inputs and real estate as current producers continue to expand their operations and from recreational farmers entering the association's territory.

Legacy Ag Credit, ACA		Total	3-Year Projection		
By Number of Customers:		**2024**	**2025**	**2026**	**2027**
	Young Farmers	208	214	220	226
	Beginning Farmers	795	827	860	894
	Small Farmers	1,107	1,151	1,197	1,245
As a Percentage of Total Number of Loans:		**2024**	**2025**	**2026**	**2027**
	Young Farmers	12.6%	12.5%	12.2%	11.8%
	Beginning Farmers	48.2%	48.2%	47.8%	46.9%
	Small Farmers	67.1%	67.1%	66.5%	65.2%
Combined Service to the YBS Segment:		**2024**	**2025**	**2026**	**2027**
	% of Total Number of Loans	71.3%	71.3%	70.6%	69.2%
	% of Total Volume of Loans	67.6%	66.3%	66.3%	66.9%

The association will continue its efforts to aggressively serve its marketplace. Given the breakout of the portfolio and taking into consideration the large number of people migrating to the association's territory, the association's goal is to directly establish a targeted percent of the marketing budget to be used in the YBS effort. In 2025, the association intends to exceed 50% of the marketing budget toward YBS efforts with the intent to continually increase year-over-year. Marketing dollars will be targeted toward YBS borrowers and prospective borrowers. Continued enhancement of the association's visibility in the communities in which we serve, as well as direct marketing and communications, particularly to YBS farmers in our territory, will improve the association's ability to achieve its goals.

Targeted Focus

In addition to related services and ongoing outreach efforts, the association looks to have targeted focus through the following endeavors in 2025.

- YBS Committee

  To maximize relevance and awareness to its YBS audience, the association has appointed a YBS Committee. The committee will have the responsibility and authority to conduct all association YBS activities and report on the results of such activities to the management team and the board on a quarterly

basis. The committee will be comprised of the SVP of lending, the marketing manager and the Canton office branch manager and may include members of the management team and/or branch office representatives as needed to appropriately facilitate and report on YBS activities. The YBS Committee will be responsible for the strategic planning and development of YBS programs and the implementation of such programs throughout the association.

- Community Impact & Involvement

  Legacy has a genuine passion for the rural communities we serve, and in an effort to better serve, we strive to "pay it forward" as part of our community commitment. This commitment highlights our YBS community, giving back in the form of scholarships, grants, sponsorships, donations and more. We plan to continue growing these efforts with the expectation to spend a substantial portion of our marketing and public relation efforts focused on the YBS demographic.

  - Partnerships – Legacy partners with many local community organizations that are doing remarkable things in our communities regarding agriculture, land stewardship, and education.

  - Youth education, scholarships and grants – Legacy has implemented and continues to enhance programs that offer students education, support, scholarships and community grants to local FFA and 4-H chapters.

  - Association donations and sponsorship - General community giving at the association level covers a wide array of opportunities and initiatives.

Related Services

The association works to identify and meet the unique needs of YBS operations by either offering or sponsoring related services and programs such as:

- Workshops providing borrowers and local producer's valuable information regarding farm planning and management, product marketing and risk management.
- Credit Life Insurance and fee appraisal services.
- Allocation of additional time, from inquiry through closing, to assist qualified borrowers with real estate purchases.
- Recognition and allowance for circumstances unique to YBS applicants.
- Support of federal- and state-sponsored guarantee programs for YBS borrowers.
- Facilitation of loan processing with Farm Service Agency and the Texas Department of Agriculture.

Outreach to the YBS Segment

Important components of the association's YBS efforts include the emphasized outreach programs. The association has a long-standing belief that an investment in young producers, agricultural students and youth activities is important to the long-term success of the cooperative and plans to continue outreach through continued participation in numerous local activities, such as:

- Co-sponsorship of value-added workshops targeting young farmers and ranchers within the territory.

- Support and participation of career day events at local universities.

- Sponsorship of an association borrower for the annual Farm Credit Young Leaders Program, which gives current and future leaders insight into the ways Farm Credit supports agriculture.

- Supporting local 4-H and FFA chapter events.

- Sponsoring Texas AgriLife Extension Service events that provide training and address the needs of beginning farmers.

- Purchasing of livestock show animals.

- Supporting local agriculture endeavors including, but not limited to, hay shows, livestock shows and rodeos.

- The association develops a comprehensive array of marketing efforts to include youth activities and events including livestock shows, 4-H and FFA events, young professional groups and agricultural leadership opportunities. Search engine marketing through digital and keyword advertising is also an important means of educating and serving this demographic.

- Awarding scholarships to area youths involved in agriculture.

- Sponsoring local charitable and civic events.

Strategies

- A commitment of staff resources and expertise to effectively make and service loans and provide credit-related services to this group of farmers, ranchers and producers or harvesters of aquatic products.

- Annually, association representatives will participate in the YBS Conference sponsored by the Farm Credit Council. This conference provides a good opportunity for learning, networking and the sharing of YBS-related programs and initiatives within the system.

- Through staff meetings and periodic memorandums, review the association's YBS Farmer and New Generation loan programs and policies with association personnel to ensure an understanding of and compliance with policies and procedures.

- Ensure YBS loans are properly identified and classified in accordance with system-wide classification standards.

- Internal controls, and more specifically, the lines of responsibility in administering the YBS program, are contained within existing association loan policies and procedures regarding standard and New Generation loan programs. Each loan officer is charged with maintaining soundness and monitoring performance results within the YBS loan portfolio.

- Utilization of farm loan guarantee and financing programs offered through the USDA Farm Service Agency and the Texas Department of Agriculture to assist YBS farmers.

- Increase utilization of the Association's New Generation loan program, which allows a 50-basis point reduction in interest rates to borrowers who meet all three YBS criteria and have an earned equity of less than 40%. The goal is to close five loans for a total of $1 million in 2025.

- Ensure the association's marketing program adequately targets YBS farmers and ranchers by requiring that branch offices participate in at least one YBS marketing activity on a quarterly basis. Activities will include, but not be limited to, 4-H and FFA events, youth livestock shows, hay shows, chamber events, support to local charitable and service organizations and other related service events. Documentation of all such activities is required and reported quarterly to the board.

- Review and update, when needed, the association's lending standards to ensure maximum penetration in the YBS farmer market based on their creditworthiness and the financial ability of the association.

- Opportunities to cooperate will include utilization of the association's New Generation Program, with coordinated efforts with the USDA on its YBS participation programs.

- An annual report of the association's YBS loan related data is submitted to the FCBT after each calendar year-end. FCBT compiles the YBS data on a district-wide basis for submission to FCA. A summary capsule report of YBS loan-related statistics is provided to the board on a quarterly basis. Reporting to stockholders is contained in the annual report, which is completed during the first quarter of each calendar year for the preceding full calendar year.

- Monitor closely the clear lines of responsibility for YBS program implementation by loan officers. Additionally, track performance and results of the association's YBS program and report quarterly to the board.

- A commitment of staff resources and expertise to effectively make and service loans and provide credit-related services to this group of farmers, ranchers and producers or harvesters of aquatic products. The association will look to the YBS Committee for insight on developing expertise in meeting the special financing and related services needs of the YBS sector.

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

	At December 31, 2024			
	Loan Counts	**Loan Volume**	**Percentage of Total Loan Counts**	**Percentage of Total Loan Volume**
Young only	**2**	**$ 134,691**	**0.1%**	**0.0%**
Young & beginning	**27**	**15,730,029**	**1.8%**	**4.2%**
Young & small	**20**	**1,877,736**	**1.3%**	**0.5%**
Beginning only	**44**	**34,719,438**	**2.9%**	**9.3%**
Beginning & small	**623**	**103,575,954**	**41.7%**	**27.9%**
Small only	**414**	**75,005,127**	**27.7%**	**20.2%**
Young, beginning & small (YBS)	**180**	**33,906,809**	**12.0%**	**9.1%**
Non-YBS	**185**	**106,601,942**	**12.4%**	**28.7%**
Total	**1,495**	**$ 371,551,726**	**100.0%**	**100.0%**

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

	At December 31, 2024			
	Loan Counts	**Loan Volume**	**Percentage of Total Loan Counts**	**Percentage of Total Loan Volume**
Young only	**1**	**$ 53,852**	**0.1%**	**0.0%**
Young & beginning	**3**	**3,137,444**	**0.2%**	**0.8%**
Young & small	**2**	**366,620**	**0.1%**	**0.1%**
Beginning only	**5**	**4,842,769**	**0.4%**	**1.3%**
Beginning & small	**52**	**17,765,478**	**3.9%**	**4.8%**
Small only	**50**	**10,883,981**	**3.7%**	**2.9%**
Young, beginning & small (YBS)	**23**	**5,571,834**	**1.7%**	**1.5%**
Non-YBS	**16**	**12,281,441**	**1.2%**	**3.3%**
Total	**152**	**$ 54,903,419**	**11.3%**	**14.7%**

Legacy Ag Credit, ACA
P.O. Box 468
Sulphur Springs, Texas 75483-0468

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