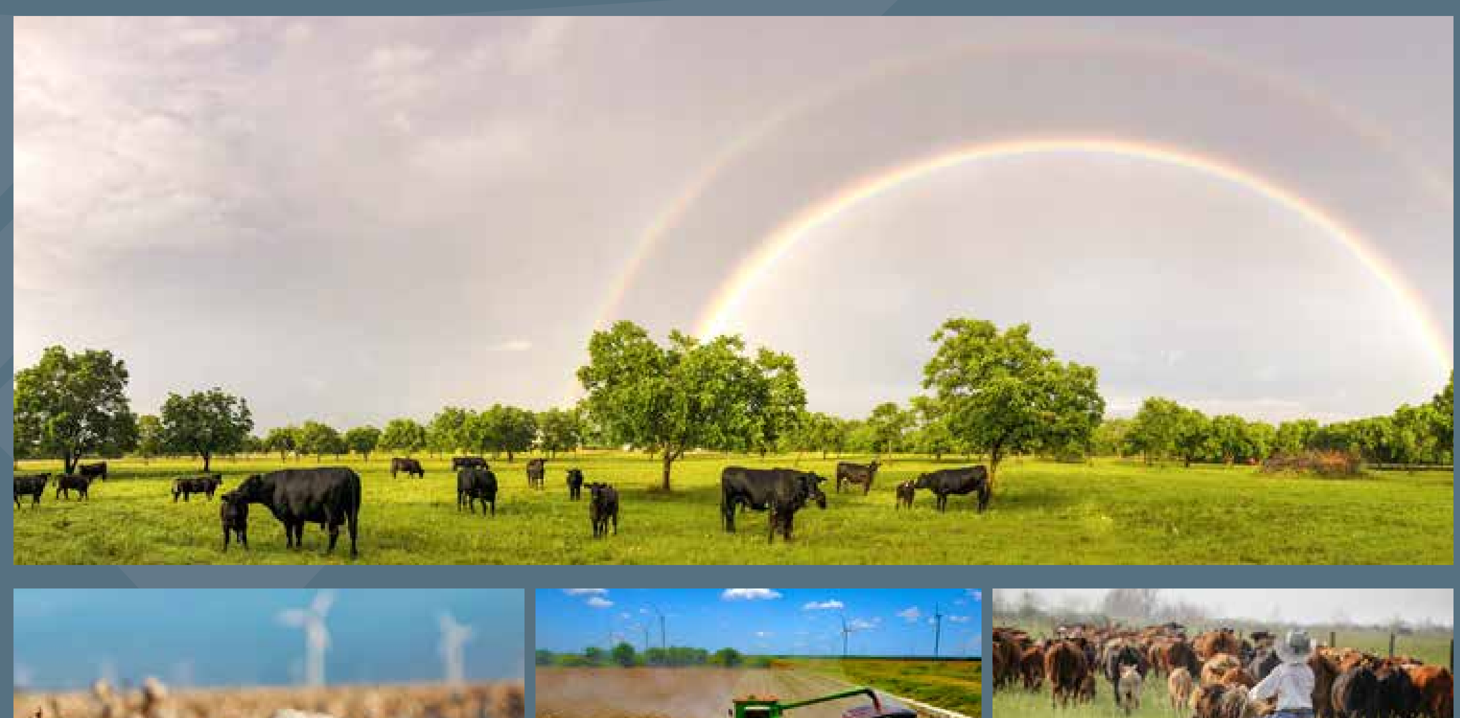


2024 ANNUAL REPORT

December 31, 2024

Part of the Farm Credit System

Texas Farm Credit & Heritage Land Bank Merge

Texas Farm Credit and Heritage Land Bank have come together through a successful merger, and we are excited to welcome Heritage Land Bank members into the Texas Farm Credit family. This merger enhances our ability to serve rural and agricultural communities across Texas by offering Heritage Land Bank members access to a broader range of financial products, such as flexible mortgage solutions and insurance programs designed for farmers, ranchers, and rural families. Additionally, with the inclusion of Tarrant County in our service area, we're expanding our reach to support even more Texans.

"This merger unites our strengths to better serve our members, employees, and communities," said Mark Miller, CEO of Texas Farm Credit. "Together, we're enhancing financial solutions, creating new opportunities, and deepening our commitment to agriculture." Chairman of the Board Bobby Hobson added, "By combining two like-minded organizations, we're well-positioned to help our members and employees thrive in the communities they love."

We're excited to support Heritage Land Bank members with expanded resources, a wider service area, and a shared dedication to helping all our members reach their goals, now and in the future.

Scan for full article.

Revitalizing Rural Texas: Bigger Than a Map Dot

The Inspiring Story of Cooper, Texas

At Texas Farm Credit, we believe that rural communities are the heartbeat of Texas, and we're dedicated to empowering the remarkable people who bring them to life. That's why we're thrilled to introduce Bigger Than a Map Dot, a short film that takes you deep into the heart of Cooper, Texas.

Follow the inspiring journey of Paul and Jennifer Dwyer as they transform their dream ranch into a catalyst for community revitalization. The Dwyers not only built a thriving agricultural business but also ignited a wave of growth in their small town – creating jobs, fostering community growth, and preserving the spirit of rural living in Cooper. From restoring historic buildings to fostering local connections, their efforts have breathed new life into Cooper, proving that even the smallest places can hold the biggest dreams.

This isn't just a story about one family – it's about the power of determination, community, and meaningful partnerships. Join us as we celebrate the spirit of rural Texas and showcase how investing in people can spark change that ripples far beyond the horizon.

Scan for full article.

Passion Forward: Our Commitment to Charitable Outreach

Giving back to our communities isn't just something we do—it's part of who we are. Through our Passion Forward program, we've proudly supported the people and places we serve, contributing over $5 million since 2017. In 2024 alone, we donated $755,000 and volunteered more than 1,000 hours to initiatives focused on youth development, agricultural education, and supporting military personnel, veterans, and first responders.

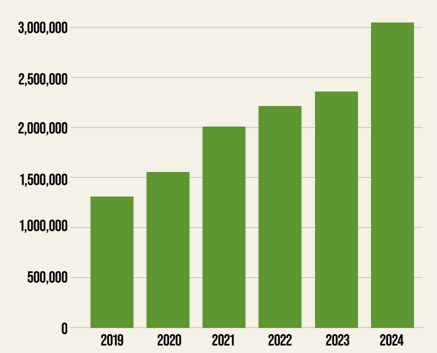
This year's efforts included $10,000 in fire relief for the Texas Panhandle and $21,550 to help agricultural and rural communities recover from hurricanes Helene and Milton. Our branches and employees play a vital role in these efforts, volunteering their time and resources to strengthen the rural communities we're proud to call home. Thank you for allowing us to be part of your community and for helping us make a difference.

Scan for full article.

FINANCIAL HIGHLIGHTS

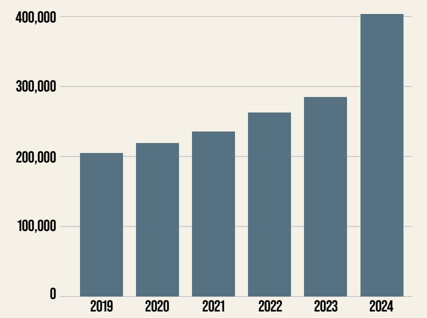
End-of-Year Net Loans

(dollars in thousands)



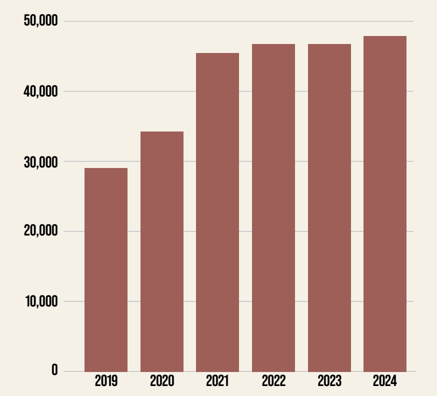
Members' Equity

(dollars in thousands)

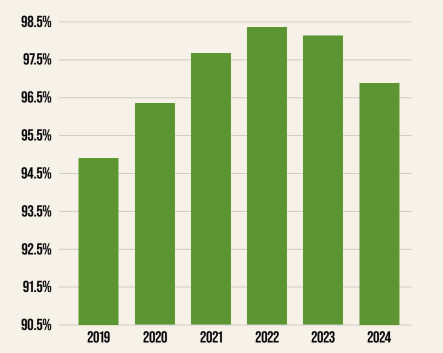


Net Income

(dollars in thousands)



End-of-Year Credit Quality



Dear Stockholders,

2024 was a landmark year for Texas Farm Credit as we celebrated new beginnings, overcame challenges, and achieved meaningful progress toward our mission of supporting agriculture and rural communities. This year marked the successful merger with Heritage Land Bank, strengthening our cooperative's ability to serve members across an expanded territory. We are proud to welcome our new members and employees into the Texas Farm Credit family and excited about the opportunities ahead.

Financially, we are pleased to report that Texas Farm Credit ended the year with strong results:

- **Net loan volume increased by 28.2%, primarily driven by the effects of the December 1st merger with Heritage Land Bank, ACA.**
- **Net income of $47.9 million exceeded our budget by approximately $6 million, underscoring our financial stability and operational efficiency.**
- **Members' equity grew by 41.7% by volume, primarily driven by the effects of the December 1st merger with Heritage Land Bank, ACA.**
- **Cash patronage distributions totaled $27 million, reducing our customers' net cost of borrowing and highlighting the value of cooperative membership.**

These accomplishments are a testament to the dedication of our employees, the commitment of our board, and the loyalty of our members.

While 2024 was a year of success, we recognize the challenges facing the agricultural sector and rural communities. The row crop industry continues to face headwinds, and the prospect of prolonged higher interest rates could slow lending growth in the coming year. Despite these obstacles, Texas Farm Credit remains well-positioned to navigate these uncertainties with a focus on long-term sustainability and value creation for our members.

Giving back to our communities remains a cornerstone of Texas Farm Credit's cooperative culture. In 2024, our Passion Forward program contributed $755 thousand and over 1,000 volunteer hours to efforts such as youth development, agricultural education, and support for military, veterans, and first responders. This includes $10,000 for Texas Panhandle fire relief and $21,550 in hurricane relief for agriculture and rural communities affected by hurricanes Helene and Milton. Surpassing $5 million in total contributions since 2017, Passion Forward continues to strengthen and serve the rural communities we call home.

Looking ahead, we are energized by the potential of our expanded organization. By combining the strengths of Texas Farm Credit and Heritage Land Bank, we are better equipped to serve the diverse needs of our members, innovate in our financial solutions, and support the agricultural and rural industries that are vital to our communities and economy.

As a cooperative, our success is your success. We remain committed to delivering superior value, exceptional service, and unwavering support to help you achieve your goals and dreams. Thank you for your trust and loyalty in 2024, and we look forward to partnering with you for a prosperous 2025.

Sincerely,

/s/ Mark Miller

Mark Miller
Chief Executive Officer

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REPORT OF MANAGEMENT

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

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

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

The undersigned certify that 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.

/s/ Mark Miller

Mark Miller, Chief Executive Officer
March 7, 2025

/s/ Bobby Hobson

Bobby Hobson, Chairman, Board of Directors
March 7, 2025

/s/ Heath Gattis

Heath Gattis, Chief Financial Officer
March 7, 2025

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

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

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

/s/ Mark Miller

Mark Miller, Chief Executive Officer
March 7, 2025

/s/ Heath Gattis

Heath Gattis, Chief Financial Officer
March 7, 2025

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the seven members of the Texas Farm Credit Services' board of directors. In 2024, seven Committee meetings were held. The Committee oversees the scope of Texas Farm Credit Services' 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 Texas Farm Credit Services' website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2024.

Management is responsible for Texas Farm Credit Services' 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 Texas Farm Credit Services' 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 Texas Farm Credit Services' audited consolidated financial statements for the year ended December 31, 2024 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Texas Farm Credit Services' internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from Texas Farm Credit Services. 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 Texas Farm Credit Services' Annual Report to Stockholders for the year ended December 31, 2024.

Audit Committee Members

Gregory T. Richbourg, Audit Committee Chairman
Marion Durand, Audit Committee Vice Chairman
Jerry Chappell, Audit Committee Member
David Henneke, Audit Committee Member
Bobby Hobson, Audit Committee Member
John Prukop, Audit Committee Member
Kevin Sampson, Audit Committee Member

March 7, 2025

TEXAS FARM CREDIT SERVICES

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

	2024	2023	2022	2021	2020
Balance Sheet Data					
Assets					
Cash	**$ 25**	$ 23	$ 26	$ 50	$ 2,374
Investments	**176**	301	425	735	1,054
Loans	**3,031,732**	2,365,070	2,218,378	2,014,919	1,563,260
Less: allowance for credit losses on loans	**7,883**	2,410	3,052	3,017	6,000
Net loans	**3,023,849**	2,362,660	2,215,326	2,011,902	1,557,260
Investment in and receivable from the Farm Credit Bank of Texas	**69,658**	45,047	39,082	32,285	25,480
Other property owned, net	**98**	-	-	-	-
Other assets	**61,590**	45,910	39,574	36,362	28,476
Total assets	**$ 3,155,396**	$ 2,453,941	$ 2,294,433	$ 2,081,334	$ 1,614,644
Liabilities					
Obligations with maturities of one year or less	**$ 50,802**	$ 42,045	$ 36,192	$ 38,244	$ 29,050
Obligations with maturities greater than one year	**2,701,519**	2,127,502	1,995,939	1,807,683	1,366,940
Total liabilities	**2,752,321**	2,169,547	2,032,131	1,845,927	1,395,990
Members' Equity					
Capital stock and participation certificates	**6,546**	4,624	4,580	4,365	4,175
Additional paid-in capital	**141,026**	47,596	47,596	47,596	47,596
Allocated retained earnings	**51,168**	52,244	53,220	54,628	57,255
Unallocated retained earnings	**204,140**	179,107	156,044	129,134	110,209
Accumulated other comprehensive income (loss)	**195**	823	862	(316)	(581)
Total members' equity	**403,075**	284,394	262,302	235,407	218,654
Total liabilities and members' equity	**$ 3,155,396**	$ 2,453,941	$ 2,294,433	$ 2,081,334	$ 1,614,644
Statement of Income Data					
Net interest income	**$ 68,536**	$ 60,180	$ 55,847	$ 47,713	$ 40,368
(Provision for credit losses on loans) credit loss reversal	**(2,987)**	2,454	22	3,435	(1,557)
Income from the Farm Credit Bank of Texas	**9,260**	8,936	15,805	13,973	12,327
Other noninterest income	**13,422**	11,872	10,755	11,119	8,592
Noninterest expense	**(40,161)**	(36,522)	(35,536)	(30,100)	(25,310)
Provision for income taxes	**(129)**	(135)	(74)	(623)	(140)
Net income	**$ 47,941**	$ 46,785	$ 46,819	$ 45,517	$ 34,280

TEXAS FARM CREDIT SERVICES

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

	2024	2023	2022	2021	2020
Key Financial Ratios at Year End					
Return on average assets	**1.9%**	2.0%	2.1%	2.5%	2.3%
Return on average members' equity	**16.0%**	16.5%	18.1%	18.9%	15.6%
Net interest income as a percentage of average earning assets	**2.6%**	2.6%	2.5%	2.6%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%
Members' equity as a percentage of total assets	**12.8%**	11.6%	11.4%	11.3%	13.5%
Debt as a percentage of members' equity	**682.8%**	762.9%	774.7%	784.1%	638.4%
Allowance for credit losses on loans as a percentage of loans	**0.3%**	0.1%	0.1%	0.2%	0.4%
Common equity tier 1 ratio	**13.8%**	13.2%	12.6%	12.6%	13.5%
Tier 1 capital ratio	**13.8%**	13.2%	12.6%	12.6%	13.5%
Total capital ratio	**14.1%**	13.3%	12.7%	12.8%	13.9%
Permanent capital ratio	**13.8%**	13.2%	12.6%	12.6%	13.5%
Tier 1 leverage ratio	**11.6%**	10.8%	10.5%	11.4%	13.3%
UREE leverage ratio	**9.4%**	8.4%	7.9%	9.0%	10.1%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 22,981**	$ 21,481	$ 21,147	$ 23,701	$ 19,035
Allocated retained earnings	**-**	-	-	6,029	6,993

The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2024. For more information, see Note 11, "Members' Equity," in the accompanying consolidated 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 Texas Farm Credit Services, including its wholly owned subsidiaries Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA (collectively the Association) for the years ended December 31, 2024, 2023 and 2022, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying consolidated 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 may 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.

Commodity Review and Outlook:

Agricultural producers and processors faced several risk factors in 2024, including volatile commodity prices, high input costs, increased borrowing costs, trade disruptions, geopolitical challenges and adverse weather conditions. These factors are expected to remain through 2025. Despite the challenging operating environment, credit quality at the Association has remained strong. Volatility in risk ratings remains a concern in the near future due to such factors as high production costs, elevated cost of debt and declining farm income over the last two years. The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a significant percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

Texas Farm Credit Services continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of this financial and macroeconomic volatility. As an experienced rural lender, the Association understands the cyclical nature of the agricultural industry and is committed to meeting the production credit, mortgage financing, and risk management needs of its member owners. In doing so, the Association fulfills its Farm Credit mission to support rural communities and agriculture with reliable, consistent credit and financial services.

Significant Events:

On May 7, 2024, a Joint Board of Directors Resolution was approved by the Association's and Heritage Land Bank, ACA's, boards of directors. This Resolution documented both boards' approval of merging the two associations.

On May 29, 2024, the Farm Credit Bank of Texas approved the associations' proposed merger. On October 4, 2024, an independent firm tallied votes from stockholders of each association. Results reflected overwhelming support from each association in approving the merger. On November 21, 2024, the Farm Credit Administration provided final approval of the merger of Texas Farm Credit Services and Heritage Land Bank.

Effective December 1, 2024, Heritage Land Bank, ACA and its PCA and FLCA subsidiaries (Heritage Land Bank) merged with and into Texas Farm Credit Services (the continuing association) and its PCA and FLCA subsidiaries (Texas Farm Credit Services), whereupon all shareholders of Heritage Land Bank became shareholders of Texas Farm Credit Services. The Association is headquartered in Robstown, Texas. For additional information, refer to Note 1, "Organization, Merger, and Operations."

Patronage Refunds Received From Farm Credit Bank of Texas:

In December 2024, the Association received a direct loan patronage of $7,457,140 from the Bank, representing 33.8 basis points on the average daily balance of the Association's direct loan with the Bank. The Association received a $1,508,933 patronage based on its Capitalized and Non-Capitalized Participation pool agreements with the Bank. During 2024, the Association received a capital markets patronage of $293,466 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

Patronage Refunds by Association

In April 2024, Texas Farm Credit Services paid a $21,904,809 cash patronage for all eligible recipients who had outstanding accrual loans with the Association during fiscal year 2023. In December 2024, the Association distributed $1,076,316 in cash patronage from redeemable allocated surplus originally declared in 2016.

For more than 90 years, 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 WSJP-based interest rates. Loan maturities range from one to 30 years, with annual operating loans comprising the majority of the commercial loans and 15- 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, which net of funds held totaled $3,031,732,620, $2,365,070,169 and $2,218,378,245 as of December 31, 2024, 2023 and 2022, respectively, is described more fully in detailed tables in Note 4, "Loans and Allowance for Credit Losses on Loans," in the accompanying consolidated financial statements.

At December 31, 2024, the Association held loans totaling $654,003 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

Purchase and Sales of Loans:

During 2024, 2023 and 2022, the Association was participating in loans with other lenders. As of December 31, 2024, 2023 and 2022, these participations totaled $282,143,340, $239,244,730 and $210,680,692, or 9.3 percent, 10.1 percent and 9.5 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $71,390,076, $44,874,730 and $34,623,892, or 2.4 percent, 1.9 percent and 1.6 percent of loans, respectively. The Association has also sold participations of $209,483,245, $146,060,130 and $129,830,392 as of December 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 December 31:

	2024		2023		2022	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual loans	**$ 24,172,739**	**98.6%**	$ 15,117,123	100.0%	$ 10,503,174	86.8%
Accruing loans 90 days or more past due	**242,197**	**1.0%**	5	0.0%	1,598,991	13.2%
Nonperforming loans	**24,414,936**	**99.6%**	15,117,128	100.0%	12,102,165	100.0%
Other property owned, net	**98,000**	**0.4%**	-	0.0%	-	0.0%
Nonperforming assets	**$ 24,512,936**	**100.0%**	$ 15,117,128	100.0%	$ 12,102,165	100.0%

At December 31, 2024, 2023 and 2022, nonperforming loans were $24,414,936, $15,117,128 and $12,102,165, representing 0.8 percent, 0.6 percent and 0.6 percent of loan volume, respectively. The 61.5 percent increase in nonperforming loans between December 31, 2024 and 2023 was due to assets acquired in the merger.

At December 31, 2024, the Association held $98,000 in acquired property, consisting of one property. At December 31, 2024, the fair value of the property was $137,150 and there was no allowance recorded against this property.

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.

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 loan procedures, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by a qualified appraiser. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. 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 (PD), based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on an assessment of loss given default (LGD).

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying

collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, weather-related influences, and regional macroeconomic conditions.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of $7,883,370, $2,409,922 and $3,051,962 at December 31, 2024, 2023 and 2022, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. The Association's cash-flow-based approach to credit analyses, and expectation of acceptable collateral margin, has resulted in a minimal loss history for the Association.

Results of Operations:

The Association's net income for the year ended December 31, 2024, was $47,940,823 as compared to $46,785,056 for the year ended December 31, 2023, reflecting an increase of $1,155,767, or 2.5 percent. The Association's net income for the year ended December 31, 2022 was $46,818,700. Net income decreased $33,644, or 0.1 percent, in 2023 versus 2022.

Net interest income for 2024, 2023 and 2022 was $68,535,272, $60,179,669 and $55,847,256, respectively, reflecting increases of $8,355,603, or 13.9 percent, for 2024 versus 2023 and $4,332,413, or 7.8 percent, for 2023 versus 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	**$ 2,444,294,596**	**$ 154,401,738**	$ 2,265,162,071	$ 129,171,569	$ 2,151,130,655	$ 100,935,918
Investments	**231,313**	**18,787**	359,383	26,201	565,608	34,872
Total interest-earning assets	**2,444,525,909**	**154,420,525**	2,265,521,454	129,197,770	2,151,696,263	100,970,790
Interest-bearing liabilities	**2,201,903,846**	**85,885,253**	2,041,063,056	69,018,101	1,939,352,236	45,123,534
Impact of capital	**$ 242,622,063**		$ 224,458,398		$ 212,344,027	
Net interest income		**$ 68,535,272**		$ 60,179,669		$ 55,847,256

	2024 Average Yield	2023 Average Yield	2022 Average Yield
Yield on loans	**6.32%**	5.70%	4.69%
Yield on investments	**8.12%**	7.29%	6.17%
Total yield on interest-earning assets	**6.32%**	5.70%	4.69%
Cost of interest-bearing liabilities	**3.90%**	3.38%	2.33%
Interest rate spread	**2.42%**	2.32%	2.36%

	2024 vs. 2023			2023 vs. 2022		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 10,215,032**	**$ 15,015,137**	**$ 25,230,169**	$ 5,350,582	$ 22,885,069	$ 28,235,651
Interest income - investments	**(9,337)**	**1,923**	**(7,414)**	(12,715)	4,044	(8,671)
Total interest income	**10,205,695**	**15,017,060**	**25,222,755**	5,337,867	22,889,113	28,226,980
Interest expense	**5,438,831**	**11,428,321**	**16,867,152**	2,366,506	21,528,061	23,894,567
Net interest income	**$ 4,766,864**	**$ 3,588,739**	**$ 8,355,603**	$ 2,971,361	$ 1,361,052	$ 4,332,413

Interest income for 2024 increased by $25,222,755, or 19.5 percent, compared to 2023, primarily due to an increase in yields on earning assets and an increase in average loan volume. Interest expense for 2024 increased by $16,867,152, or 24.4 percent, compared to 2023 due to an increase in the funding rate as well as an increase in average debt volume. The interest rate spread increased by 10 basis points to 2.42 percent in 2024 from 2.32 percent in 2023, primarily due to a more significant increase in yields on interest-earning assets compared to the increase in cost of interest bearing liabilities. The interest rate spread decreased by 4 basis points to 2.32 percent in 2023 from 2.36 percent in 2022, primarily because of continued market demand and competition for quality credits.

Noninterest income for 2024 increased by $1,847,151, or 9.0 percent, compared to 2023, due primarily to an increase in loan fee income and refunds from the Farm Credit System Insurance Corporation. Noninterest income for 2023 decreased by $5,751,777, or 21.7 percent, compared to 2022, due primarily to a reduction of direct note patronage from the Bank.

Provisions for credit losses on loans increased by $5,441,000 or 221.7 percent, compared to 2023, largely due to an increase in reserves required at merger of $3,231,000. For additional information, refer to Note 1, "Organization, Merger, and Operations."

Operating expenses consist primarily of salaries, employee benefits, insurance fund premiums, occupancy and equipment. Noninterest expenses for 2024 increased by $3,639,576, or 10.0 percent, compared to 2023, due primarily to an increase in merger related expenses and salaries and employee benefits offset by a decrease in insurance fund premiums. Noninterest expenses for 2023 increased by $984,861, or 2.8 percent, compared to 2022, primarily due to an increase in salaries, director expenses, travel, FCA supervisory fees and Farmer Mac guarantee fees offset by a decrease in purchased services and public and member relations expenses. The $3,639,576 increasein operating expenses included a decrease of $1,396,206 in premiums to the Insurance Fund, resulting from a decrease in the premium rates from 18 basis points in 2023 to 10 basis points in 2024.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $2,209,923, $2,483,497 and $3,170,737 for 2024, 2023 and 2022, respectively, in

origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits related to the origination of loans.

For the year ended December 31, 2024, the Association's return on average assets was 1.9 percent, as compared to 2.0 percent and 2.1 percent for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2024, the Association's return on average members' equity was 16.0 percent, as compared to 16.5 percent and 18.1 percent for the years ended December 31, 2023 and 2022, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may 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 $2,692,694,529, $2,120,945,005 and $1,991,062,303 as of December 31, 2024, 2023 and 2022, respectively, is recorded as a liability on the Association's Consolidated Balance Sheet. The note carried a weighted average interest rate of 3.90 percent, 3.38 percent and 2.33 percent at December 31, 2024, 2023 and 2022, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2023, is due to an increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $338,571,477, $243,905,585 and $228,410,548 at December 31, 2024, 2023 and 2022, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2024, was $3,030,923,090 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2025. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, net earnings, 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 $403,074,698, $284,394,082 and $262,302,480 at December 31, 2024, 2023 and 2022, respectively.

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, 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 percent, 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 7 years, allocated equities held for a minimum of 7 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 non-cumulative 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 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 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	2024	2023	2022	Total Regulatory Requirements Including Capital Conservation buffers
Common equity tier 1 ratio	**13.8%**	13.2%	12.6%	7.0%
Tier 1 capital ratio	**13.8%**	13.2%	12.6%	8.5%
Total capital ratio	**14.1%**	13.3%	12.7%	10.5%
Permanent capital ratio	**13.8%**	13.2%	12.6%	7.0%
Tier 1 leverage ratio	**11.6%**	10.8%	10.5%	5.0%
UREE leverage ratio	**9.4%**	8.4%	7.9%	1.5%

In 2024, 2023 and 2022, the Association paid patronage distributions of $22,981,125, $21,481,393, and $21,147,015, respectively. Prior to the merger in November 2024, the Heritage Land Bank board of directors approved an estimated $3,368,869 patronage distribution to be paid March 2025. After the merger in December 2024, the Texas Farm Credit board of directors approved an additional $22,971,526 to be paid in April 2025, for a total estimated cash distribution of $26,340,395. See Note 11 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Regulatory Matters:

At December 31, 2024, the Association was not under written agreements with the Farm Credit Administration (FCA).

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

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

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

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

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

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 10, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank's ability to access capital of the Association is discussed in Note 2, "Summary of Significant Accounting Policies," in the accompanying consolidated 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 10, "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 14, "Related Party Transactions," in the accompanying consolidated financial statements, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 90 years, regardless of the state of the agricultural economy, your Association'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 Texas Farm Credit Services

Opinion

We have audited the accompanying consolidated financial statements of Texas Farm Credit Services 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,

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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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED BALANCE SHEET

	December 31,		
	2024	2023	2022
Assets			
Cash	**$ 25,385**	$ 22,851	$ 26,159
Investments	**175,600**	301,055	424,737
Loans	**3,031,732,620**	2,365,070,169	2,218,378,245
Less: allowance for credit losses on loans	**7,883,370**	2,409,922	3,051,962
Net loans	**3,023,849,250**	2,362,660,247	2,215,326,283
Accrued interest receivable	**28,089,835**	22,247,759	18,151,458
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**57,247,217**	42,377,213	38,519,130
Other	**12,410,850**	2,669,822	563,151
Deferred taxes, net	**150,827**	70,130	163,570
Other property owned, net	**98,000**	-	-
Premises and equipment	**26,617,755**	18,056,720	17,895,655
Other assets	**6,730,800**	5,535,444	3,363,181
Total assets	**$ 3,155,395,519**	$ 2,453,941,241	$ 2,294,433,324
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 2,692,694,529**	$ 2,120,945,005	$ 1,991,062,303
Advance conditional payments	**921,903**	1,231,045	2,136,930
Accrued interest payable	**8,824,440**	6,557,132	4,876,398
Drafts outstanding	**(569)**	92,357	150,749
Patronage distributions payable	**26,340,395**	21,969,124	20,539,000
Other liabilities	**23,540,123**	18,752,496	13,365,464
Total liabilities	**2,752,320,821**	2,169,547,159	2,032,130,844
Members' Equity			
Capital stock and participation certificates	**6,545,990**	4,623,975	4,580,185
Additional paid-in capital	**141,026,305**	47,596,495	47,596,495
Allocated retained earnings	**51,168,036**	52,244,352	53,219,859
Unallocated retained earnings	**204,140,048**	179,106,436	156,044,338
Accumulated other comprehensive income	**194,319**	822,824	861,603
Total members' equity	**403,074,698**	284,394,082	262,302,480
Total liabilities and members' equity	**$ 3,155,395,519**	$ 2,453,941,241	$ 2,294,433,324

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2024	2023	2022
Interest Income			
Loans	**$ 154,401,738**	$ 129,171,569	$ 100,935,918
Investments	**18,787**	26,201	34,872
Total interest income	**154,420,525**	129,197,770	100,970,790
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**85,840,056**	68,962,247	45,107,925
Advance conditional payments	**45,197**	55,854	15,609
Total interest expense	**85,885,253**	69,018,101	45,123,534
Net interest income	**68,535,272**	60,179,669	55,847,256
Provision for (reversal of) credit losses on loans	**2,986,584**	(2,454,416)	(21,951)
Net interest income after provision for credit losses on loans	**65,548,688**	62,634,085	55,869,207
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**9,259,539**	8,936,478	15,805,180
Loan fees	**5,352,330**	4,913,293	4,579,788
Refunds from Farm Credit System Insurance Corporation	**685,571**	-	-
Financially related services income	**6,283,602**	5,786,946	5,350,682
Gain on sale of premises and equipment, net	**290,033**	398,037	383,318
Other noninterest income	**811,083**	773,253	440,816
Total noninterest income	**22,682,158**	20,808,007	26,559,784
Noninterest Expenses			
Salaries and employee benefits	**22,243,367**	20,279,310	19,265,039
Directors' expense	**572,268**	666,885	507,293
Purchased services	**963,609**	893,000	1,222,048
Travel	**1,987,980**	1,835,477	1,713,860
Occupancy and equipment	**3,746,709**	3,449,714	3,453,554
Communications	**386,111**	427,576	454,969
Advertising	**421,313**	369,599	402,207
Public and member relations	**1,434,283**	1,100,815	1,306,228
Supervisory and exam expense	**799,799**	582,623	528,982
Insurance Fund premiums	**2,104,523**	3,500,729	3,685,870
Merger-implementation and restructuring costs	**1,378,452**	-	-
Other noninterest expense	**4,122,808**	3,415,918	2,996,735
Total noninterest expenses	**40,161,222**	36,521,646	35,536,785
Income before income taxes	**48,069,624**	46,920,446	46,892,206
Provision for income taxes	**128,801**	135,390	73,506
NET INCOME	**47,940,823**	46,785,056	46,818,700
Other comprehensive (loss) income:			
Change in postretirement benefit plans	**(628,505)**	(38,779)	1,177,319
COMPREHENSIVE INCOME	**$ 47,312,318**	$ 46,746,277	$ 47,996,019

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2021	$ 4,364,895	$ 47,596,495	$ 54,627,414	$ 129,133,773	$ (315,716)	$ 235,406,861
Comprehensive income	-	-	-	46,818,700	1,177,319	47,996,019
Capital stock/participation certificates issued and allocated retained earnings issued	516,115	-	-	-	-	516,115
Capital stock/participation certificates retired and allocated retained earnings retired	(300,825)	-	-	-	-	(300,825)
Patronage dividends:						
Cash	-	-	(1,298,092)	(20,017,598)	-	(21,315,690)
Capital stock/participation certificates and allocated retained earnings	-	-	(109,463)	109,463	-	-
Balance at December 31, 2022	4,580,185	47,596,495	53,219,859	156,044,338	861,603	262,302,480
Cumulative effect of a change in accounting principle	-	-	-	(1,786,948)	-	(1,786,948)
Balance at January 1, 2023	4,580,185	47,596,495	53,219,859	154,257,390	861,603	260,515,532
Comprehensive income	-	-	-	46,785,056	(38,779)	46,746,277
Capital stock/participation certificates and allocated retained earnings issued	291,495	-	-	-	-	291,495
Capital stock/participation certificates and allocated retained earnings retired	(247,705)	-	-	-	-	(247,705)
Patronage dividends:						
Cash	-	-	(975,507)	(21,936,010)	-	(22,911,517)
Balance at December 31, 2023	4,623,975	47,596,495	52,244,352	179,106,436	822,824	284,394,082
Comprehensive income	-	-	-	47,940,823	(628,505)	47,312,318
Equity re-characterized upon merger	2,480,775	93,429,810	-	-	-	95,910,585
Capital stock/participation certificates and allocated retained earnings issued	299,440	-	-	-	-	299,440
Capital stock/participation certificates and allocated retained earnings retired	(858,200)	-	-	-	-	(858,200)
Patronage dividends:						
Cash	-	-	(1,076,316)	(22,907,211)	-	(23,983,527)
Balance at December 31, 2024	**$ 6,545,990**	**$ 141,026,305**	**$ 51,168,036**	**$ 204,140,048**	**$ 194,319**	**$ 403,074,698**

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 47,940,823**	$ 46,785,056	$ 46,818,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses (Loan loss reversal)	**5,485,585**	(2,459,535)	14,209
Depreciation	**1,434,058**	1,542,913	1,578,843
Amortization (accretion) of net discounts in investments	**138,934**	67,413	39,178
Gain on sale of premises and equipment, net	**(290,033)**	(398,037)	(383,318)
Increase in accrued interest receivable	**(839,468)**	(4,096,301)	(5,455,768)
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	**(7,838,053)**	(2,106,671)	769,119
(Increase) decrease in deferred tax assets	**(80,697)**	93,440	35,984
(Increase) decrease in other assets	**(562,398)**	(2,172,263)	4,957,373
Increase in accrued interest payable	**633,123**	1,680,734	2,025,053
Increase (decrease) in other liabilities	**(1,771,973)**	5,348,253	(2,783,424)
Net cash provided by operating activities	**44,249,901**	44,285,002	47,615,949
Cash flows from investing activities:			
Increase in loans, net	**(62,546,330)**	(146,759,337)	(203,498,519)
Cash recoveries of loans previously charged off	**45,937**	30,547	21,217
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(2,718,065)**	(3,858,083)	(7,566,565)
Investment securities held-to-maturity			
Proceeds from maturities, calls and prepayments	**125,455**	123,682	309,889
Purchases of premises and equipment	**(1,835,829)**	(1,777,373)	(4,542,886)
Proceeds from sales of premises and equipment	**289,756**	471,432	597,959
Cash acquired in mergers and acquisitions	**3,948**	-	-
Net cash used in investing activities	**(66,635,128)**	(151,769,132)	(214,678,905)

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2024	2023	2022
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**46,331,537**	129,882,702	186,230,732
Decrease in drafts outstanding	**(94,749)**	(58,392)	(96,455)
(Decrease) increase in advance conditional payments	**(309,142)**	(905,885)	1,836,900
Issuance of capital stock and participation certificates	**299,440**	291,495	516,115
Retirement of capital stock and participation certificates	**(858,200)**	(247,705)	(300,825)
Patronage distributions paid	**(22,981,125)**	(21,481,393)	(21,147,015)
Net cash provided by financing activities	**22,387,761**	107,480,822	167,039,452
Net decrease in cash	**2,534**	(3,308)	(23,504)
Cash at the beginning of the year	**22,851**	26,159	49,663
Cash at the end of the year	**$ 25,385**	$ 22,851	$ 26,159
Supplemental schedule of noncash investing and financing activities:			
Patronage distributions declared	**$ 21,904,809**	$ 21,969,124	$ 20,539,000
Transfer of allowance for credit losses on loans from (into) reserve for credit losses on unfunded commitments	**(58,074)**	46,389	36,160
Cumulative effect adjustments related to implementation of CECL:			
Allowance for credit losses on loans	**-**	1,705,736	-
Deferred tax asset	**-**	81,212	-
Merger and acquisition-related transactions:			
Total assets acquired	**632,261,696**	-	-
Total liabilities acquired	**536,351,111**	-	-
Net assets acquired	**95,910,585**	-	-
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 83,572,748**	$ 67,337,367	$ 43,098,481
Income taxes	**135,000**	125,000	145,000

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

TEXAS FARM CREDIT SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION, MERGER AND OPERATIONS:

A. Organization: Texas Farm Credit Services, including its wholly owned subsidiaries, Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Anderson, Angelina, Aransas, Atascosa, Austin, Bandera, Bee, Bexar, Bowie, Brooks, Cameron, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, DeWitt, Dimmit, Duval, Edwards, Fannin, Fayette, Franklin, Freestone, Frio, Goliad, Gonzales, Grayson, Gregg, Guadalupe, Hardin, Harrison, Henderson, Hidalgo, Hopkins, Houston, Hunt, Jasper, Jefferson, Jim Hogg, Jim Wells, Karnes, Kaufman, Kenedy, Kerr, Kinney, Kleberg, Lamar, LaSalle, Lavaca, Leon, Liberty, Limestone, Live Oak, Marion, Maverick, McMullen, Medina, Montgomery, Morris, Nacogdoches, Newton, Nueces, Orange, Panola, Polk, Rains, Real, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, Shelby, Smith, Starr, Tarrant, Titus, Trinity, Tyler, Upshur, Uvalde, Val Verde, Van Zandt, Walker, Waller, Washington, Webb, Willacy, Wilson, Wood, Zapata, Zavala, parts of Refugio, and the lower half of Lee in the state of Texas.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2024, the System 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 December 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 associations and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as FCSIC in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0 percent level. As required by the Farm Credit Act, as amended, FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

FCA regulations require borrower information to be held in strict confidence by Farm Credit associations, 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. Intra-District Mergers and Restructurings: Effective December 1, 2024, Heritage Land Bank, ACA and its PCA and FLCA subsidiaries (Heritage Land Bank) merged with and into Texas Farm Credit Services (the continuing association) and its PCA and FLCA subsidiaries (Texas Farm Credit Services), whereupon all shareholders of Heritage Land Bank became shareholders of Texas Farm Credit Services (the continuing association). The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either association on a stand-alone basis. The merger was accounted for under the acquisition method of accounting. The effects of the merger are included in the Association's financial position, results of operations, equity, and related metrics.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of December 31, 2024. The Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Members' Equity reflect the results of Heritage Land Bank after December 1, 2024, and Texas Farm Credit Services prior to that date. Information in the Notes to Consolidated Financial Statements reflects balances of Texas Farm Credit Services for 2024.

Since District associations operate for the mutual benefit of their customer-owners and other customers and not for the benefit of any other equity investors, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and their bylaws, District associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of Heritage Land Bank were converted to shares of the continuing association, Texas Farm Credit Services, as of the date of the merger, with identical rights and attributes. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e. each Heritage Land Bank share was converted into one share of Texas Farm Credit Services stock with an equal par value).

Management believes that because the stock in each association is fixed in value, the Texas Farm Credit Services stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, Texas Farm Credit Services identified and estimated the acquisition date fair value of the net assets of Heritage Land Bank instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired were measured based on various estimates using assumptions that management believes are reasonable utilizing information available as of the acquisition date.

The merger was accounted for as a business combination using the acquisition method of accounting as required under FASB ASC Topic 805, Business Combinations. Pursuant to these rules, Texas Farm Credit Services acquired the assets and assumed the liabilities of Heritage Land Bank at their acquisition-date fair value. The fair value of the net identifiable assets acquired of $95,910,585 was substantially equal to the fair value of the equity interest exchanged in the merger. No intangible assets were acquired; therefore, no goodwill was recorded. A net increase of $95,910,585 was recorded in members' equity related to the merger.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed as of the date of merger. There were no subsequent changes to the initial fair value measurements since the merger.

Assets:		
Cash	$	3,948
Loans		604,255,055
Accrued interest receivable		5,002,608
Investment in and receivable from the Farm Credit Bank of Texas		14,054,914
Other property owned, net		98,000
Premises and equipment		8,158,987
Other		688,184
Total assets	$	632,261,696
Liabilities:		
Note payable to the Farm Credit Bank of Texas	$	525,417,987
Accrued interest payable		1,634,185
Drafts outstanding		1,823
Patronage dividends payable		3,368,869
Other liabilities		5,928,247
Total liabilities	$	536,351,111
Fair value of net assets acquired	$	95,910,585

The assets acquired included gross loans at fair value of $604,255,055 with a contractual amount of $670,314,055. Fair value adjustments to Heritage Land Bank's assets acquired included a $63,565,000 net discount to gross loans. With the adoption of CECL, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased with credit deterioration (PCD). At the acquisition date, an estimate of expected credit losses was made for PCD loans of $2,494,000. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial ACL is added to the purchase price, there is no provision for credit losses recognized upon acquisition of a PCD loan. For acquired loans not deemed PCD at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income over the remaining lives of the related loans. Allowance for credit losses is estimated and an additional $737,000 for acquired loans not deemed PCD at acquisition was recorded as a provision for credit losses as of December 1, 2024. See Note 4, "Loans and Allowance for Credit Losses on Loans" for additional discussion of acquired loans.

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

The Association also serves as an intermediary in offering credit life insurance, crop insurance, livestock insurance and pasture, rangeland and forage insurance.

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") 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 credit losses on loans, 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 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. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements include the accounts of Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows but will impact the income tax disclosures.

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

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

- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

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

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

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

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

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

The investments may not necessarily be held to maturity and accordingly would be classified as available-for-sale. These investments are reported at fair value and unrealized holding gains and losses on investments that are reported as a separate component of members' equity (accumulated other comprehensive income (loss)). The Association holds no available-for-sale investments.

Gains and losses on the sales of investments available-for-sale are determined using the specific identification method. Premiums and discounts are amortized or accreted into interest income over the term of the respective issues. The Association does not hold investments for trading purposes.

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

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

Prior to the adoption of CECL guidance, held-to-maturity investments were carried at cost, adjusted for the amortization of premiums and accretion of discounts. Changes in the fair value of these investments were not recorded unless the investment was deemed to be other-than-temporarily impaired. Impairment was considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security was less than the amortized cost basis of the security (any such shortfall is referred to as a “credit loss”). If an entity intended to sell an impaired debt security or was more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment was other-than-temporary and would be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss existed, but an entity did not intend to sell the impaired debt security and was not more likely than not to be required to sell before recovery, the impairment was other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount was recognized in earnings, with the remainder of the loss amount recognized in other comprehensive income.

Upon adoption of CECL guidance, investments held-to-maturity are presented net of an allowance for credit losses on investments. The guidance also amended the previous other-than-temporary impairment (OTTI) model for investments available-for-sale to incorporate an allowance for credit losses.

Impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of whether any decline in fair value is due to a credit loss, all relevant information is considered at the individual security level. For mortgage-backed and asset-backed securities, performance indicators considered relate to the underlying assets, including default rates, delinquency rates, percentage of nonperforming assets, debt-to-collateral ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, analyst reports and forecasts, credit ratings and other market data.

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For these securities, a decline in fair value due to estimated credit loss results in recording an allowance for credit losses to the extent the fair value is less than the amortized cost basis. The allowance is measured using market information where available and discounting the cash flows at the original effective rate of the investment security. The allowance is adjusted each period through earnings and can be subsequently recovered. Declines in fair value that have not been recorded through an allowance for credit losses, such as declines due to changes in market interest rates, are recorded through other comprehensive income, net of applicable taxes.

In assessing whether a credit loss exists for held-to-maturity investments, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount the fair value is less than amortized cost basis.

If the intention is to sell a debt security or it is more likely than not to be required to sell the security before recovery of its amortized cost basis, the debt security is written down to its fair value and the write down is charged against the allowance for credit losses with any incremental impairment reported in earnings.

To the extent that debt securities in the held-to-maturity portfolio share common risk characteristics, estimated expected credit losses are calculated in a manner like that used for loans held for investment. That is, for pools of such securities with common risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities on those historical credit losses.

Expected credit loss on each security in the held-to-maturity portfolio that do not share common risk characteristics with any of the pools of debt securities is individually measured based on net realizable value, or the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the security.

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

D. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 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 Consolidated 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 the Association to measure the expected credit losses based on fair value of the collateral at the reporting date when the Association determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower

is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Purchased Credit Deteriorated Loans (PCD)

PCD loans are loans that were acquired as of the date of acquisition and have experienced a more-than-insignificant deterioration in credit quality since origination. Purchased loans are recorded at their fair value at the acquisition date. An allowance for credit losses is recorded on the purchased loans at the purchase date through a provision for credit losses. Any loans that have experienced a more-than-insignificant deterioration in credit quality since origination are identified as PCD assets and the entity is required to estimate and record an allowance for credit losses for these assets at the time of purchase. This allowance is then added to the purchase price to establish the initial amortized cost basis of the PCD assets, rather than being reported as a credit loss expense. The difference between the unpaid principal balance and the amortized cost basis is recorded into interest income over the life of the loan on a level-yield basis. Any subsequent changes in expected credit losses are recorded through the Consolidated Statement of Comprehensive Income with a provision for credit losses.

Allowance for Credit Losses

Effective January 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 Consolidated Balance Sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the Consolidated 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 Consolidated 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.

Allowance for Credit Losses on Loans

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, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying 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 components 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, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

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

- Lending policies and procedures;
- National, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- Nature of the loan portfolio, including the terms of the loans;
- Experience, ability and depth of the lending management and other relevant staff;
- Volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- Quality of the loan review and process;
- Value of underlying collateral for collateral-dependent loans;
- Existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- 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, consumer price index (CPI), and federal funds rate. The Association also considers loan and borrower characteristics, such as internal risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments.

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

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors 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 Consolidated Balance Sheet. 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 cancellable.

E. 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 to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheet. The initial impact will increase the investment in the Bank by $13 million during the first quarter of 2025.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank. In January 2025, the board of directors of the Bank approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

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

G. 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. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

H. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying Consolidated Balance 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.

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

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

   The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the Association. 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 $921,697, $640,921 and $834,811 for the years ended December 31, 2024, 2023 and 2022 respectively. For the DB plan, the Association recognized pension costs of $193,797, $309,219 and $425,097 for the years ended December 31, 2024, 2023 and 2022, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $660,305, $468,925 and $608,680 for the years ended December 31, 2024, 2023 and 2022, respectively.

   In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $321,060, $42,028, and $60,331 for the years ended December 31, 2024, 2023 and 2022, respectively.

   In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the Consolidated Balance Sheet.

J. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or 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. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

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

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings. The Bank currently has no plans to distribute unallocated Bank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

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

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

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, 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 15, "Fair Value Measurements."

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of

credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and 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.

N. Merger Accounting: The FASB guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date.

Because the stock in each association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring association will identify and estimate the acquisition date fair value of the equity interests (net assets) of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, are measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

NOTE 3 — INVESTMENTS:

The Association holds Federal Agricultural Mortgage Corporation (Farmer Mac) agricultural mortgage-backed securities. These securities were agricultural loans previously covered under a Long-Term Standby Commitment to Purchase agreement with Farmer Mac and were subsequently securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20 basis points to 50 basis points to be paid to Farmer Mac, and for the Association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of held-to-maturity Farmer Mac agricultural mortgage-backed securities:

	December 31, 2024				
	Amortized Cost	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**	**Weighted Average Life**
Agricultural mortgage-backed securities	**$ 175,600**	**$ (4,189)**	**$ 171,411**	**5.94%**	**3.14 Years**

	December 31, 2023				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$ 301,055	$ (9,084)	$ 291,971	6.12%	3.82 Years

	December 31, 2022				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$ 424,737	$ (16,159)	$ 408,578	5.80%	4.64 Years

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of the assessment, the Association evaluated and concluded that they do not intend to sell the security or it is not more likely than not that they would be required to sell the security, prior to recovery of the amortized cost basis. The Association also evaluated whether credit impairment exists by comparing the present value of the expected cash flows to the securities' amortized cost basis. Credit impairment, if any, is recorded as an ACL for debt

securities. The Association does not consider the unrealized losses to be credit-related and an allowance for credit losses is not necessary.

The guidance, prior to the adoption of CECL, for other-than-temporary impairment contemplated numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

Prior to the adoption of CECL, the Association performed an evaluation quarterly on a security-by-security basis considering all available information. If the Association intended to sell the security or it was more likely than not that it would be required to sell the security, the impairment loss equaled the entire difference between amortized cost and fair value of the security. When the Association did not intend to sell securities in an unrealized loss position, other-than-temporary impairment was considered using various factors, including the length of time and the extent to which the fair value was less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. The Association used estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considered factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements.

NOTE 4 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans as of December 31 follows:

	2024		2023		2022	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 2,462,677,309**	**81.3%**	$ 1,841,308,216	77.9%	$ 1,801,949,287	81.3%
Production and intermediate-term	**324,610,472**	**10.7%**	320,588,672	13.6%	257,966,403	11.6%
Agribusiness:						
Processing and marketing	**121,817,357**	**4.0%**	91,855,671	3.9%	69,301,464	3.1%
Farm-related business	**35,492,574**	**1.2%**	44,182,696	1.9%	36,011,762	1.6%
Loans to cooperatives	**15,590,216**	**0.5%**	19,300,676	0.8%	22,640,041	1.0%
Rural residential real estate	**22,868,382**	**0.8%**	1,002,365	0.0%	1,070,269	0.1%
Communication	**22,717,773**	**0.7%**	20,490,514	0.9%	16,267,788	0.7%
Water and waste-water	**12,949,148**	**0.4%**	14,902,097	0.6%	7,073,081	0.3%
Agricultural export finance	**6,178,777**	**0.2%**	5,587,816	0.2%	3,440,131	0.2%
Energy	**6,141,874**	**0.2%**	5,106,807	0.2%	1,858,635	0.1%
Mission-related investments	**688,738**	**0.0%**	744,639	0.0%	799,384	0.0%
Total	**$ 3,031,732,620**	**100.0%**	$ 2,365,070,169	100.0%	$ 2,218,378,245	100.0%

At December 31, 2024, the Association held loans totaling $654,003 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

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 December 31, 2024:

	Other Farm Credit Institutions		**Non-Farm Credit Institutions**		**Total**	
	Participations Purchased	**Participations Sold**	**Participations Purchased**	**Participations Sold**	**Participations Purchased**	**Participations Sold**
Real estate mortgage	**$ 82,260,568**	**$ 143,211,421**	**$ 7,496,380**	**$ -**	**$ 89,756,948**	**$ 143,211,421**
Agribusiness	**118,377,264**	**4,579,341**	**3,051,805**	**-**	**121,429,069**	**4,579,341**
Production and intermediate-term	**23,236,065**	**61,692,483**	**-**	**-**	**23,236,065**	**61,692,483**
Communication	**22,717,773**	**-**	**-**	**-**	**22,717,773**	**-**
Water and waste-water	**12,682,834**	**-**	**-**	**-**	**12,682,834**	**-**
Agricultural export finance	**6,178,777**	**-**	**-**	**-**	**6,178,777**	**-**
Energy	**6,141,874**	**-**	**-**	**-**	**6,141,874**	**-**
Total	**$ 271,595,155**	**$ 209,483,245**	**$ 10,548,185**	**$ -**	**$ 282,143,340**	**$ 209,483,245**

Credit Quality

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

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

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

- Acceptable — assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness,
- Substandard — assets exhibit some serious weakness that if not cured jeopardizes repayment;
- 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 December 31, 2024:

	Term Loans Amortized Cost by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 273,153,778	$ 295,800,814	$ 407,496,201	$ 658,840,321	$ 339,359,056	$ 454,701,036	$ 1,318,361	$ 2,430,669,567
OAEM	-	-	2,889,544	1,854,394	3,242,505	2,559,917	-	10,546,360
Substandard/Doubtful	694,829	11,349,436	96,170	2,964,238	2,689,906	3,666,803	-	21,461,382
	$ 273,848,607	$ 307,150,250	$ 410,481,915	$ 663,658,953	$ 345,291,467	$ 460,927,756	$ 1,318,361	$ 2,462,677,309
Production and intermediate-term								
Acceptable	$ 68,375,077	$ 25,556,006	$ 13,315,062	$ 8,331,751	$ 13,098,563	$ 2,894,244	$ 154,623,609	$ 286,194,312
OAEM	12,458,499	4,709,659	673,419	428,356	37,044	-	5,787,668	24,094,645
Substandard/Doubtful	5,638,044	7,730,289	-	86,876	-	197,102	669,204	14,321,515
	$ 86,471,620	$ 37,995,954	$ 13,988,481	$ 8,846,983	$ 13,135,607	$ 3,091,346	$ 161,080,481	$ 324,610,472
Agribusiness								
Acceptable	$ 24,101,750	$ 21,219,745	$ 40,626,461	$ 10,794,525	$ 16,762,063	$ 4,598,375	$ 38,313,711	$ 156,416,630
OAEM	1,045,683	-	2,992,713	-	-	-	1,623,797	5,662,193
Substandard/Doubtful	-	1,950,844	-	-	4,098,884	4,771,596	-	10,821,324
	$ 25,147,433	$ 23,170,589	$ 43,619,174	$ 10,794,525	$ 20,860,947	$ 9,369,971	$ 39,937,508	$ 172,900,147
Rural residential real estate								
Acceptable	$ 362,644	$ 1,479,859	$ 1,264,369	$ 4,417,688	$ 2,817,254	$ 11,615,145	$ -	$ 21,956,959
OAEM	-	-	-	-	-	428,246	-	428,246
Substandard/Doubtful	-	-	-	-	92,423	390,754	-	483,177
	$ 362,644	$ 1,479,859	$ 1,264,369	$ 4,417,688	$ 2,909,677	$ 12,434,145	$ -	$ 22,868,382
Communication								
Acceptable	$ 7,086,431	$ 9,475,271	$ -	$ -	$ 5,575,380	$ -	$ 240,142	$ 22,377,224
OAEM	340,549	-	-	-	-	-	-	340,549
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 7,426,980	$ 9,475,271	$ -	$ -	$ 5,575,380	$ -	$ 240,142	$ 22,717,773
Water and waste-water								
Acceptable	$ 266,314	$ 7,405,215	$ 2,749,217	$ 2,473,083	$ -	$ -	$ 55,319	$ 12,949,148
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 266,314	$ 7,405,215	$ 2,749,217	$ 2,473,083	$ -	$ -	$ 55,319	$ 12,949,148
Agricultural export finance								
Acceptable	$ -	$ 5,588,746	$ -	$ -	$ -	$ -	$ 590,031	$ 6,178,777
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ 5,588,746	$ -	$ -	$ -	$ -	$ 590,031	$ 6,178,777
Energy								
Acceptable	$ 1,434,500	$ 3,496,786	$ -	$ -	$ -	$ 1,210,588	$ -	$ 6,141,874
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 1,434,500	$ 3,496,786	$ -	$ -	$ -	$ 1,210,588	$ -	$ 6,141,874
Mission-related investments								
Acceptable	$ -	$ -	$ -	$ -	$ -	$ 688,738	$ -	$ 688,738
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ 688,738	$ -	$ 688,738
Total Loans								
Acceptable	**$ 374,780,494**	**$ 370,022,442**	**$ 465,451,310**	**$ 684,857,368**	**$ 377,612,316**	**$ 475,708,126**	**$ 195,141,173**	**$ 2,943,573,229**
OAEM	**13,844,731**	**4,709,659**	**6,555,676**	**2,282,750**	**3,279,549**	**2,988,163**	**7,411,465**	**41,071,993**
Substandard/Doubtful	**6,332,873**	**21,030,569**	**96,170**	**3,051,114**	**6,881,213**	**9,026,255**	**669,204**	**47,087,398**
	$ 394,958,098	**$ 395,762,670**	**$ 472,103,156**	**$ 690,191,232**	**$ 387,773,078**	**$ 487,722,544**	**$ 203,221,842**	**$ 3,031,732,620**

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

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	
	2023	2022	2021	2020	2019	Prior		Total
Real estate mortgage								
Acceptable	$ 250,719,930	$ 377,761,439	$ 557,875,226	$ 284,123,745	$ 95,059,256	$ 265,226,995	$ -	$ 1,830,766,591
OAEM	-	-	766,062	846,430	1,468,817	1,471,092	-	4,552,401
Substandard/Doubtful	250,000	-	2,399,262	660,308	254,468	2,425,186	-	5,989,224
	$ 250,969,930	$ 377,761,439	$ 561,040,550	$ 285,630,483	$ 96,782,541	$ 269,123,273	$ -	$ 1,841,308,216
Production and intermediate-term								
Acceptable	$ 86,674,324	$ 25,937,430	$ 12,419,407	$ 17,070,699	$ 923,544	$ 3,639,457	$ 159,214,977	$ 305,879,838
OAEM	4,446,438	10,259	-	-	75,025	-	673,350	5,205,072
Substandard/Doubtful	8,872,056	218,572	128,498	-	211,583	73,053	-	9,503,762
	$ 99,992,818	$ 26,166,261	$ 12,547,905	$ 17,070,699	$ 1,210,152	$ 3,712,510	$ 159,888,327	$ 320,588,672
Agribusiness								
Acceptable	$ 22,855,701	$ 43,757,260	$ 13,076,892	$ 11,398,659	$ 4,761,367	$ 531,875	$ 43,074,590	$ 139,456,344
OAEM	-	1,866,265	-	-	-	-	1,867,894	3,734,159
Substandard/Doubtful	-	-	-	4,533,639	-	7,614,901	-	12,148,540
	$ 22,855,701	$ 45,623,525	$ 13,076,892	$ 15,932,298	$ 4,761,367	$ 8,146,776	$ 44,942,484	$ 155,339,043
Rural residential real estate								
Acceptable	$ -	$ -	$ -	$ 85,140	$ -	$ 504,438	$ -	$ 589,578
OAEM	-	-	-	-	-	334,912	-	334,912
Substandard/Doubtful	-	-	-	-	-	77,875	-	77,875
	$ -	$ -	$ -	$ 85,140	$ -	$ 917,225	$ -	$ 1,002,365
Communication								
Acceptable	$ 9,095,375	$ -	$ -	$ 10,178,850	$ -	$ -	$ 136,850	$ 19,411,075
OAEM	-	-	-	1,079,439	-	-	-	1,079,439
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 9,095,375	$ -	$ -	$ 11,258,289	$ -	$ -	$ 136,850	$ 20,490,514
Water and waste-water								
Acceptable	$ 9,377,548	$ 2,905,440	$ 2,497,062	$ -	$ -	$ -	$ 122,047	$ 14,902,097
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 9,377,548	$ 2,905,440	$ 2,497,062	$ -	$ -	$ -	$ 122,047	$ 14,902,097
Agricultural export finance								
Acceptable	$ 5,587,816	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,587,816
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ 5,587,816	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,587,816
Energy								
Acceptable	$ 3,495,734	$ -	$ -	$ -	$ -	$ 1,315,321	$ -	$ 4,811,055
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	295,752	-	295,752
	$ 3,495,734	$ -	$ -	$ -	$ -	$ 1,611,073	$ -	$ 5,106,807
Mission-related investments								
Acceptable	$ -	$ -	$ -	$ -	$ -	$ 744,639	$ -	$ 744,639
OAEM	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ 744,639	$ -	$ 744,639
Total Loans								
Acceptable	$ 387,806,428	$ 450,361,569	$ 585,868,587	$ 322,857,093	$ 100,744,167	$ 271,962,725	$ 202,548,464	$ 2,322,149,033
OAEM	4,446,438	1,876,524	766,062	1,925,869	1,543,842	1,806,004	2,541,244	14,905,983
Substandard/Doubtful	9,122,056	218,572	2,527,760	5,193,947	466,051	10,486,767	-	28,015,153
	$ 401,374,922	$ 452,456,665	$ 589,162,409	$ 329,976,909	$ 102,754,060	$ 284,255,496	$ 205,089,708	$ 2,365,070,169

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

	2024	2023	2022
Real estate mortgage			
Acceptable	**98.4 %**	99.3 %	99.4 %
OAEM	**0.7**	0.4	0.2
Substandard/doubtful	**0.9**	0.3	0.4
	100.0	100.0	100.0
Production and intermediate-term			
Acceptable	**88.2**	95.4	97.8
OAEM	**7.4**	1.6	1.3
Substandard/doubtful	**4.4**	3.0	0.9
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**94.4**	95.9	92.1
OAEM	**4.0**	4.1	1.7
Substandard/doubtful	**1.6**	-	6.2
	100.0	100.0	100.0
Farm-related business			
Acceptable	**73.9**	72.5	63.6
OAEM	**1.1**	-	-
Substandard/doubtful	**25.0**	27.5	36.4
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**76.1**	100.0	100.0
OAEM	**23.9**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**96.0**	58.8	58.1
OAEM	**1.9**	33.4	33.6
Substandard/doubtful	**2.1**	7.8	8.3
	100.0	100.0	100.0
Communication			
Acceptable	**98.5**	94.7	100.0
OAEM	**1.5**	5.3	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Water and waste-water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**100.0**	94.2	76.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	5.8	24.0
	100.0	100.0	100.0
Mission-related investments			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**96.8**	98.1	98.4
OAEM	**1.7**	0.7	0.4
Substandard/doubtful	**1.5**	1.2	1.2
	100.0 %	100.0 %	100.0 %

Accrued interest receivable on loans of $28,089,835, $22,243,153 and $18,146,963 at December 31, 2024, 2023 and 2022, respectively, has been excluded from the amortized cost of loans and is reported separately in the Consolidated Balance Sheet.

Geographic Distribution

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
Henderson	**3.6%**	3.1%	2.9%
Hidalgo	**3.4%**	5.1%	4.4%
Collin	**3.3%**	2.2%	1.5%
Anderson	**2.8%**	0.6%	0.7%
Hunt	**2.6%**	0.9%	0.9%
Grayson	**2.4%**	2.2%	2.3%
Cherokee	**2.3%**	0.5%	0.5%
Fannin	**2.3%**	2.0%	1.0%
Nueces	**2.2%**	3.1%	2.8%
Fayette	**2.0%**	3.0%	2.8%
Washington	**1.7%**	2.3%	2.4%
Cameron	**1.4%**	2.2%	2.0%
Frio	**1.4%**	2.1%	2.1%
Other Counties	**59.4%**	61.1%	64.9%
Other States	**9.2%**	9.6%	8.8%
Totals	**100.0%**	100.0%	100.0%

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

	2024		2023		2022	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Crops and agricultural commodities	**$ 1,006,759,443**	**33.2%**	$ 774,868,223	32.8%	$ 741,232,745	33.5%
Livestock	**994,711,408**	**32.8%**	740,394,437	31.3%	681,005,644	30.7%
Hunting, trapping and game propagation	**707,551,442**	**23.3%**	600,034,930	25.4%	579,150,329	26.1%
Farm-related operations	**275,100,120**	**9.1%**	248,849,838	10.5%	215,896,912	9.7%
Rural home loans	**47,610,207**	**1.6%**	922,741	0.0%	1,092,615	0.0%
Total	**$ 3,031,732,620**	**100.0%**	$ 2,365,070,169	100.0%	$ 2,218,378,245	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 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of credit losses on loans, the Association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac. The commitments, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2024, 2023 and 2022, loans totaling $705,914,976, $602,645,101 and $537,710,727, respectively, were guaranteed by these

commitments. Fees paid for these guarantees totaled $2,597,177, $2,383,429 and $1,780,677 in 2024, 2023 and 2022, respectively, and are included in other noninterest expense.

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned:

	December 31, 2024	December 31, 2023	December 31, 2022
Nonaccrual loans:			
Real estate mortgage	**$ 13,258,992**	$ 2,445,690	$ 4,577,106
Agribusiness	**10,821,324**	12,148,540	4,306,286
Rural residential real estate	**92,423**	-	-
Production and intermediate-term	**-**	227,141	1,174,329
Energy	**-**	295,752	445,453
Total nonaccrual loans	**24,172,739**	15,117,123	10,503,174
Accruing loans 90 days or more past due:			
Real estate mortgage	**123,044**	-	144,591
Agribusiness	**-**	-	1,454,369
Rural residential real estate	**119,148**	-	-
Production and intermediate-term	**5**	5	31
Total accruing loans 90 days or more past due	**242,197**	5	1,598,991
Other property owned	**98,000**	-	-
Total nonperforming assets	**$ 24,512,936**	$ 15,117,128	$ 12,102,165
Nonaccrual loans as a percentage of total loans	**0.80%**	0.64%	0.47%
Nonperforming assets as a percentage of total loans and other property owned	**0.81%**	0.64%	0.55%
Nonperforming assets as a percentage of capital	**6.08%**	5.32%	4.61%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, 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	**$ 11,061,083**	**$ 2,197,909**	**$ 13,258,992**	**$ 955,737**
Production and intermediate-term	**-**	**-**	**-**	**1,230,868**
Agribusiness	**1,950,844**	**8,870,480**	**10,821,324**	**3,232**
Rural residential real estate	**-**	**92,423**	**92,423**	**-**
Energy	**-**	**-**	**-**	**83,194**
Total nonaccrual loans	**$ 13,011,927**	**$ 11,160,812**	**$ 24,172,739**	**$ 2,273,031**

	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	$ -	$ 2,445,690	$ 2,445,690	$ 59,639
Production and intermediate-term	-	227,141	227,141	38,392
Agribusiness	-	12,148,540	12,148,540	6,465
Energy	295,752	-	295,752	-
Total nonaccrual loans	$ 295,752	$ 14,821,371	$ 15,117,123	$ 104,496

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2024:

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	**$ 12,981,904**	**$ 11,893,171**	**$ 24,875,075**	**$ 2,437,802,234**	**$ 2,462,677,309**	**$ 123,044**
Production and intermediate-term	**299,458**	**5**	**299,463**	**324,311,009**	**324,610,472**	**5**
Processing and marketing	**1,950,844**	**-**	**1,950,844**	**119,866,513**	**121,817,357**	**-**
Farm-related business	**-**	**-**	**-**	**35,492,574**	**35,492,574**	**-**
Loans to cooperatives	**-**	**-**	**-**	**15,590,216**	**15,590,216**	**-**
Rural residential real estate	**403,162**	**119,148**	**522,310**	**22,346,072**	**22,868,382**	**119,148**
Communication	**-**	**-**	**-**	**22,717,773**	**22,717,773**	**-**
Water and waste-water	**-**	**-**	**-**	**12,949,148**	**12,949,148**	**-**
Agricultural export finance	**-**	**-**	**-**	**6,178,777**	**6,178,777**	**-**
Energy	**-**	**-**	**-**	**6,141,874**	**6,141,874**	**-**
Mission-related investments	**-**	**-**	**-**	**688,738**	**688,738**	**-**
Total	**$ 15,635,368**	**$ 12,012,324**	**$ 27,647,692**	**$ 3,004,084,928**	**$ 3,031,732,620**	**$ 242,197**

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	$ 6,029,423	$ -	$ 6,029,423	$ 1,835,278,793	$ 1,841,308,216	$ -
Production and intermediate-term	82,713	227,146	309,859	320,278,813	320,588,672	5
Processing and marketing	-	-	-	91,855,671	91,855,671	-
Farm-related business	-	-	-	44,182,696	44,182,696	-
Loans to cooperatives	-	-	-	19,300,676	19,300,676	-
Communication	-	-	-	20,490,514	20,490,514	-
Water and waste-water	-	-	-	14,902,097	14,902,097	-
Agricultural export finance	-	-	-	5,587,816	5,587,816	-
Energy	-	-	-	5,106,807	5,106,807	-
Rural residential real estate	93,892	-	93,892	908,473	1,002,365	-
Mission-related investments	-	-	-	744,639	744,639	-
Total	$ 6,206,028	$ 227,146	$ 6,433,174	$ 2,358,636,995	$ 2,365,070,169	$ 5

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	$ 6,483,859	$ 156,780	$ 6,640,639	$ 1,807,972,579	$ 1,814,613,218	$ 144,591
Production and intermediate-term	619,803	31	619,834	261,172,301	261,792,135	31
Processing and marketing	1,301,882	334,156	1,636,038	67,964,141	69,600,179	-
Farm-related business	-	-	-	36,747,924	36,747,924	-
Loans to cooperatives	-	1,454,368	1,454,368	21,695,143	23,149,511	1,454,369
Communication	-	-	-	16,324,645	16,324,645	-
Water and waste-water	-	-	-	7,080,959	7,080,959	-
Agricultural export finance	-	-	-	3,472,533	3,472,533	-
Energy	-	-	-	1,866,118	1,866,118	-
Rural residential real estate	89,670	-	89,670	984,652	1,074,322	-
Mission-related investments	-	-	-	803,664	803,664	-
Total	$ 8,495,214	$ 1,945,335	$ 10,440,549	$ 2,226,084,659	$ 2,236,525,208	$ 1,598,991

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.

As part of the merger on December 1, 2024, as further discussed in Note 1 "Organization, Merger and Operations," the acquiring Association purchased assets at acquisition for which there was evidence of more than insignificant deterioration in credit quality since origination. The carry amount of PCD loans acquired by the Association was as follows:

	December 1, 2024
Purchase price of loans at acquisition	$ 21,474,573
Allowance for credit losses at acquisition	2,494,000
Non-credit discount at acquisition	2,045,000
Par value of acquired loans at acquisition	$ 16,935,573

Loan Modifications to Borrowers Experiencing Financial Difficulties

There were no loan modifications granted to borrowers experiencing financial difficulty during 2024. There is no financial effect of the modification made to borrowers experiencing financial difficulty during 2024. Additionally, there were no loans to borrowers experiencing financial difficulty that received a modification during 2024 and that defaulted during 2024.

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

	Term Extension Financial Effect	
	December 31, 2024	December 31, 2023
Production and intermediate-term	**$ -**	$ 218,572

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

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2023	Current	1-3 Months Past Due	4 Months or More Past Due
Production and intermediate-term	$ 218,572	$ -	$ -

There were no commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and December 31, 2023.

Troubled Debt Restructurings

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

There were no commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2022.

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

	Loans Modified as TDRs	TDRs in Nonaccrual Status*
	December 31, 2022	December 31, 2022
Troubled debt restructurings:		
Real estate mortgage	$ 35,983	$ 35,983
Total	$ 35,983	$ 35,983

* 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 percent 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 December 31, 2024 and December 31, 2023, respectively, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Communications	Water and Wastewater	Agricultural Export Finance	Energy	Mission-Related Investments	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2023	$ 1,816,277	$ 289,199	$ 153,176	$ 985	$ 20,152	$ 14,606	$ 5,486	$ 109,309	$ 732	$ 2,409,922
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	4,509	41,428	-	-	-	-	-	-	-	45,937
Provision for credit losses on loans	1,342,852	302,953	1,347,047	26,801	7,450	1,127	2,021	(101,846)	105	2,928,510
Initial allowance for credit losses on PCD loans	2,494,000	-	-	-	-	-	-	-	-	2,494,000
Other	5,001	-	-	-	-	-	-	-	-	5,001
Balance at December 31, 2024	**$ 5,662,639**	**$ 633,580**	**$ 1,500,223**	**$ 27,786**	**$ 27,602**	**$ 15,733**	**$ 7,507**	**$ 7,463**	**$ 837**	**$ 7,883,370**
Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2023	$ 723	$ 97,550	$ 23,745	$ -	$ 718	$ 112	$ 4,451	$ -	$ -	$ 127,299
Provision for unfunded commitments	2,500	(10,878)	67,492	-	1,827	116	(2,983)	-	-	58,074
Balance at December 31, 2024	**$ 3,223**	**$ 86,672**	**$ 91,237**	**$ -**	**$ 2,545**	**$ 228**	**$ 1,468**	**$ -**	**$ -**	**$ 185,373**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Communications	Water and Wastewater	Agricultural Export Finance	Energy	Mission-Related Investments	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2022	$ 1,579,691	$ 628,543	$ 712,761	$ 935	$ 14,214	$ 6,166	$ 3,024	$ 105,928	$ 700	$ 3,051,962
Cumulative effect of a change in accounting principle	2,027,349	(291,909)	-	-	-	-	-	-	-	1,735,440
Balance at January 1, 2023	3,607,040	336,634	712,761	935	14,214	6,166	3,024	105,928	700	4,787,402
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	30,547	-	-	-	-	-	-	-	30,547
Provision for credit losses on loans	(1,790,763)	(77,982)	(559,585)	50	5,938	8,440	2,462	3,381	32	(2,408,027)
Balance at December 31, 2023	$ 1,816,277	$ 289,199	$ 153,176	$ 985	$ 20,152	$ 14,606	$ 5,486	$ 109,309	$ 732	$ 2,409,922
Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2022	$ 334	$ 151,538	$ 39,974	$ -	$ 1,007	$ 3,391	$ 7,148	$ -	$ -	$ 203,392
Cumulative effect of a change in accounting principle	(49)	(22,131)	(5,838)	-	(147)	(495)	(1,044)	-	-	(29,704)
Balance at January 1, 2023	285	129,407	34,136	-	860	2,896	6,104	-	-	173,688
Provision for unfunded commitments	438	(31,857)	(10,391)	-	(142)	(2,784)	(1,653)	-	-	(46,389)
Balance at December 31, 2023	$ 723	$ 97,550	$ 23,745	$ -	$ 718	$ 112	$ 4,451	$ -	$ -	$ 127,299

The allowance for credit losses as of December 31, 2024 was $7,883,370, reflecting an increase of $5,473,448 from December 31, 2023. The increase was driven by an increase in reserves due to merger entries of $3,231,000 as well as an increase in specific reserves of $1,389,548.

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

Allowance for Credit Losses – Prior to CECL Adoption

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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Residential Real Estate	Communications	Water and Waste-water	Agricultural Export Finance	Energy	Mission-Related Investments	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2021	$ 1,899,626	$ 761,376	$ 145,857	$ 1,316	$ 18,606	$ 3,577	$ 4,724	$ 162,348	$ 19,106	$ 3,016,536
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	20,349	868	-	-	-	-	-	-	-	21,217
Provision for loan losses	(337,924)	(172,221)	566,904	(381)	(4,392)	2,589	(1,700)	(56,420)	(18,406)	(21,951)
Other	(2,360)	38,520	-	-	-	-	-	-	-	36,160
Balance at December 31, 2022	$ 1,579,691	$ 628,543	$ 712,761	$ 935	$ 14,214	$ 6,166	$ 3,024	$ 105,928	$ 700	$ 3,051,962

NOTE 5 — LEASES:

The components of lease expense were as follows:

	Classification	2024	2023	2022
Operating lease cost	Right-of-use asset	**$ 223,491**	$ 258,437	$ 304,440
Short-term lease cost		**20,000**	52,850	14,400
Finance lease cost				
Amortization of right-of-use assets		**6,556**	(33,892)	(108,092)
Net lease cost		**$ 250,047**	$ 277,395	$ 210,748

Other information related to leases was as follows:

	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	**$ 230,046**	$ 224,545	$ 196,348
Right-of-use assets obtained in exchange for new lease obligations:			
Operating leases	**$ 233,491**	$ 258,437	$ 304,440

Lease term and discount rate are as follows:

	2024	2023	2022
Weighted average remaining lease term in years			
Operating leases	**6.08**	6.90	7.33
Weighted average discount rate			
Operating leases	**5.36%**	5.53%	4.01%

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

	Operating Leases
2025	$ 203,966
2026	152,900
2027	75,024
2028	96,400
2029	98,124
Thereafter	218,373
Total lease payments	$ 844,787

NOTE 6 — 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 10.5 percent, 8.2 percent and 8.2 percent of the issued stock of the Bank as of December 31, 2024, 2023 and 2022. As of those dates, the Bank's assets totaled $39.5 billion, $37.3 billion and $36.0 billion and members' equity totaled $1.8 billion, $1.7 billion and $1.6 billion. The Bank's earnings were $222.0 million, $199.9 million and $269.9 million during 2024, 2023 and 2022.

NOTE 7 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2024	2023	2022
Building and improvements	**$ 23,048,709**	$ 18,213,037	$ 14,612,081
Land and improvements	**5,201,870**	2,218,870	2,218,870
Automobiles	**3,365,218**	2,490,475	2,032,861
Computer equipment and software	**1,569,018**	842,155	820,201
Construction in progress	**525,979**	-	3,254,385
Furniture and equipment	**1,351,905**	1,263,846	1,326,021
	35,062,699	25,028,383	24,264,419
Accumulated depreciation	**(8,444,944)**	(6,971,663)	(6,368,764)
Total	**$ 26,617,755**	$ 18,056,720	$ 17,895,655

The Association operates leased satellite offices in Gainesville and McAllen, and the Association leases offices for its lending operations in Dallas, Rockwall, Laredo and Prosper. Lease expense was $230,046, $262,995 and $196,348 for 2024, 2023 and 2022, respectively. The lease contracts range from monthly lease terms up to 10-year lease terms. None of the leases qualify as capital leases, and all contracts are considered operating leases. Minimum annual lease payments for the next five years total $626,414, and minimum annual lease payments for all future years total $844,787. See Note 5, "Leases," for further details.

NOTE 8 — OTHER PROPERTY OWNED, NET:

The Association had no net gains or losses on other property owned during 2024, 2023, and 2022.

At December 31, 2024, the Association held $98,000 in acquired property, consisting of one property. At December 31, 2024, the fair value of the property was $137,150 and there was no allowance recorded against this property.

NOTE 9 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2024	2023	2022
Intangible assets	**$ 2,371,808**	$ 2,636,617	$ 1,601,427
Accounts receivable - other	**1,965,703**	1,187,297	27,209
Nonqualified deferred compensation	**1,278,594**	583,740	475,408
Right-of-use asset - building lease	**703,589**	758,815	934,186
Prepaid expenses	**396,642**	354,508	310,485
Farmer Mac stock	**8,000**	8,000	8,000
Miscellaneous assets	**6,464**	6,467	6,466
Total	**$ 6,730,800**	$ 5,535,444	$ 3,363,181

Other liabilities comprised the following at December 31:

	2024	2023	2022
Operating accounts payable	**$ 12,099,936**	$ 9,762,736	$ 4,188,225
Post-retirement benefits liability	**5,419,688**	3,394,141	3,373,898
Insurance payable	**2,641,747**	3,500,729	3,685,870
Accrued annual leave & payroll	**2,307,254**	1,151,610	950,879
Lease liability - building leases	**703,589**	758,815	934,186
Allowance on unfunded loans	**185,372**	127,299	203,392
Miscellaneous liabilities	**142,125**	57,166	30,805
Federal income taxes payable	**40,412**	-	(1,791)
Total	**$ 23,540,123**	$ 18,752,496	$ 13,365,464

The Association owns four crop insurance agencies within its territory. One agency was purchased in April 2023 for $1,500,000, one agency was purchased in August 2018 for $572,140, one agency was purchased in September 2017 for $1,500,000 and one agency was purchased in March 2016 for $600,000. All four purchases are classified as contractual relationship intangible assets based on the expected future benefit of customer contracts. Amortization of $264,809 was recorded for 2024 and amortization of $264,809 per year is estimated over the five succeeding fiscal years. At December 31, 2024, the balance of these intangible assets after amortization reported was $2,371,808.

NOTE 10 — NOTE PAYABLE TO THE BANK:

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

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2024, 2023 and 2022, was $2,692,694,529 at 3.90 percent, $2,120,945,005 at 3.38 percent and $1,991,062,303 at 2.33 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, 2023 and 2022, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2024, was $3,030,923,090, as defined by the general financing agreement.

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 general financing agreement 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 December 31, 2024, 2023 and 2022, the Association was not subject to remedies associated with the covenants in the general financing agreement.

Other than the funding relationship with the Bank, the Association has no other uninsured or insured debt.

NOTE 11 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below. See Note 1, "Organization, Merger and Operations," for discussion of the merger impact on member's equity.

Because the Association operates for the mutual benefit of its customer-owners and other customers and not for the benefit of any other equity investors, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and bylaws, the Association can issue stock only at its par value of $5 per share, the stock is not tradable and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of stock in one association that were converted to shares of another association have identical rights and attributes. For this reason, the conversion of stock pursuant to past mergers occurred at a one-for-one exchange ratio. Management believes that because the stock in each association is fixed in value, the stock issued pursuant to past mergers provides no basis for estimating the fair value of the consideration

transferred pursuant to the mergers. In the absence of a purchase price determination, the acquiring association identified and estimated the acquisition date fair value of the net assets of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information then available. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the mergers. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the mergers was considered to be additional paid-in capital.

The Association classifies its retained earnings as either allocated or unallocated. Allocated retained earnings represents allocated patronage surplus that is eligible for cash redemption after seven years from issuance. Redemption of allocated retained earnings is at the sole discretion of the Association's board of directors. Unallocated retained earnings represent undistributed profits and nonqualified patronage surplus that has restrictions for future redemption.

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class B capital stock (in the case of agricultural loans to producers) or participation certificates (in the purchase of rural home loans and farm-related business loans) is equal to 2 percent 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.

The Association's bylaws generally permit stock and participation certificates to be retired at the discretion of the board of directors and in accordance with capitalization plans, provided prescribed capital standards have been met. At December 31, 2024, all prescribed standards were exceeded. No significant changes in capital that would affect the normal retirement of stock are anticipated.

Class B capital stock and participation certificates are transferable to other customers who are eligible to hold such class as long as minimum regulatory capital requirements are met.

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 percent of the loan amount.

Each owner of Class B 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's capitalization bylaws require the conversion of any borrower's outstanding Class B stock to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class A shares is made solely at the discretion of the Association's board of directors. At December 31, 2024, 2023 and 2022, the Association had $7,085, $256,285 and $62,965, respectively, of Class A 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 all classes of 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.

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 allocated and unallocated retained earnings. The following patronage distributions were declared and paid in 2024, 2023 and 2022, respectively:

Period Ended December 31:	Date Declared	Date to be Paid		Total Patronage
2024	**December 2024**	**April 2025**	**$**	**22,971,526**
2024	**November 2024**	**March 2025**	**$**	**3,368,869**
2024	**December 2024**	**December 2024**	**$**	**1,076,316**
2023	December 2023	April 2024	$	21,969,124
2023	December 2023	December 2023	$	975,507
2022	December 2022	April 2023	$	20,539,000
2022	December 2022	December 2022	$	1,298,092
2021	December 2021	April 2022	$	19,848,928

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

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2024:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2024
Common equity tier 1 ratio	4.50%	7.00%	**13.80%**
Tier 1 capital ratio	6.00%	8.50%	**13.80%**
Total capital ratio	8.00%	10.50%	**14.06%**
Permanent capital ratio	7.00%	7.00%	**13.84%**
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	**11.58%**
UREE leverage ratio	1.50%	1.50%	**9.43%**

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 which 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
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-weighted assets are calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to 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 7 years, allocated equities held for a minimum of 7 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 non-cumulative 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 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 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 184,943,512	$ 184,943,512	$ 184,943,512	$ 184,943,512
Paid-in capital	47,814,253	47,814,253	47,814,253	47,814,253
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,909,677	4,909,677	4,909,677	4,909,677
Allocated equities:				
Allocated equities held ≥7	51,861,662	51,861,662	51,861,662	51,861,662
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342	64,937,342	64,937,342
Allowance for credit losses on loans and reserve for credit losses subject to certain limitations*	-	-	5,742,404	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(46,463,478)	(46,463,478)	(46,463,478)	(46,463,478)
Other regulatory required deductions	(2,592,482)	(2,592,482)	(2,592,482)	(2,592,482)
	$ 305,410,486	**$ 305,410,486**	**$ 311,152,890**	**$ 305,410,486**
Denominator:				
Risk-adjusted assets excluding allowance	$ 2,261,891,828	$ 2,261,891,828	$ 2,261,891,828	$ 2,261,891,828
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(49,055,960)	(49,055,960)	(49,055,960)	(49,055,960)
Allowance for credit losses on loans	-	-	-	(5,606,095)
	$ 2,212,835,868	**$ 2,212,835,868**	**$ 2,212,835,868**	**$ 2,207,229,773**
Calculated Ratio	**13.80%**	**13.80%**	**14.06%**	**13.84%**

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

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

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 184,943,512	$ 184,943,512
Paid-in capital	47,814,253	47,814,253
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,909,677	-
Allocated equities:		
Allocated equities held ≥7	51,861,662	-
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(46,463,478)	(46,463,478)
Other regulatory required deductions	(2,592,482)	(2,592,482)
	$ 305,410,486	**$ 248,639,147**
Denominator:		
Total Assets	$ 2,686,139,706	$ 2,686,139,706
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(49,055,960)	(49,055,960)
	$ 2,637,083,746	**$ 2,637,083,746**
Calculated Ratio	**11.58%**	**9.43%**

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association's capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to

absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board of directors.

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.

The Association is authorized to have outstanding Class A common stock, Class B common stock, Class P common stock, Class C preferred stock and participation certificates. Borrowers who hold Class B common stock or participation certificates are eligible for patronage distribution from fiscal year net earnings. Subsequent distribution of allocated surplus does not require the recipient be a current stockholder of the Association. The Association has not issued and has no outstanding Class P common stock or Class C preferred stock. In the event of liquidation or dissolution of the Association, any assets of the Association remaining after the payment or retirement of all liabilities would be distributed to holders of stock and participation certificates. First, to the holders pro-rata of Class C preferred stock then outstanding until an amount equal to the aggregate par value of such stock has been distributed to such holder. Second, to the holders of common stock and participation certificates, pro-rata in proportion to the number of shares of units of stock or participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2024	2023	2022
Class A stock	**1,417**	51,257	12,593
Class B stock	**1,260,295**	868,571	897,675
Participation certificates	**47,486**	4,967	5,769
Total	**1,309,198**	924,795	916,037

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

December 31, 2024	**Net of Tax**
Nonpension postretirement benefits	**$ 194,319**

December 31, 2023	Net of Tax
Nonpension postretirement benefits	$ 822,824

December 31, 2022	Net of Tax
Nonpension postretirement benefits	$ 861,603

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 Consolidated Statement of Comprehensive Income for the year ended December 31:

	2024	2023	2022
Accumulated other comprehensive income (loss) at January 1	**$ 822,824**	$ 861,603	$ (315,716)
Actuarial (losses) gains	**(549,618)**	37,886	1,199,035
Amortization of prior service credit included in salaries and employee benefits	**(28,132)**	(21,716)	(21,716)
Amortization of actuarial loss included in other noninterest expense	**(57,171)**	(54,949)	-
Merger adjustments	**6,416**	-	-
Other comprehensive (loss) income, net of tax	**(628,505)**	(38,779)	1,177,319
Accumulated other comprehensive income at December 31	**$ 194,319**	$ 822,824	$ 861,603

NOTE 12 — INCOME TAXES:

The provision for income taxes follows for the years ended December 31:

	2024	2023	2022
Current:			
Federal	**$ 209,498**	$ 41,950	$ 37,522
Deferred:			
Federal	**(80,697)**	93,440	35,984
Total provision for income taxes	**$ 128,801**	$ 135,390	$ 73,506

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2024	2023	2022
Federal tax at statutory rate	**$ 9,637,798**	$ 9,853,294	$ 9,854,453
Effect of nontaxable FLCA subsidiary	**(7,843,388)**	(8,214,421)	(8,391,865)
Patronage distributions	**(1,753,083)**	(1,543,706)	(1,312,500)
Other	**87,474**	40,223	(76,582)
Provision for income taxes	**$ 128,801**	$ 135,390	$ 73,506

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

	2024	2023	2022
Deferred Tax Assets			
Allowance for credit losses on loans	**$ 150,827**	$ 70,130	$ 163,570
Gross deferred tax assets	**$ 150,827**	$ 70,130	$ 163,570

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. At December 31, 2024, non-patronage income is expected to be 4.2 percent of total taxable income (before patronage) and patronage income retained is expected to be retained on a tax basis. The expected future tax rates are based upon enacted tax laws.

Upon formation of the ACA, the PCA transferred certain loans and the related allowance for credit losses on loans to the FLCA as permitted by the Act. As a result, deferred taxes attributable to the allowance for loan losses subject to the transfer did not change.

At the date of merger, a net operating loss carryforward of $8,880,476 with a 100 percent valuation allowance was recorded. The Association expects to recognize some benefit from this deferred tax asset. At this time, the

Association does not have an estimate of benefit and will continue to carry the valuation allowance until an estimate can be made.

NOTE 13 — 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 multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the 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
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the plan, and to designate a vesting schedule

The Association elected to participate in the District’s nonqualified contribution 401(k) plan, although participation from qualifying employees was limited. Contributions of $321,060, $42,028 and $60,331 were made to this plan for the years ended December 31, 2024, 2023 and 2022. There were no payments made from the Supplemental 401(k) Plan to active employees during 2024, 2023 and 2022.

The DB Plan is non-contributory 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 December 31, 2024.

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

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer 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 December 31, 2024, 2023 and 2022:

	2024	2023	2022
Funded status of plan	**75.7** %	73.3 %	70.9 %
Association's contribution	**$ 190,269**	$ 309,219	$ 425,097
Percentage of Association's contribution to total contributions	**5.1** %	4.7 %	4.1 %

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

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer 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:

Disclosure Information Related to Retirement Benefits	**2024**	2023	2022
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 3,394,141**	$ 3,373,898	$ 4,520,106
Accumulated postretirement benefit obligation acquired in merger	**1,360,807**	-	-
Service cost	**49,187**	27,589	45,320
Interest cost	**256,186**	171,310	139,834
Plan participants' contributions	**53,794**	30,606	30,083
Actuarial loss (gain)	**549,618**	(37,886)	(1,199,035)
Benefits paid	**(244,045)**	(171,376)	(162,410)
Accumulated postretirement benefit obligation, end of year	**$ 5,419,688**	$ 3,394,141	$ 3,373,898
Change in Plan Assets			
Company contributions	**$ 190,251**	$ 140,770	$ 132,327
Plan participants' contributions	**53,794**	30,606	30,083
Benefits paid	**(244,045)**	(171,376)	(162,410)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (5,419,688)**	$ (3,394,141)	$ (3,373,898)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (5,419,688)**	$ (3,394,141)	$ (3,373,898)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial (gain) loss	**$ (19,762)**	$ (781,346)	$ (798,409)
Prior service credit	**(174,557)**	(41,478)	(63,194)
Total	**$ (194,319)**	$ (822,824)	$ (861,603)
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%
Health care cost trend rate assumed for next year - Rx	**9.20%**	7.50%	7.20%
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	**$ 49,187**	$ 27,589	$ 45,320
Interest cost	**256,186**	171,310	139,834
Amortization of:			
Unrecognized prior service credit	**(28,132)**	(21,716)	(21,716)
Unrecognized net gain	**(57,171)**	(54,949)	-
Net postretirement benefit cost	**$ 220,070**	$ 122,234	$ 163,438
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 549,618**	$ (37,886)	$ (1,199,035)
Amortization of net actuarial gain	**57,171**	54,949	-
Amortization of prior service credit	**28,132**	21,716	21,716
AOCI adjustment due to merger	**(6,416)**	-	-
Total recognized in other comprehensive income	**$ 628,505**	$ 38,779	$ (1,177,319)
AOCI Amounts Expected to be Amortized Into Expense in 2025			
Unrecognized prior service credit	**$ (19,762)**	$ (21,716)	$ (21,716)
Unrecognized net loss	**-**	(57,171)	(54,949)
Total	**$ (19,762)**	$ (78,887)	$ (76,665)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2023**	12/31/2022	12/31/2021
Discount rate	**5.35%**	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%
Health care cost trend rate assumed for next year - Rx	**7.50%**	7.20%	6.80%
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	**$ 200,794**
Fiscal 2026	**225,639**
Fiscal 2027	**259,432**
Fiscal 2028	**294,801**
Fiscal 2029	**320,814**
Fiscal 2030–2034	**1,733,426**
Expected Contributions	
Fiscal 2025	**$ 200,794**

NOTE 14 — RELATED PARTY TRANSACTIONS:

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

Total loans to such persons at December 31, 2024, 2023 and 2022 for the Association amounted to $46,522,544, $42,661,897 and $44,375,083. During 2024, 2023 and 2022, $52,056,033, $31,360,179 and $35,617,310 of new loans were made, and repayments totaled $51,199,476, $34,374,204 and $30,877,139, respectively. In the opinion of management, no such loans outstanding at December 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 $2,379,823, $3,791,638 and $1,222,048 in 2024, 2023 and 2022, respectively.

The Association received patronage payments from the Bank totaling $9,259,539, $8,936,478 and $15,805,180 during 2024, 2023 and 2022, respectively.

NOTE 15 — 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	**$ -**	**$ -**	**$ 9,128,379**	**$ 9,128,379**
Other property owned	**-**	**-**	**137,150**	**137,150**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 191,449	$ 191,449
Other property owned	-	-	-	-

December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 4,047,437	$ 4,047,437
Other property owned	-	-	-	-

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Consolidated Balance Sheet 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	**$ 25,385**	**$ 25,385**	**$ -**	**$ -**	**$ 25,385**
Investments	**175,600**	**-**	**-**	**171,411**	**171,411**
Net loans	**2,951,277,250**	**-**	**-**	**2,793,506,468**	**2,793,506,468**
Total Assets	**$ 2,951,478,235**	**$ 25,385**	**$ -**	**$ 2,793,677,879**	**$ 2,793,703,264**
Liabilities:					
Note payable to Bank	**2,692,694,529**	**$ -**	**$ -**	**$ 2,547,133,343**	**$ 2,547,133,343**
Total Liabilities	**$ 2,692,694,529**	**$ -**	**$ -**	**$ 2,547,133,343**	**$ 2,547,133,343**

	December 31, 2023				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 22,851	$ 22,851	$ -	$ -	$ 22,851
Investments	301,055	-	-	291,971	291,971
Net loans	2,362,614,312	-	-	2,222,845,288	2,222,845,288
Total Assets	$ 2,362,938,218	$ 22,851	$ -	$ 2,223,137,259	$ 2,223,160,110
Liabilities:					
Note payable to Bank	$ 2,120,945,005	$ -	$ -	$ 1,995,517,275	$ 1,995,517,275
Total Liabilities	$ 2,120,945,005	$ -	$ -	$ 1,995,517,275	$ 1,995,517,275

	December 31, 2022				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 26,159	$ 26,159	$ -	$ -	$ 26,159
Investments	424,737	-	-	408,578	408,578
Net loans	2,210,779,072	-	-	2,012,827,714	2,012,827,714
Total Assets	$ 2,211,229,968	$ 26,159	$ -	$ 2,013,236,292	$ 2,013,262,451
Liabilities:					
Note payable to Bank	$ 1,991,062,303	$ -	$ -	$ 1,812,722,596	$ 1,812,722,596
Total Liabilities	$ 1,991,062,303	$ -	$ -	$ 1,812,722,596	$ 1,812,722,596

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.

About 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 may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represents a brief summary of the valuation techniques used by the Association for assets and liabilities.

Investments

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include a small portion of asset-backed securities and certain mortgage-backed securities, including private label FHA/VA securities and those issued by Farmer Mac.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

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

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.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

NOTE 16 — 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 may require payment of a fee. At December 31, 2024, $332,085,292 of commitments and no commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 17 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 17,826**	**$ 16,502**	**$ 16,618**	**$ 17,590**	**$ 68,536**
(Provision for) reversal of loan losses	**848**	**(123)**	**458**	**(4,170)**	**(2,987)**
Noninterest expense, net	**(7,193)**	**(3,051)**	**(5,223)**	**(2,141)**	**(17,608)**
Net income	**$ 11,481**	**$ 13,328**	**$ 11,853**	**$ 11,279**	**$ 47,941**

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 14,790	$ 14,897	$ 15,025	$ 15,468	$ 60,180
(Provision for) reversal of loan losses	51	143	2,281	(21)	2,454
Noninterest expense, net	(3,472)	(2,140)	(5,126)	(5,111)	(15,849)
Net income	$ 11,369	$ 12,900	$ 12,180	$ 10,336	$ 46,785

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 13,487	$ 14,053	$ 14,115	$ 14,192	$ 55,847
(Provision for) reversal of loan losses	(65)	63	255	(231)	22
Noninterest expense, net	(2,621)	(1,317)	(2,241)	(2,871)	(9,050)
Net income	$ 10,801	$ 12,799	$ 12,129	$ 11,090	$ 46,819

NOTE 18 — SUBSEQUENT EVENTS:

In January 2025, the board of directors of the Bank approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis. The initial impact will increase the investment in the Bank by $13 million during the first quarter of 2025.

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

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization, Merger 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

Texas Farm Credit Services (the Association) serves its 101-county territory through its main administrative and lending office at 545 South Highway 77, Robstown, Texas 78380. Additionally, there are 28 branch lending offices, three administrative offices, two crop insurance offices and two satellite offices located throughout the territory. The Association owns the Athens, Bandera, Beaumont, Bonham, Brenham, Fairfield, Fort Worth, Greenville, Lindale, Lufkin, McKinney, Nacogdoches, Palestine, Pleasanton, Raymondville Crop Insurance, Raymondville Lending, Robstown Administrative, Robstown Branch, San Antonio, Sulphur Springs, Taft Crop Insurance, The Woodlands, Tyler Administrative, Tyler Branch, Uvalde and Weslaco offices, free of debt. The Association operates leased satellite offices in Gainesville and McAllen. The Association leases offices for its lending operations in Dallas, Rockwall, Laredo and Prosper.

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 11 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 10, "Note Payable to the Bank," Note 13, "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 16 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank 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 Texas Farm Credit Services, 545 South Hwy. 77, Robstown, Texas, 78380 or calling (361) 387-8563. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *hgattis@texasfcs.com*. The Association's annual stockholder report is available on its website at *www.texasfarmcredit.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 December 31, 2024, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

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

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

DIRECTORS AND SENIOR OFFICERS

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

Name	Position	Date Elected / Employed	Term Expires
Thomas Barker	Director	2012	2027
David Cannon	Director	2024	2026
Jerry Chappell	Director-Vice Chairman	2013	2025
Roger Claxton	Director	2010	2025
James Dawley	Director	2003	2026
Marion Vines Durand	Director-Appointed Stockholder	2012	2026
Roxann Garvin	Director	2019	2026
David Henneke	Director-Appointed Non-Stockholder	2005	2026
Bobby Hobson	Director-Chairman	2008	2026
John Holloway	Director	2019	2025
John Prukop	Director	1990	2026
Gregory T. Richbourg	Director-Appointed Non-Stockholder	2010	2026
Kevin Sampson	Director	2006	2027
Jeff Striplin	Director	2020	2026
Jim Tarrant, Jr	Director	2009	2027
Jon Whatley	Director	2024	2027
Mark Miller	President / Chief Executive Officer	1989	---
Heath Gattis	EVP / Chief Financial Officer	2024	---
Jolene Curtis	EVP / Chief Operating Officer	2004	---
John O'Brien, IV	EVP / Chief Lending Officer	2000	---
Lane Pepper	EVP / Chief Credit Officer	2004	---
John L. Parker	EVP / Chief Information Officer	2003	---
Joe Valladares	EVP / Chief Strategy & Innovation Officer	2005	---
Lori V. Graham	EVP / Chief Legal Officer	2014	---

The following sets forth certain information regarding the directors and senior officers of the Association that served during 2024 and their principal occupation for the past five years:

Thomas Barker resides in Winona, Texas, and has been the manager of 7P Ranch, a 1,750-acre registered Simmental operation located near Tyler, Texas for the past thirteen years. Mr. Barker and his wife, Laurie, own Star B Brahmans where they raise registered Brahman cattle using A.I. and embryo transfer. Mr. Barker also owns TMB3 Ranch Consulting providing consulting services to other ranchers and landowners. Mr. Barker is a member of the Smith County Livestock & Forage Committee which assists Texas A&M Agrilife Extension Service with educational programs for the county.

David Cannon has been the president and owner of Cannon Steel, a family-owned business in Tyler, Texas for the past 43 years. In addition, he and his wife, Noemi, own and operate East Texas Cattle, a Brangus and coastal hay operation. They also raise pure-bred poultry. He is a member of the Texas and Southwestern Cattle Raisers Association and a board member of Cannon Steel.

Jerry Chappell resides in Lyford, Texas, and is a Partner in Chappell Farms, a family partnership that primarily farm cotton and grain. Mr. Chappell serves on the Willacy County Farm Bureau, which is a non-profit organization dedicated to promoting, protecting, and representing the interests of US farmers. He also serves on the Texas Boll Weevil Eradication Lower Rio Grande Valley Steering Committee, which is a liaison between cotton producers of the Lower Rio Grande Valley and the Boll Weevil Eradication Foundation, is a member of the Rio Grande Valley IPM Steering Committee, which promotes the integrated pest management to farmers of the Rio Grande Valley, and is a Director for the Appraisal Review Board, which is a decision making body that issues determinations of statutorily-authorized protests and challenges brought by property owners and taxing units.

Roger Claxton owns and operates Claxton Farms, which consists primarily of a stocker cattle operation. Mr. Claxton is a retired agricultural science teacher. He serves on the board of the Hunt County Farm Bureau, Hunt County Junior Livestock Association, Northeast Texas Farmers Co-op board, a member of the Texas and Southwestern Cattle Raisers Association, and is a lifetime member of the Vocational Agricultural Teachers Association of Texas. He is a former board member of the Hunt County Junior Livestock Association. An elder of the Church of Christ, Mr. Claxton is a graduate of East Texas State University with bachelor's and master's degrees in agricultural economics. He and his wife, Kathryn, have been married for 45 years and have three grown children.

James Dawley a resident of the Mexia, Texas area, was born and raised on a farm/ranch in Honest Ridge, Texas, in Limestone County. He currently runs a cow/calf operation in Limestone and Freestone County and owns and operates a hay operation. Mr. Dawley is an officer for the Limestone County Farm Bureau, a support organization for agriculture, an officer for the Farm Service Agency for Limestone and Freestone Counties, a government agency that serves farmers, ranchers, and agricultural partners with agricultural programs, as well as the Secretary/Treasurer of the Limestone County Young Farmers, which promotes agriculture in the area. Additionally, Mr. Dawley is a life member of both the Houston Livestock Show and the Houston Livestock Show Area Go-Texan Committee that promotes the show and supports area youth through programs and scholarships.

Marion Vines Durand is a resident of Austin, Texas, and serves as an officer and director of Lufkin Business Park I and Lufkin Business Park II, Inc. Mrs. Durand is a retired certified public accountant and is active in several other agricultural sectors, including timber and land management. Mrs. Durand also serves as a manager of the Dan M Vines Limited Partnership and DMV Interest, LLC.

Roxann Garvin is a passionate fourth generation farmer. She, alongside her husband Mike, and son Chance, operate Garvin Farms in Winnsboro, Texas, located in Hopkins and Wood Counties. Farm ownership became a reality in 1980 when she purchased the family farm from her retiring parents. Dairy farming spanned for 36 years and in 2016 the milk cow herd transitioned to a Brangus cow/calf operation. Today, the farm operation includes the cow herd, 800 acres for grazing and hay production, and four breeder farms, housing over 100,000 hens and roosters with JBS Pilgrims. She is a member of Wood County Farm Bureau and serves on the grower advisory committee with JBS Pilgrims. Formerly, Mrs. Garvin was the President Young Cooperator for Associated Milk Producers, Inc of the southern region of North America, whose officers are trained to mentor, foster, and promote other young aspiring couples in agriculture. She was recognized as Hopkins County Top Conservationist of the Year, as well as Winnsboro Chamber of Commerce Agriculture Business of the Year. Mrs. Gavin and her husband, Mike have raised four beautiful children on their family farm.

David Henneke is a retired Investment Advisor with more than 20 years of banking experience from Alice, Texas.

Bobby Hobson is a resident of Nacogdoches County. He owns and operates a 12-house broiler farm as well as a cow-calf operation with his son. Mr. Hobson has served on the Douglass ISD School board for 27 years and is currently the President. He is also the chairman of the Nacogdoches County Soil and Water Conservation Board. Mr. Hobson has been married to his wife for 45 years and they have three children and eight grandchildren.

John Holloway is currently manager of LOLA Farms, LLC. He has 28 years of poultry industry experience with Tyson Foods and Pilgrim's Pride. Holloway owns and operates six broiler houses for Tyson Foods. He also owns and manages a cow-calf operation and timber land. Mr. Holloway earned a bachelor's degree in poultry science from Texas A&M University. He serves as chairman of the board of the Shelby Soil and Water Conservation District. He and his wife, Chelsea, have two sons and are members of the First Baptist Church of Center, Texas.

John Prukop lives in Nueces County and has been farming since 1974 in Jim Wells, Kleberg, and Nueces counties and farms vegetables and melons in Hidalgo County, TX. Mr. Prukop serves as Chairman of the Kleberg-Kenedy Soil and Water Conservation District, which manages the quality of water and soil in Kleberg and Kenedy Counties and is a Director on the National Watermelon Promotion Board, whose purpose is to maintain and expand existing markets and develop new markets for fresh watermelon. He is an advisor to the South Texas Property Rights Association, which protects the rights of property owners in South Texas.

Gregory T. Richbourg is an equal shareholder in the public accounting firm of Gollob Morgan Peddy PC in Tyler, Texas. Mr. Richbourg is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. He currently serves on the boards of directors for several local non-profit organizations, including the Tyler Catholic School Foundation (Treasurer), the Bishop TK Gorman School Board (Treasurer), as well as Tyler Friends of the Poor (President), and the East Texas Area Council-Boy Scouts of America (Treasurer).

Kevin Sampson is chief engineer for M.P. Industries, Inc. in Tyler, Texas, where he has been employed for more than 25 years. He runs a cow-calf operation in Smith County. Additionally, Mr. Sampson produces hay, forage, Tifton 85 sprigs and timber. Mr. Sampson serves on the Smith County Appraisal District Agriculture Advisory Committee. He has served as a member of the Smith County Farm Bureau, and on the resolutions committee of Texas Farm Bureau. He is a graduate of the University of Texas at Austin with a bachelor's degree in mechanical engineering.

Jeff Striplin is Assistant Water System Manager – Treatment for the North Texas Municipal Water District in Wylie, Texas, where he has worked for 29 years. He is also a first-generation rancher with a cow-calf operation on 115 acres and raises stocker calves, dairy heifer replacements, club lambs and replacement ewes. Mr. Striplin serves on the Hunt County Farm Bureau board, Hunt County Fair and Junior Livestock Association board, is vice-president of the Bland ISD School Board and is past president of the Bland Youth Sports Association. He is also president of the Cotton Belt District of the Texas Water Utilities Association. Mr. Striplin is a former member of the Texas Association of School Boards 2020 – 2021 Legislative Advisory Council, former assistant Area 45 director for District 50 of Toastmasters International and served on the Texas Farm Bureau resolutions committee. Mr. Striplin is a member of Texas Farm Bureau, Northeast Texas Farmers Co-op, Texas and Southwestern Cattle Raisers Association, American Water Works Association, Texas Water Utilities Association, Water Environment Association of Texas, Water Environment Federation, Hunt County Junior Livestock Association, Texas Farm Bureau Natural Resources Advisory Committee and Toastmasters International. He and his wife, Samantha, have two children.

James Tarrant Jr. has owned and operated Consolidated Wood Products in Bullard, Texas, for over 40 years. He is a former loan officer and credit analyst for North Texas PCA and AgriLand Farm Credit Services. Mr. Tarrant has served as a director for Cherokee County Electric Co-op, North Cherokee Water Corp., Texas National Bank and Cherokee County Appraisal District, and served 12 years on the Jacksonville ISD School Board, including two years as president. He's also been a member of the Bullard Rotary Club. Among his other honors and distinctions, Mr. Tarrant is a 1989 graduate of the Texas Agricultural Lifetime Leadership Program, served on the 2002 Texas A&M College of Agriculture Development Council, was a delegate to the State Republican Convention and was an adult Sunday school teacher for over 20 years. Mr. Tarrant graduated from Texas A&M University in 1979 with a degree in range science and agricultural economics. He and his wife, Meredith, have five grown children and nine grandchildren.

Jon Whatley is the fourth generation of his family to farm in South Texas, dating back to 1905. Mr. Whatley and his wife, Kelly, grow cotton, grain sorghum, and corn as well as running a cow/calf operation. They have two grown sons, one of whom has joined them back on the farm. Mr. Whatley graduated from both Odem High School and Texas A&M University, where he received his Bachelor of Science. Active in numerous agricultural organizations, Mr. Whatley is currently the Vice-Chairman of Planter's Co-op, the Vice-Chairman of American Cotton Producers, and an Executive Member of the National Cotton Council as well as serving as a board member of both Coastal Agriculture Co-op and Calcot. He has also served as the Chairman of South Texas Cotton & Grain (2011-2012), the Chairman of Texas Cotton Producers (2010-2011) as well as serving twelve years on the San Patricio Soil and Water Conservation District. He has also been a Chairman of the Cotton Foundation. In addition to working in the agriculture industry, Mr. Whatley has been involved in his local community. He was a trustee for the Odem-Edroy ISD for nineteen years. He formerly served on the Coastal Bend Community Foundation. While raising his family, Jon was actively involved in the Odem Little League and the San Patrico & Aransas Counties A&H Show. Currently, Mr. Whatley is member of the Grace United Methodist Church Council and is a member of Evergreen Cemetery's governing committee.

Mark Miller assumed the role of president/chief executive officer on January 1, 2013. Prior to this appointment, Mr. Miller served as executive vice president and chief credit officer. He has been with the organization since March 1989 when he accepted a position as loan officer and has also served as a branch manager and chief operations officer. Effective December 18, 2023, Mr. Miller was appointed chief executive officer of Heritage Land Bank as part of a Joint Management Agreement approved by the boards of Texas Farm Credit and Heritage Land Bank. Mr. Miller is a graduate of Texas A&M University, as well as the Texas Agricultural Lifetime Leadership (TALL) program. He serves as an inside director to the FCCS board of directors and as a director for FarmLand Title, which is owned by FCCS.

Heath Gattis assumed the role of executive vice president/chief financial officer on December 1, 2024, as part of a leadership transition associated with the Heritage Land Bank merger. Mr. Gattis served as chief operating officer at Heritage Land Bank from December 2023 to November 2024. Prior to this, he had served as chief financial officer at Heritage Land Bank from 2010 to November 2023. Mr. Gattis received his bachelor's degree in Finance from Texas A&M University in 1992. He has worked in the banking industry for more than 30 years with experience in state bank supervision and auditing, CEO of a community bank, and roles in credit administration, credit underwriting, compliance, and direct lending.

Jolene Curtis assumed the role of executive vice president/chief operations officer on January 1, 2016. Mrs. Curtis has been with the organization since 2004, during which time she served as a loan officer trainee, loan officer and vice president of operations. In the vice president of operations role, she oversaw the rural home loan program as well as marketing and crop insurance functions. Mrs. Curtis serves as an executive board member and treasurer for the Brenham State Supported Living Center Volunteer Services Council. She also serves on the board of directors and executive committee for the Washington County Chamber of Commerce. Along with her husband, she owns Curtis Wildlife and Agricultural Services, LLC, which provides wildlife and agricultural consulting services. Mrs. Curis is also a partner in Tandem Partners, LLC, a company that owns rental real estate properties. She is a 1999 graduate of Texas A&M University-Kingsville.

John O'Brien, IV assumed the role of executive vice president/chief lending officer on December 1, 2024 as part of a leadership transition associated with the Heritage Land Bank merger. Prior to this, Mr. O'Brien had served as Chief Credit Officer since January 1, 2013. He has been with the organization since 2000, during which time he has served as a loan officer, branch manager, YBS portfolio manager, crop insurance division manager, and manager of the participation loan portfolio. Formerly, Mr. O'Brien was employed as a commercial credit analyst by Nations Bank that merged with Bank of America. He is a 1998 graduate of Texas A&M University. Mr. O'Brien is a part owner in a cow-calf operation in Refugio and Bee Counties.

Lane Pepper assumed the role of executive vice president/chief credit officer on December 1, 2024, as part of a leadership transition associated with the Heritage Land Bank merger. Prior to this, Mr. Pepper had served as senior vice president/chief financial & risk officer. He assumed the chief risk officer role in April 2017 and chief financial officer role in July 2023. Mr. Pepper joined the organization as a loan officer in 2004 and subsequently managed multiple branches before moving to the Central Office, where he served in roles of increasing responsibility within both the Credit and Finance Departments. Mr. Pepper is a 2001 graduate of Abilene Christian University, holds an MBA from the University of Texas at San Antonio and has earned the Chartered Financial Analyst (CFA) designation. He serves as treasurer of the Annapolis Christian Academy board of trustees.

John L. Parker assumed the role of executive vice president/chief information officer on February 7, 2018. Mr. Parker has been with the organization since May 2003 when he accepted a position as a loan officer. He has a well-rounded experience in production and real estate lending, as well as with the participation loan portfolio. He later served in IT systems analyst, vice president IT systems, and senior vice president of information technology roles. His transition over time to the current role lends itself to a broad understanding of the impact of technology on the business. Formerly, Mr. Parker was employed for 12 years as an agricultural economics specialist with the Texas Agricultural Extension Service. He is a 1989 graduate of Texas A&M University. In addition to his current role with the organization, Mr. Parker also serves as pastor to New Beginning Fellowship, a church located in Sinton, Texas.

Joe Valladares assumed the role of executive vice president/chief strategy & innovation officer on January 1, 2021. Since January 1, 2014, he had served as senior vice president/chief audit officer. He previously served as chief

financial officer for AgriLand Farm Credit, which subsequently merged into the Association. Mr. Valladares joined AgriLand in 2005 and served in various leadership roles in accounting, human resources, operations, and technology before being named its chief financial officer. Mr. Valladares is a 2005 graduate of the University of Texas at Tyler. He is a member of the FCS RAAW Committee. Mr. Valladares is member of the Tyler Economic Development Council (TEDC) Smith County Revolving Loan Fund (SCRLF) Administration Board, a nonprofit organization that promotes creation and retention of jobs for Tyler/Smith County and the diversification of the regional economic base.

Lori V. Graham assumed the role of executive vice president/chief legal officer on April 21, 2014. Prior to this, Ms. Graham practiced law, specializing in insurance defense, real estate, and oil and gas litigation. Ms. Graham is a 2001 graduate of Texas A&M University and 2005 graduate of South Texas College of Law. She serves as president of the Washington County Child Welfare Board.

COMPENSATION OF DIRECTORS

Elected stockholder directors and appointed stockholder directors were compensated for their service to the Association in the form of an honorarium at the rate of $650 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Appointed non-stockholder directors were compensated for their service to the Association in the form of an honorarium at the rate of $750 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. In addition to the honorarium, all directors receive an annual retainer. The chairman of the board receives an $18,000 annual retainer, the vice chairman of the board receives a $16,000 annual retainer, and the chairman of the audit committee receives a $14,000 annual retainer. The remaining directors receive a $13,000 per director annual retainer, and all directors serving on the audit committee receive an additional $4,000 annual retainer. Directors are compensated for all conference calls at a rate of $150 per call. Mileage for attending official meetings during 2024 was paid at the IRS-approved rate of 67.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Audit, Compensation and Other Special Meetings**	**2024 Compensation**
Thomas Barker	11	13	$ 27,525
David Cannon	2	1	1,625
Jerry Chappell	13	29	48,625
Roger Claxton	1	2	1,950
James R. Dawley	10	17	32,750
Marion Vines Durand	10	15	28,900
Roxann Garvin	10	9	24,300
David Henneke	11	12	30,550
John Holloway	1	2	650
Bobby Hobson	8	29	52,475
John Prukop	10	21	36,100
Gregory T. Richbourg	9	19	36,900
Kevin Sampson	1	2	4,275
Jeff Striplin	1	1	4,125
Jim Tarrant Jr.	1	1	1,625
Jon Whatley	7	6	23,225
			$ 355,600

The Association's entire board of directors serves on the compensation committee. Seven directors serve on the audit committee, and five directors serve on the governance committee.

The aggregate compensation paid to directors in 2024, 2023 and 2022 was $355,600, $348,675 and $303,050, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $142,590, $132,619 and $57,079 in 2024, 2023 and 2022, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The board of directors has established a compensation committee consisting of at least three board members, each of whom shall be free from any relationship that would interfere with the exercise of his or her independent judgment as a committee member as determined by the board of directors. The primary function of the compensation committee is to assist the board in fulfilling its responsibilities with respect to matters involving the compensation of the board and the chief executive officer, to review the compensation policies and plans for senior officers and employees and to approve the overall compensation program for senior officers. A copy of the compensation charter is available to the public on the Association's website at *www.texasfarmcredit.com*.

The compensation committee approves the Association's incentive plan annually. The incentive plan is based on the Association meeting certain financial objectives established in the Association's annual Business Plan submitted to the Farm Credit Administration and approved by the board. The incentive plan is based on the Association's fiscal year of operations. The incentive plan requires that the Association meet certain net earnings objectives to ensure adequate capital levels to support predetermined board objectives. The incentive plan also requires that the branches meet performance objectives such as financial services income to operating expense ratio and credit quality objectives. The incentive plan is structured so that an incentive pool of dollars is paid if the incentive plan objectives are met. A staggered incentive pool of dollars is available to employees if objectives are less than fully achieved. There were no material amendments to the incentive plan for 2024.

All employees are eligible to participate in the Association's incentive plan if they were employed on or before July 1 of the fiscal year of that year's incentive plan. Employees must receive a satisfactory performance evaluation to receive incentive payments from that year's incentive plan. If an employee does not receive a satisfactory performance evaluation, their incentive is calculated as if it was to be paid and withheld from distribution. It does not go back into the incentive pool of dollars to be distributed to other participants. Employees with less than five years of service are subject to a vesting schedule for incentive payments. Employees receive a 20 percent vestment percentage for each year of service. Employee payment of prior year's vested incentives is not dependent on the employee receiving a satisfactory performance evaluation for the current year's incentive plan. Undistributed unvested incentives are forfeited if an employee voluntarily or involuntarily terminates employment.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is established by the board of directors at the beginning of each fiscal year. The CEO participates in the Association's incentive plan. The CEO bonus is dependent on the Association meeting the financial objectives approved by the compensation committee and included in the incentive plan.

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 may include other non-senior 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.

Chief Executive Officer	Year	Salary (b)	Bonus (c)	Total
Mark Miller	**2024**	**$ 625,000**	**$ 289,460**	**$ 914,460**
Mark Miller	2023	575,000	212,491	787,491
Mark Miller	2022	515,000	260,878	775,878

Aggregate number of Senior Officers & other highly compensated employees (a)	Year	Salary (b)	Bonus (c)	Total
5 Officers	**2024**	**$ 1,267,500**	**$ 407,536**	**$ 1,675,036**
5 Officers	2023	1,213,500	448,448	1,661,948
5 Officers	2022	1,117,500	566,080	1,683,580

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.

Pension Benefits Disclosure

Neither the CEO or any highly compensated employees disclosed above in aggregate participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan.

Employees assigned Association vehicles are given the option to drive a company-owned vehicle or receive a compatible auto allowance to purchase a personal vehicle. Employees opting for the auto allowance are liable for all payroll taxes. The auto allowance is exempt from 401(k) matching and is not included in any incentive calculations. Employees who drive company-owned vehicles have personal miles reported to the IRS as fringe benefits that are considered additional taxable income to the employee. Employees who use their personal automobiles for business purposes were reimbursed during 2024 at the IRS-approved rate of 67.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2024, 2023 and 2022.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 14 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in FCA §620.6(f).

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders, and no disagreements with auditors has occurred that the Association would be required to report to the Farm Credit Administration under part

621 of the regulations governing this disclosure. The fees paid in 2024 for professional audit services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were $133,600. The fees paid in 2024 for services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were $13,700 for professional tax services and $45,000 for merger-related services. No other services were provided by the independent auditors, PricewaterhouseCoopers LLP.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has no business relationships with any unincorporated business entity (UBE) as of December 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.

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

The Association has established a policy related to providing credit and services to young, beginning and small (YBS) farmers and ranchers. "Young" farmers and ranchers are defined as producers whose age is 35 years or younger as of the loan's transaction date. "Beginning" farmers and ranchers are producers that have 10 years or less of farming or ranching experience as of the loan transaction date. A producer is considered a "small" farmer and rancher if they normally generate $350,000 or less in annual gross sales of agricultural products.

The Association's YBS definitions differ slightly from those used by the United States Department of Agriculture (USDA). USDA defines a "young" farmer and rancher as a producer under the age of 35. USDA defines a "beginning" farmer and rancher as a producer with less than 10 years of farming or ranching experience.

The Association created a YBS mission statement to help guide its efforts. The mission statement is as follows:

> Ensure that the Association is fully engaged in financing and providing related credit services to young, beginning, and small farmers, ranchers, and producers or harvesters of aquatic products (YBS producers) to facilitate the ability of these producers to begin, grow, or remain in agriculture.

The Association is committed to cooperating with all Farm Credit institutions, state and federal agencies, such as the USDA and Small Business Administration, commercial lending institutions, and all other guarantors or cosigners to benefit young, beginning and small producers. It has committed staff and financial resources to the development and execution of its YBS program.

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	58	$ 32,395,211	0.7%	1.0%
Young & beginning	123	86,628,695	1.6%	2.7%
Young & small	75	12,094,479	1.0%	0.4%
Beginning only	136	120,113,023	1.7%	3.7%
Beginning & small	3,998	1,252,568,170	50.9%	38.7%
Small only	1,319	359,578,805	16.8%	11.1%
Young, beginning & small (YBS)	1,120	215,953,784	14.2%	6.7%
Non-YBS	1,030	1,157,241,361	13.1%	35.7%
Total	**7,859**	**$ 3,236,573,528**	**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	13	$ 10,137,499	1.2%	1.5%
Young & beginning	35	26,752,630	3.2%	3.9%
Young & small	11	1,453,599	1.0%	0.2%
Beginning only	49	39,473,017	4.5%	5.8%
Beginning & small	370	113,683,681	34.2%	16.8%
Small only	175	55,442,287	16.2%	8.2%
Young, beginning & small (YBS)	123	14,003,592	11.4%	2.1%
Non-YBS	307	417,591,373	28.3%	61.5%
Total	**1,083**	**$ 678,537,678**	**100.0%**	**100.0%**

Each year, the Association establishes objectives related to its YBS program. The objectives are approved by the board of directors and are included in the Association's strategic plan. The following table summarizes the Association's 2024 objectives compared to actual results.

YBS Program - New Loan Volume	2024 Goal	2024 Result
Young farmers and ranchers	$ 70,000,000	$ 55,962,000
Beginning farmers and ranchers	$ 210,000,000	$ 212,861,000
Small farmers and ranchers	$ 210,000,000	$ 200,523,000

YBS Program - Percentage of New Loan Volume	2024 Goal	2024 Result
Young farmers and ranchers	9.0%	8.1%
Beginning farmers and ranchers	33.0%	30.9%
Small farmers and ranchers	33.0%	29.1%

YBS Program - Number of New Loans	2024 Goal	2024 Result
Young farmers and ranchers	224	92
Beginning farmers and ranchers	810	317
Small farmers and ranchers	940	379

The board of directors remains committed to the YBS program. It has committed staff and financial resources to the development and execution of its YBS program. The 2025 objectives that were approved by the board of directors and included in the Association's strategic plan are summarized in the following table.

YBS Program - Number of Loans	2025 Goal
Young farmers and ranchers	1228
Beginning farmers and ranchers	4954
Small farmers and ranchers	6015

YBS Program - Percentage of Total Number of Loans	Total Loans
Young farmers and ranchers	15.4%
Beginning farmers and ranchers	62.6%
Small farmers and ranchers	76.1%

YBS Program - Combined Segments	Total Loans
% of Total Number of Loans	79.4%
% of Total Volume of Loans	61.8%

The following tables represent YBS demographics for the State of Texas, the Association's territory and the Association. The YBS demographics for the State of Texas and the Association's territory are based on the USDA-NASS 2022 Census. The Association's YBS data is based on 2024 data.

YBS Program - State of Texas	**Total**	**Number**	**Percentage of Total**
Agricultural producers in Texas	402,876		
Young farmers and ranchers in Texas		24,900	6.2%
Beginning farmers and ranchers in Texas		129,760	32.2%
Small farmers and ranchers in Texas		230,662	57.3%

YBS Program - Association's Territory	**Total**	**Number**	**Percentage of Total**
Agricultural producers in Association's territory	252,990		
Young farmers and ranchers in territory		12,208	4.8%
Beginning farmers and ranchers in territory		61,002	24.1%
Small farmers and ranchers in territory		179,780	71.1%

YBS Program - Association	**Total**	**Number**	**Percentage of Total**
Agricultural producers' loans in the Association	7,103		
Young farmers and ranchers' loans in the Association		1224	17.2%
Beginning farmers and ranchers' loans in the Association		4,954	69.7%
Small farmers and ranchers' loans in the Association		6,015	84.7%

SERVING 101 TEXAS COUNTIES AND DELIVERING EVEN GREATER VALUE TO OUR CUSTOMERS

We offer a digital version of this annual report! If you'd like to receive it via email next year, please scan this QR code using your phone's camera app (or visit *TexasFarmCredit.com/Digital* on our website), fill out the form, and we'll take care of the rest!

AGRICULTURE LENDING

- Cow-Calf, Stocker and Feedlot Operations
- Crop Operations
- Planting and Harvesting Expenses
- Timber Operations
- Agribusinesses

RURAL REAL ESTATE FINANCING

- Farms and Ranches
- Recreational Property
- Hunting Ranches
- Property Improvements
- Homesite Loans

INSURANCE SERVICES

- Crop Insurance
- Pasture, Rangeland and Forage (PRF) Insurance
- Annual Forage Insurance
- Life Insurance
- Livestock Risk Protection (LRP) Insurance
- Dairy Revenue Protection (DRP) Insurance

HOME MORTGAGES

Offering these home loan programs:

- Rural Home Program
- Rural Home Jumbo Program
- Conventional Program
- Conventional Jumbo Program
- Portfolio Loans
- FHA Program

Certain conditions may apply. Texas Farm Credit is an Equal Housing Lender. As prohibited by federal law, we do not engage in business practices that discriminate on the basis of race, color, religion, national origin, sex, marital status or age (provided you have the capacity to enter into a binding contract), because all or part of your income may be derived from a public assistance program, or because you have, in good faith, exercised any right under the Consumer Credit Protection Act. The federal agency that administers our compliance with these federal laws is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC, 20580. The Texas Farm Credit National Mortgage Licensing System number is 962054. For more information visit www.texasfcs.com

Texas Farm Credit Services
545 S. Highway 77
Robstown, TX 78380

ADDRESS SERVICE REQUESTED

TEXAS GROWN. CUSTOMER OWNED.

EQUAL HOUSING LENDER

Texas Farm Credit offers loans and related services for farms and ranches, rural homes, recreational property, hunting ranches, and insurance services.

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