2024

ANNUAL REPORT

FARM CREDIT OF WESTERN KANSAS, ACA

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

(Dollars in Thousands)

	December 31				
	2024	2023	2022	2021	2020
Statement of Condition Data					
Loans	**$ 531,318**	$ 481,111	$ 423,430	$ 411,484	$ 377,635
Less allowance for loan losses	**1,225**	1,165	1,389	1,246	1,238
Net loans	**530,093**	479,946	422,041	410,238	376,397
Investment in CoBank, ACB	**11,866**	9,867	11,057	11,344	11,338
Other assets	**22,913**	22,586	20,150	23,854	17,525
Total assets	**$ 564,872**	$ 512,399	$ 453,248	$ 445,436	$ 405,260
Obligations with maturities of one year or less	**$ 16,504**	$ 17,676	$ 29,610	$ 17,307	$ 13,025
Obligations with maturities longer than one year	**430,080**	382,600	316,430	324,778	292,446
Reserve for unfunded commitments	**257**	217	302	293	322
Total liabilities	**446,841**	400,493	346,342	342,378	305,793
Capital stock	**719**	725	732	726	745
Unallocated retained earnings	**117,312**	111,181	106,174	102,332	98,722
Total shareholders' equity	**118,031**	111,906	106,906	103,058	99,467
Total liabilities and shareholders' equity	**$ 564,872**	$ 512,399	$ 453,248	$ 445,436	$ 405,260

	For the Year Ended December 31				
	2024	2023	2022	2021	2020
Statement of Income/(Expense) Data					
Net interest income	**$ 15,355**	$ 14,141	$ 12,136	$ 11,422	$ 10,580
Patronage distribution from Farm Credit institutions	**2,069**	1,918	1,713	1,576	1,234
(Provision for credit losses)/Credit loss reversal	**(98)**	9	(152)	21	(99)
Noninterest expense, net	**(5,695)**	(5,708)	(5,355)	(5,409)	(5,216)
Net income/Comprehensive Income	**$ 11,631**	$ 10,360	$ 8,342	$ 7,610	$ 6,499
Comprehensive income	**$ 11,631**	$ 10,360	$ 8,342	$ 7,610	$ 6,499

Key Financial Ratios					
For the Year					
Return on average assets	**2.20%**	2.24%	1.93%	1.85%	1.66%
Return on average shareholders' equity	**9.91%**	9.27%	7.80%	7.39%	6.53%
Net interest income as a percentage of average earning assets	**3.07%**	3.24%	2.99%	2.95%	2.89%
Net (recoveries)/charge-offs as a percentage of average net loans	**<(0.01%)**	0.04%	-	-	<(0.01%)
At Year End					
Shareholders' equity as a percentage of total assets	**20.90%**	21.84%	23.59%	23.14%	24.54%
Debt as a ratio to shareholders' equity	**3.79:1**	3.58:1	3.24:1	3.32:1	3.07:1
Allowance for loan losses as a percentage of loans	**0.23%**	0.24%	0.33%	0.30%	0.33%
Common equity tier 1 (CET1) capital ratio	**19.23%**	21.06%	22.00%	21.88%	23.41%
Tier 1 capital ratio	**19.23%**	21.06%	22.00%	21.88%	23.41%
Total regulatory capital ratio	**19.49%**	21.32%	22.37%	22.27%	23.81%
Tier 1 leverage ratio	**20.05%**	22.01%	22.65%	22.34%	23.48%
Unallocated retained earnings and URE equivalents (UREE) leverage ratio	**19.91%**	21.86%	22.47%	23.33%	24.57%
Permanent capital ratio	**19.27%**	21.11%	22.07%	22.00%	23.49%
Net Income Distribution					
Cash patronage distributions paid	**$ 5,548**	$ 4,520	$ 4,009	$ 3,515	$ 3,885
Cash patronage declared	**$ 5,500**	$ 5,500	$ 4,500	$ 4,000	$ 3,500

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INTRODUCTION

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

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

Our quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.fcwk.com, or upon request. We are located at 1190 South Range Avenue, Colby, Kansas 67701, or may be contacted by calling (800) 657-6048 or (785) 462-6714.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

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

Our Structure and Focus

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

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

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 1190 South Range Avenue, Colby, Kansas 67701 or may be contacted by calling (800) 657-6048 or (785) 462-6714. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

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

ECONOMIC OVERVIEW

During 2024, economic conditions in our region were generally positive; however, early credit analysis in 2025 shows decreased earnings and working capital for some of our borrowers, indicating some stress in our portfolio. Hail damage and drought caused crop losses across a large portion of our territory. The rainfall in our territory was below average for the year and conditions were dry when moisture was needed, causing yields in our territory to range from average to below average. Emergency Relief Payments have helped to lessen the impact of these economic conditions on our borrowers, but the amount received in 2024 was less than the prior year. Crop insurance has also provided support to borrowers. Borrower liquidity decreased below average during 2024 and led to an increase in operating loan volume.

The Association's financial condition and profitability remained strong in 2024 and exceeded last year's performance. As such, a $5.5 million borrower patronage distribution was declared by the Board. Credit quality remained very strong and capital continues to exceed regulatory minimums. Above average interest rates continued to have a positive impact on earnings on our loanable funds held at CoBank.

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

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

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

LOAN PORTFOLIO

Total loans outstanding were $531.3 million at December 31, 2024, an increase of $50.2 million, or 10.4%, from loans at December 31, 2023. The increase in loans was due to increased customer demand for production and intermediate loans and participations purchased for diversification. The types of loans outstanding at December 31 are reflected in the following table.

	2024		2023		2022	
(dollars in thousands)	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Real estate mortgage	**$ 333,362**	**62.7%**	$ 331,429	68.9%	$ 309,126	73.0%
Production and intermediate-term	**135,165**	**25.4%**	101,886	21.2%	73,207	17.3%
Agribusiness	**39,228**	**7.4%**	27,467	5.7%	26,614	6.3%
Rural infrastructure	**19,428**	**3.7%**	16,193	3.3%	14,482	3.4%
Agricultural export finance	**4,135**	**0.8%**	4,136	0.9%	1	–
Total	**$ 531,318**	**100.0%**	$ 481,111	100.0%	$ 423,430	100.0%

Real estate mortgage loans outstanding increased slightly from year-end 2023 to year-end 2024 primarily due to demand for new real estate mortgages outpacing payoff and paydown activity. Long-term mortgage loans are primarily used to purchase, refinance, or improve real estate. These loans have maturities ranging from 5 to 40 years. Real estate mortgage loans are also made to rural homeowners. By federal regulation, a real estate mortgage loan must be secured by a first lien and may only be made in an amount up to 85% of the original appraised value of the property, or up to 97% of the appraised value, if the loan is guaranteed by certain state, federal, or other governmental agencies. The average loan to appraised value in the mortgage portfolio at year-end 2024 was 33.5%, compared with 34.5% at year-end 2023 and 35.2% at year-end 2022. Under our current underwriting standards, we lend less than the regulatory limit of 85% of the appraised value of the property.

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

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

Portfolio Diversification

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

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

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

(dollars in thousands)	**2024**	2023	2022
Participations purchased	**$ 120,750**	$ 92,771	$ 67,238
Participations sold	**$ 40,925**	$ 35,409	$ 37,467

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

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

	2024	2023	2022
Cheyenne	**3.70%**	4.10%	4.42%
Decatur	**3.11%**	3.50%	4.04%
Gove	**4.26%**	3.93%	4.15%
Logan	**2.32%**	2.58%	3.07%
Rawlins	**7.05%**	7.55%	7.57%
Sheridan	**6.24%**	6.63%	6.79%
Sherman	**19.13%**	19.35%	20.93%
Thomas	**14.71%**	16.84%	17.63%
Wallace	**10.00%**	8.22%	8.28%
Other	**29.48%**	27.30%	23.12%
Total	**100.00%**	100.00%	100.00%

We are a party to an Agreement Providing Territorial Concurrence (Agreement) with Farm Credit of Southern Colorado. While this Agreement eliminates territorial restrictions to allow customer choice, it also sets forth some guidelines for notifications and restrictions on active marketing in the other association's territory.

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

	December 31		
SIC Category	**2024**	2023	2022
Corn	**50.90%**	53.77%	58.09%
Cattle	**14.45%**	13.85%	12.16%
Wheat	**7.91%**	7.70%	6.68%
Other	**26.74%**	24.68%	23.07%
Total	**100.00%**	100.00%	100.00%

Our loan portfolio contains a concentration of corn, cattle, and wheat producers. Repayment ability of our borrowers is closely related to the production and profitability of the commodities they raise. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral, which is impacted by industry economics. Our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities negatively affected and the magnitude and duration of the adverse agricultural conditions to our borrowers. In the preceding table, Other primarily consists of several various commodities, mostly in purchased participations.

The loans outstanding at December 31, 2024 for loans $250 thousand or less accounted for 19.0% of loan volume and 69.4% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The following table details loans outstanding by dollar size at December 31 for the last three years.

	2024		2023		2022	
(dollars in thousands)	**Amount outstanding**	**Number of loans**	Amount outstanding	Number of loans	Amount outstanding	Number of loans
$1 - $250	**$ 100,813**	**1,230**	$ 95,527	1,186	$ 96,253	1,214
$251 - $500	**91,908**	**261**	83,002	242	77,365	221
$501 - $1,000	**105,710**	**159**	92,258	140	84,475	125
$1,001 - $5,000	**222,129**	**120**	210,324	111	160,330	88
$5,001 - $25,000	**10,758**	**2**	–	–	5,007	1
Total	**$ 531,318**	**1,772**	$ 481,111	1,679	$ 423,430	1,649

As of December 31, 2024, approximately 16.1% of our loans outstanding is attributable to 10 borrowers. Due to their size, the loss of any of these loans or the failure of any of these loans to perform would adversely affect the portfolio and our future operating results.

Credit guarantees with government agencies of $10.0 million at year-end 2024, $9.5 million at year-end 2023, and $8.9 million at year-end 2022 were outstanding. See Note 3 for additional information.

Credit Commitments

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

(dollars in thousands)	**Due 1 year or less**	**Due after 1 year through 3 years**	**Due after 3 years through 5 years**	**Due after 5 years**	**Total**
Commitments to extend credit	$ 65,441	$ 44,751	$ 23,214	$ 18,035	$ 151,441
Standby letters of credit	182	13	–	–	195
Commercial letters of credit	1	–	–	–	1
Total commitments	$ 65,624	$ 44,764	$ 23,214	$ 18,035	$ 151,637

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. We consider potential losses related to unfunded commitments, and a reserve for unfunded commitments is included in the liabilities section of the Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income.

Nonperforming Assets

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

(dollars in thousands)	**2024**	2023	2022
Nonaccrual loans	**$ 2**	$ 4	$ 2,020
Total nonperforming assets	**$ 2**	$ 4	$ 2,020

We had no loans classified as 90 days past due still accruing interest, and no other property owned for the years presented.

Total nonperforming assets decreased 50.0% at December 31, 2024 compared with year-end 2023. The reduction in nonperforming assets was largely due to improved credit quality in our portfolio.

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. Nonaccrual volume decreased from December 31, 2023 due to paydown on a loan. One customer makes up all the nonaccrual volume.

Nonperforming asset volume is anticipated to gradually decrease in the future as a result of further payments.

Credit Quality

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

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing facts that make collection in full highly questionable.
- Loss – Assets are not considered collectible.

	2024	2023	2022[1]
Acceptable	**98.30%**	97.98%	97.21%
OAEM	**1.70%**	1.42%	2.24%
Substandard	**–**	0.60%	0.55%
Total	**100.00%**	100.00%	100.00%

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

During 2024, overall credit quality improved. Loans classified as Acceptable and OAEM were 100.0% at December 31, 2024, 99.4% at December 31, 2023, and 99.5% at December 31, 2022. We had no loans classified as Doubtful or Loss for any of the three years presented. The financial position of most agricultural producers has strengthened during the past decade, and most of our borrowers have maintained generally strong financial positions. As such, our credit quality is anticipated to remain sound in the near term. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs, and commodity prices. Each of these can be significantly impacted by uncontrollable events. If less favorable economic conditions continue, it will likely lead to weakening in the loan portfolio.

Allowance for Loan Losses

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

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

For periods prior to January 1, 2023, we maintained an allowance for loan losses at a level consistent with the probable and estimable losses inherent in the loan portfolio identified by management. The allowance for loan losses at each period end was considered to be adequate to absorb probable losses existing in the loan portfolio. The following table provides relevant information regarding the allowance for loan losses as of December 31 for the last three fiscal years.

(dollars in thousands)	**2024**	2023	2022
Balance at beginning of year	**$ 1,165**	$ 1,389	$ 1,246
Cumulative effect of CECL adoption		(70)	
Balance at January 1		$ 1,319	
Charge-offs:			
Agribusiness	**–**	156	–
Total charge-offs	**–**	156	–
Recoveries:			
Production and intermediate-term	**1**	–	–
Agribusiness	**1**	3	–
Total recoveries	**2**	3	–
Net (recoveries)/charge-offs	**(2)**	153	–
Provision for loan losses/(Loan loss reversal)	**58**	(1)	143
Balance at December 31	**$ 1,225**	$ 1,165	$ 1,389
Net (recoveries)/ charge-offs to average net loans	**<(0.01%)**	0.04%	–

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

(dollars in thousands)	**2024**	2023	2022
Real estate mortgage	**$ 820**	$ 809	$ 602
Production and intermediate-term	**293**	182	232
Agribusiness	**12**	2	490
Rural infrastructure	**99**	172	65
Agricultural export finance	**1**	–	–
Total	**$ 1,225**	$ 1,165	$ 1,389

The allowance for loan losses increased from December 31, 2023 to December 31, 2024 primarily due to increased loan volume, partially offset by improvement in the loss rates on communications participation loan volume. Net recoveries of $2 thousand were recorded during 2024. The recoveries were related to one agribusiness participation loan and one production and intermediate direct loan. Overall, charge-off activity remains low relative to the size of our loan portfolio. During 2023, our allowance for loan losses decreased from 2022 primarily due to generally stable credit quality in our loan portfolio, the cumulative effect of CECL adoption, and the paydown and partial charge-off of a participation loan, partially offset by an overall increase in average loan volume. Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table.

	2024	2023	2022
Allowance for loan losses as a percentage of:			
Loans	**0.23%**	0.24%	0.33%
Nonperforming loans	**61,250.00%**	29,125.00%	68.76%

Nonperforming loans decreased and the allowance increased resulting in an increase in the allowance as a percentage of nonperforming loans.

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

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

(dollars in thousands)	**2024**	2023	2022
Balance at beginning of year	**$ 217**	$ 302	$ 293
Cumulative effect of CECL adoption		(77)	
Balance at January 1		225	
Provision for/(Reversal of) reserve for unfunded commitments	**40**	(8)	9
Total	**$ 257**	$ 217	$ 302

The provision for reserve for unfunded commitments recorded in 2024 is primarily due to an increase in unfunded commitments and additional risk in the portfolio.

Young, Beginning, and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and dependable credit and related services to young, beginning, and small (YBS) farmers and ranchers. The mission of the YBS Program is to supply sound and constructive credit to those individuals who would qualify under this program in northwest Kansas. The FCA regulatory definitions for YBS farmers and ranchers are shown below.

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

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

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

	New loan activity during 2024			
(dollars in thousands)	Loan Counts	Volume	Percent of Total Loan Counts	Percent of Total Volume
Category				
Young only	29	$ 19,749	8.1%	8.5%
Young & beginning	21	9,486	5.9%	4.1%
Young & small	6	455	1.7%	0.2%
Beginning only	12	4,742	3.3%	2.0%
Beginning & small	12	2,164	3.4%	0.9%
Small only	63	12,930	17.6%	5.6%
Young, beginning & small (YBS)*	22	1,690	6.1%	0.7%
YBS Total	**165**	**$ 51,216**	**46.1%**	**22.0%**
Non-YBS	193	181,591	53.9%	78.0%
Total	**358**	**$ 232,807**	**100.0%**	**100.0%**

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

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

	Loans outstanding as of December 31, 2024			
(dollars in thousands)	Loan Counts	Volume	Percent of Total Loan Counts	Percent of Total Volume
Category				
Young only	95	$ 34,650	5.5%	5.6%
Young & beginning	115	31,592	6.7%	5.1%
Young & small	19	1,287	1.1%	0.2%
Beginning only	33	9,324	1.9%	1.5%
Beginning & small	53	10,558	3.1%	1.7%
Small only	291	53,028	16.9%	8.6%
Young, beginning & small (YBS)*	89	9,988	5.2%	1.6%
YBS Total	**695**	**$ 150,427**	**40.4%**	**24.3%**
Non-YBS	1,026	468,041	59.6%	75.7%
Total	**1,721**	**$ 618,468**	**100.0%**	**100.0%**

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

We establish annual marketing goals to increase market share of loans to YBS farmers and ranchers. Our goals are as follows:

- Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities for coordinating credit and services offered with other System institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and
- Implement effective outreach programs to attract YBS farmers and ranchers.

Our marketing strategy for YBS borrowers includes radio advertising, 4-H and FFA sponsorships, scholarships, and contacts with the Ag departments at area educational institutions. We also participate in sponsoring statewide activities in conjunction with other Farm Credit offices including Women Managing the Farm Seminars, 4-H Key Awards, Kansas Livestock Association (KLA) Field Days, the KLA Breakfast at their annual meeting, and other local seminars geared towards YBS borrowers including the Cultivating Courage and Grow Your Farm Forum seminars. We are also supporters of Kansas Ag and Rural Leadership (KARL) training, Kansas State University (K-State) Management, Analysis, and Strategic Thinking (MAST-K-State) training, Ag in the Classroom, Fort Hays State University scholarship, and Kansas State University extension services. We have provided support to the Kansas Young Farmers and Leaders Conference, Kansas Soil Conservation, Kansas High School Rodeo, Farm in Transition Seminars, and the Kansas Society of Farm Managers and Rural Appraisers.

We offer prime interest rates, terms, and condition incentives on our lending products to assist qualifying YBS borrowers. To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we utilize the same loan underwriting standards on YBS loans as are used for other loans in the portfolio. Farm Service Agency (FSA) guaranteed loan options are a good alternative to assist with the financing of YBS borrowers. Our portfolio standards also allow for criticized YBS loans of up to 3% of the total portfolio or 10% of total risk funds before taking action to limit further exposure.

Quarterly reports are provided to our Board of Directors detailing the number, volume, and credit quality of our YBS customers. We have developed qualitative and quantitative targets to monitor our progress. Our current goals have been set to target a YBS loan growth of 5% each year. We continue to strive to be a dominant player in providing credit to young, beginning, and small farmers and ranchers and to participate at levels exceeding these goals.

	Actual	Goals		
	2024	2025	2026	2027
Category*:				
Young	**318**	334	351	368
Beginning	**290**	305	320	336
Small	**452**	475	498	523

* Due to FCA regulatory definitions, a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

Due to prior year market indications, we projected no new YBS loan growth in 2024; however, we were able to successfully exceed our goals. The number of new loans made to YBS farmers and ranchers compared to our 2024 projections are presented in the following table:

2024 Growth (number of loans)	Projected	Actual
Category*:		
Young	0	78
Beginning	0	67
Small	0	103

* Due to FCA regulatory definitions, a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

CREDIT RISK MANAGEMENT

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

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

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

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

By regulation, we cannot have loan commitments to one borrower for more than 15% of our lending and lease limit base. Our Association's lending and lease limit base is established by our total regulatory capital. Additionally, we set our own lending limits to manage loan concentration risk. We have adopted an individual lending limit maximum of 14% of lending and lease limit base for our highest quality borrowers.

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

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

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

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

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

We consider loan participations to be an effective diversification strategy to supplement organic loan growth and gain access to other markets and commodities outside of the Association's territory, and effectively increasing net income to an efficient level. The Association has primarily added participations to its loan portfolio through the Farm Credit Capital Group (FCCG). However, these exposures pose risks outside of the normal risk in our core portfolio volume. We will continue to follow the Combined System Risk Rating Guidance to analyze these credits and limit Association exposure.

RESULTS OF OPERATIONS

Earnings Summary

In 2024, we recorded net income of $11.6 million, compared with $10.4 million in 2023 and $8.3 million in 2022. The increase in 2024 was primarily due to increases in net interest income and noninterest income, partially offset by increases in provision for credit losses and noninterest expense. The increase in 2023 was primarily due to increases in net interest income and noninterest income as well as a decrease in provision for credit losses, partially offset by an increase in noninterest expense. The following table presents the changes in the significant components of net income from the previous year.

(dollars in thousands)	**2024 vs. 2023**	2023 vs. 2022
Net income, prior year	**$ 10,360**	$ 8,342
Increase/(Decrease) from changes in:		
Interest income	**5,801**	6,723
Interest expense	**(4,587)**	(4,718)
Net interest income	**1,214**	2,005
Provision for credit losses	**(107)**	161
Noninterest income	**254**	190
Noninterest expense	**(90)**	(338)
Total increase in net income	**1,271**	2,018
Net income, current year	**$ 11,631**	$ 10,360

Return on average assets decreased to 2.20% from 2.24% in 2023 and return on average shareholders' equity increased to 9.91% from 9.27% in 2023, primarily as a result of net income increasing at a faster rate than average shareholders' equity while average assets increased at a faster rate than net income.

Net Interest Income

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

(dollars in thousands)	**2024 vs. 2023**	2023 vs. 2022
Net interest income, prior year	**$ 14,141**	$ 12,136
Increase/(Decrease) in net interest income from changes in:		
Interest rates earned	**2,128**	4,931
Interest rates paid	**(2,457)**	(3,975)
Volume of interest-bearing assets and liabilities	**1,656**	951
Interest income on nonaccrual loans	**(113)**	98
Increase in net interest income	**1,214**	2,005
Net interest income, current year	**$ 15,355**	$ 14,141

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

	For the Year Ended December 31		
	2024	2023	2022
Net interest margin	**3.07%**	3.24%	2.99%
Interest rate on:			
Average loan volume	**5.99%**	5.53%	4.29%
Average debt	**3.58%**	2.88%	1.64%
Interest rate spread	**2.41%**	2.65%	2.65%

The decrease in interest rate spread resulted from a 46 basis point increase in interest rates on average loan volume and a 70 basis point increase in interest rates on average debt. The decrease in net interest margin due to the change in spread was partially offset by higher earnings on our own capital.

Provision for Credit Losses/(Credit Loss Reversals)

We monitor our loan portfolio and unfunded commitments on a regular basis to determine if any increase through provision for credit losses or decrease through a credit loss reversal in our allowance for loan losses or reserve for unfunded commitments is warranted based on our assessment of the relevant historical events, current conditions, and macroeconomic conditions. Prior to the adoption of CECL, we estimated allowance for credit losses based on our assessment of probable and estimable losses inherent in our loan portfolio and unfunded commitments. We recorded net provision for credit losses of $98 thousand in 2024, compared with net credit loss reversals of $9 thousand in 2023 and net provision for credit losses of $152 thousand in 2022. The provision for loan losses of $58 thousand recorded during 2024 was primarily due to an increase in loan volume, partially offset by improvement in the loss rates on communications participation loan volume. The provision for reserve for unfunded commitments of $40 thousand was recorded during 2024 due to an increase in unfunded commitments and additional risk in the portfolio.

The loan loss reversals and reversal of reserve for unfunded commitments recorded in 2023 were primarily due to the cumulative effect of CECL adoption and generally stable credit quality in our loan portfolio.

The provision for loan losses in 2022 was primarily due to growth in the loan portfolio. The provision for reserve for unfunded commitments recorded in 2022 was primarily due to an increase in unfunded commitments and increased risk for unfunded commitments in our agribusiness cooperatives portfolio, partially offset by decreased risk for unfunded commitments across the rest of our portfolio.

Noninterest Income

During 2024, we recorded noninterest income of $3.9 million, compared with $3.6 million in 2023 and $3.4 million in 2022. Patronage distributions from CoBank are our primary source of noninterest income. Patronage is accrued in the year earned and then received from CoBank in the following year. CoBank patronage is distributed in cash and stock. The total patronage from CoBank is comprised of two sources: patronage based on our borrowing balance (direct note patronage) and patronage based on loans we originate and then sell a portion to them as a participant (sold volume patronage). We received 100 basis points on participation loans and 45 basis points on our direct note with CoBank for all other loans. Patronage earned from CoBank was $2.1 million in 2024, compared with $1.7 million in 2023 and 2022. Patronage income from CoBank includes special cash patronage distributions of $278 thousand for 2024, $233 thousand for 2023, and $274 thousand for 2022 due to CoBank's strong capital levels and financial results.

We received a patronage distribution from AgVantis in 2023 and 2022, based on our services purchased from AgVantis during the year. There was no distribution in 2024. Our total notice of allocation was $188 thousand in 2023 and $45 thousand in 2022. The allocation for 2023 included cash patronage of $94 thousand with the remainder recorded as an investment in AgVantis and included in other assets on the Consolidated Statement of Condition. The entire patronage allocation for 2022 was recorded as an investment in AgVantis.

We recorded a cash patronage of $11 thousand from Farm Credit Foundations, the organization that provides our payroll and human resource services, which will be paid in the following year. This compares with $11 thousand recorded in 2023 and $8 thousand in 2022. Patronage from Farm Credit Foundations, AgVantis, and CoBank is included in patronage distribution from Farm Credit institutions on the Consolidated Statement of Comprehensive Income.

We received mineral income of $223 thousand during 2024, which is distributed to us quarterly by CoBank. Mineral income decreased from $289 thousand in 2023 and $370 thousand in 2022. The decrease in 2024 is due to decreased production volumes and lower prices paid for production.

We received a refund of $122 thousand during 2024 from the Farm Credit System Insurance Corporation, which represents our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. No such refunds were received in 2023 or 2022.

Noninterest income also includes loan fees, financially related services income, and other noninterest income. Loan fees in 2024 were $362 thousand, an increase of $98 thousand, from 2023, primarily due to an increase in fees on participation loans and an increase in appraisal fees.

Noninterest Expense

Noninterest expense for 2024 increased $90 thousand, or 1.2%, to $7.5 million compared with 2023 and $428 thousand, or 6.0% compared with 2022. Noninterest expense for each of the three years ended December 31 is summarized as follows:

				Percent of Change	
(dollars in thousands)	**2024**	2023	2022	**2024/2023**	2023/2022
Salaries & employee benefits	**$ 3,673**	$ 3,550	$ 3,334	**3.46%**	6.48%
Occupancy & equipment	**295**	290	289	**1.72%**	0.35%
Purchased services from AgVantis	**1,449**	1,619	1,571	**(10.50%)**	3.06%
Supervisory & examination costs	**199**	176	164	**13.07%**	7.32%
Other	**1,524**	1,237	1,173	**23.20%**	5.46%
Total operating expense	**7,140**	6,872	6,531	**3.90%**	5.22%
Farm Credit Insurance Fund premium	**373**	551	554	**(32.30%)**	(0.54%)
Total noninterest expense	**$ 7,513**	$ 7,423	$ 7,085	**1.21%**	4.77%

For the year ended December 31, 2024, total operating expense increased $268 thousand, or 3.9%, compared with the year ended December 31, 2023, primarily due to increases in salaries and employee benefits, supervisory and examination costs and other operating expense, partially offset by a decrease in purchased services from AgVantis. Other operating expense increased primarily due to increased human resources consulting fees, director expenses, advertising and public member relations costs, and information technology expenses. The increased human resources consulting fees and part of the increased director expenses were due to the search and selection of a new CEO. Director expenses were also higher due to additional expenses related to director training, and the addition of a new appointed director in May 2024. The increase in information technology expense is due to license costs on new loan origination software.

LIQUIDITY

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

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge to CoBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank, which renews annually and matures on May 31, 2025. The annual average principal balance of the note payable to CoBank was $394.1 million in 2024, $327.8 million in 2023, and $299.2 million in 2022.

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

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank which allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and its asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed excess loanable funds with CoBank at a fixed rate for a specified term as a part of CoBank's Association Equity Positioning Program (AEPP). This enables us to reduce our overall cost of funds with CoBank without significantly increasing our overall interest rate risk position.

Funds Management

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

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Shareholders' equity at December 31, 2024 totaled $118.0 million, compared with $111.9 million at December 31, 2023 and $106.9 million at December 31, 2022. The increase of $6.1 million in shareholders' equity reflects net income, partially offset by patronage distributions and net stock retirements. Our capital position is reflected in the following ratio comparisons.

	2024	2023	2022
Debt to shareholders' equity	**3.79:1**	3.58:1	3.24:1
Shareholders' equity as a percent of net loans	**22.27%**	23.32%	25.33%
Shareholders' equity as a percent of total assets	**20.90%**	21.84%	23.59%

Debt to shareholders' equity increased and shareholders' equity as a percent of net loans and of total assets decreased from 2023. Debt to shareholders' equity increased due to debt increasing faster than shareholders' equity primarily due to an increase in our net note payable with CoBank. Shareholders' equity as a percent of net loans and total assets decreased due to shareholders' equity increasing at a slower rate than net loans and total assets.

Retained Earnings

Our retained earnings increased $6.1 million to $117.3 million at December 31, 2024 from $111.2 million at December 31, 2023 and increased $11.1 million from $106.2 million at December 31, 2022. The increase in 2024 was a result of net income of $11.6 million, partially offset by $5.5 million of patronage distributions declared.

Patronage Program

We have a Patronage Program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, the Bylaws address increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage distributions are based on business done with us during the year. We paid cash patronage of $5.5 million in 2024, $4.5 million in 2023, and $4.0 million in 2022. During 2024, we declared patronage distributions of $5.5 million to be paid by June 2025.

Stock

Our total stock decreased $6 thousand to $719 thousand at December 31, 2024, from $725 thousand at December 31, 2023 and decreased from $732 thousand at December 31, 2022. The decrease during 2024 was due to $40 thousand of stock retirements, partially offset by $34 thousand of stock issuances. We require a stock investment for each borrower. We have a Borrower Level Stock Program which allows stock to be assigned to each borrower instead of each loan. This reduces the stock requirements for borrowers with multiple loans. The current stock requirement for each borrower is the lesser of one thousand dollars or 2.00% of the collective total balance of each borrower's loan(s).

Capital Plan and Regulatory Requirements

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

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

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

	2024	2023	2022	Minimum Requirement with Buffer
Common Equity Tier 1 Capital ratio	**19.23%**	21.06%	22.00%	7.00%
Tier 1 Capital ratio	**19.23%**	21.06%	22.00%	8.50%
Total Capital ratio	**19.49%**	21.32%	22.37%	10.50%
Tier 1 Leverage ratio	**20.05%**	22.01%	22.65%	5.00%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	**19.91%**	21.86%	22.47%	1.50%
Permanent capital ratio	**19.27%**	21.11%	22.07%	7.00%

The minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2024, we have exceeded our goals.

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

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

REGULATORY MATTERS

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

GOVERNANCE

Board of Directors

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

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

Director Independence

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

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

Audit Committee

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

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

Credit Review Committee

The Credit Review Committee exists to address a requirement of the Farm Credit Act, in which a distressed borrower has the right to a review of an adverse credit decision. The process for requesting a review and decision by the Credit Review Committee is outlined in the Distressed Loan Restructuring Policy. During 2024, no meetings were held. The Credit Review Committee is composed of the full Board of Directors.

Compensation Committee

The Compensation Committee is responsible for the oversight of employee and director compensation. The Compensation Committee is composed of four members of the Board of Directors. The Committee annually reviews, evaluates, and approves the compensation policies, programs, and plans for senior officers and employees including benefits programs. During 2024, three meetings were held.

Other Governance

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

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

Code of Ethics

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

Whistleblower Program

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

FORWARD-LOOKING INFORMATION

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as “anticipates,” “believes,” “could,” “estimates,” “may,” “should,” and “will,” or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses considering experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to several risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Allowance for Loan Losses/Reserve for Unfunded Commitments

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

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

CUSTOMER PRIVACY

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

CHANGES IN LEADERSHIP

Our President/CEO, Randy Wilson, retired October 31, 2024. The Board of Directors and Association leadership appointed Jessica Vaughn, the former Chief Credit Officer, to take over the role of President/CEO effective September 1, 2024. In addition, Darris DeGood was promoted to Chief Credit Officer effective September 1, 2024.

FARM CREDIT OF WESTERN KANSAS, ACA
1190 S Range P.O. Box 667
Colby, KS 67701-0667
(785) 462-6714 (800) 657-6048
Fax (785) 462-7152

Report of Management

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

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, management engaged Deloitte Risk and Financial Advisory to perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate. The Association is also examined by the Farm Credit Administration.

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

The undersigned certify the Farm Credit of Western Kansas, ACA Annual Report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Tony Horinek
Chairman of the Board

Jessica A. Vaughn
President and Chief Executive Officer

Christopher R. Halbleib
Chief Financial Officer

March 6, 2025

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Audit Committee Report

The Audit Committee (Committee) includes four members from the Board of Directors of Farm Credit of Western Kansas, ACA (Association). In 2024, twelve (nine in person, three email) Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter. The Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as the Association's independent auditors for 2024.

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

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

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

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

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

Mark A. Wood

Mark A. Wood , Chairman of the Audit Committee

Audit Committee Members
David Sexson, Vice Chairman of the Audit Committee
Kyle Kennedy
Michael Sieck

March 6, 2025

Report of Independent Auditors

To the Board of Directors of Farm Credit of Western Kansas, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Denver, Colorado
March 6, 2025

Consolidated Statement of Condition

(Dollars in Thousands)

	December 31		
	2024	2023	2022
ASSETS			
Loans	**$ 531,318**	$ 481,111	$ 423,430
Less allowance for loan losses	**1,225**	1,165	1,389
Net loans	**530,093**	479,946	422,041
Cash	**2,840**	4,878	4,096
Accrued interest receivable	**10,917**	8,724	7,047
Investment in CoBank, ACB	**11,866**	9,867	11,057
Premises and equipment, net	**2,851**	2,951	3,095
Prepaid benefit expense	**3,142**	3,280	3,541
Other assets	**3,163**	2,753	2,371
Total assets	**$ 564,872**	$ 512,399	$ 453,248
LIABILITIES			
Note payable to CoBank, ACB	**$ 429,060**	$ 381,701	$ 315,932
Advance conditional payments	**9,241**	10,763	23,711
Accrued interest payable	**1,020**	899	498
Patronage distributions payable	**5,507**	5,514	4,520
Accrued benefits liability	**77**	80	84
Reserve for unfunded commitments	**257**	217	302
Other liabilities	**1,679**	1,319	1,295
Total liabilities	**$ 446,841**	$ 400,493	$ 346,342
Commitments and Contingencies (See Note 13)			
SHAREHOLDERS' EQUITY			
Capital stock	**719**	725	732
Unallocated retained earnings	**117,312**	111,181	106,174
Total shareholders' equity	**118,031**	111,906	106,906
Total liabilities and shareholders' equity	**$ 564,872**	$ 512,399	$ 453,248

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the Year Ended December 31		
	2024	2023	2022
INTEREST INCOME			
Loans	**$ 29,936**	$ 24,135	$ 17,412
Total interest income	**29,936**	24,135	17,412
INTEREST EXPENSE			
Note payable to CoBank, ACB	**14,403**	9,765	5,201
Other	**178**	229	75
Total interest expense	**14,581**	9,994	5,276
Net interest income	**15,355**	14,141	12,136
Provision for credit losses/(Credit loss reversal)	**98**	(9)	152
Net interest income after Provision for credit losses/(Credit loss reversal)	**15,257**	14,150	11,984
NONINTEREST INCOME			
Financially related services income	**1,079**	1,147	1,139
Loan fees	**362**	264	187
Patronage distribution from Farm Credit institutions	**2,069**	1,918	1,713
Farm Credit Insurance Fund distribution	**122**	-	-
Mineral income	**223**	289	370
Other noninterest income	**32**	15	34
Total noninterest income	**3,887**	3,633	3,443
NONINTEREST EXPENSE			
Salaries and employee benefits	**3,673**	3,550	3,334
Occupancy and equipment	**295**	290	289
Purchased services from AgVantis, Inc.	**1,449**	1,619	1,571
Farm Credit Insurance Fund premium	**373**	551	554
Supervisory and examination costs	**199**	176	164
Other noninterest expense	**1,524**	1,237	1,173
Total noninterest expense	**7,513**	7,423	7,085
Net income/Comprehensive Income	**$ 11,631**	$ 10,360	$ 8,342

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2021	$ 726	$ 102,332	$ 103,058
Net income/Comprehensive income		8,342	8,342
Stock issued	39		39
Stock retired	(33)		(33)
Preferred stock dividends declared		-	-
Patronage distributions:			-
Patronage distributions: Cash		(4,500)	(4,500)
Balance at December 31, 2022	732	106,174	106,906
Net income/Comprehensive income		10,360	10,360
Stock issued	25		25
Stock retired	(32)		(32)
Patronage distributions: Cash		(5,500)	(5,500)
Cumulative effect of CECL adoption		147	147
Balance at December 31, 2023	725	111,181	111,906
Net income/Comprehensive income		11,631	11,631
Stock issued	34		34
Stock retired	(40)		(40)
Preferred stock dividends declared		-	-
Patronage distributions: Cash		(5,500)	(5,500)
Balance at December 31, 2024	**$ 719**	**$ 117,312**	**$ 118,031**

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

Consolidated Statement of Cash Flows

(Dollars in Thousands)

	For the Year Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 11,631**	$ 10,360	$ 8,342
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	**157**	158	154
Provision for credit losses/(Credit loss reversal)	**98**	(9)	152
Patronage stock from CoBank, ACB	**(3)**	(6)	(6)
Allocated patronage from AgVantis	**-**	(94)	(45)
Gains on sales of premises and equipment	**(13)**	-	(21)
Change in assets and liabilities:			
Increase in accrued interest receivable	**(2,193)**	(1,677)	(1,107)
Decrease/(Increase) in prepaid benefit expense	**138**	261	(755)
Increase in other assets	**(413)**	(288)	(83)
Increase in accrued interest payable	**121**	401	163
Decrease in accrued benefits liability	**(3)**	(4)	(6)
Increase in other liabilities	**401**	38	122
Total adjustments	**(1,710)**	(1,220)	(1,432)
Net cash provided by operating activities	**9,921**	9,140	6,910
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	**(50,205)**	(57,834)	(11,946)
(Increase)/Decrease in investment in CoBank, ACB	**(1,993)**	1,196	293
Expenditures for premises and equipment	**(44)**	(14)	(20)
Proceeds from sales of premises and equipment	**-**	-	(20)
Net cash used in investing activities	**(52,242)**	(56,652)	(11,693)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net draw on/(repayment of) note payable to CoBank, ACB	**47,359**	65,769	(8,511)
(Decrease)/Increase in advance conditional payments	**(1,522)**	(12,948)	11,696
Capital stock retired	**(40)**	(32)	(33)
Capital stock issued	**34**	25	39
Cash patronage distributions paid	**(5,548)**	(4,520)	(4,009)
Net cash provided by/(used in) financing activities	**40,283**	48,294	(818)
Net (decrease)/increase in cash	**(2,038)**	782	(5,601)
Cash at beginning of year	**4,878**	4,096	9,697
Cash at end of year	**$ 2,840**	$ 4,878	$ 4,096
SUPPLEMENTAL CASH INFORMATION:			
Cash paid during the year for interest	**$ 14,460**	$ 9,593	$ 5,113
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Patronage stock from CoBank, ACB	**$ 3**	$ 6	$ 6
Allocated patronage from AgVantis	**$ -**	$ 94	$ 45
Net (recoveries)/charge-offs	**$ (2)**	$ 153	$ -
Patronage distributions payable	**$ 5,507**	$ 5,514	$ 4,520

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

A. Organization: Farm Credit of Western Kansas, ACA and its subsidiaries, Western Kansas Farm Credit, FLCA, (Federal Land Credit Association (FLCA)) and Farm Credit of Western Kansas, PCA, (Production Credit Association (PCA)), (collectively called “the Association”) are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the counties of Cheyenne, Decatur, Gove, Logan, Rawlins, Sheridan, Sherman, Thomas, and Wallace in the state of Kansas.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). At December 31, 2024, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank (System Banks), and 55 associations.

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

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

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

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents, and farm-related businesses.

The Association also serves as an intermediary in offering credit life insurance, term life insurance, multi-peril crop and crop hail insurance, advance conditional payment accounts, and provides additional services to borrowers such as fee appraisals, financial management services, livestock revenue protection services, and lease placement through Farm Credit Leasing.

The Association's financial condition may be impacted by factors affecting CoBank. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com; or may be obtained at no charge by contacting the Association at 1190 South Range Avenue, Colby, Kansas 67701 or by calling (800) 657-6048 or (785) 462-6714. Upon request, Association shareholders will be provided with a copy of the CoBank Annual Report. The CoBank Annual Report discusses the material aspects of CoBank's and the District's financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties, and the impact of activities of the Insurance Corporation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the accounts of Farm Credit of Western Kansas, PCA and Western Kansas Farm Credit, FLCA, and reflect the investments in and allocated earnings of the service organizations in which the Association has partial ownership interests. Inter-company transactions have been eliminated in consolidation.

Use of Estimates

The accounting and reporting policies of the Association conform to GAAP and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, and subsequent impairment analysis.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2024. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations, or cash flows but will impact the income tax disclosures.

Summary of the Association's Significant Accounting Policies

A. Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

   Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described in Note 3. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until the terms of the loan are modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred is collected or otherwise discharged in full.

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

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayments terms, and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the Consolidated Statement of Condition. The Association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

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

Collateral-dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. The Current Expected Credit Losses (CECL) guidance requires an entity to measure the expected credit losses of a collateral dependent loan based on fair value of the collateral at the reporting date when the Association determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

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

This framework requires management to consider in its estimate of the allowance for credit losses (ACL), relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications. The ACL comprises:

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

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts, and other factors prevailing at the time, may result in significant changes in the allowance for loan losses in those future periods.

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

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

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

In estimating the pooled component of the allowance for loan losses for loan pools that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category, or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default and the severity of loss given default. Loss given default is determined for each pool based on the aggregate net lifetime losses incurred within that pool. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the loan is 90 days or more past due. Due to limited loss history across the portfolio, the Association used peer data within their quantitative adjustment component for loan pools that have experienced minimal loss history.

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

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

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

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

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

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which several factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition, and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision, Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time.

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

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

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

E. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

   The Association purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to noninterest expense. Costs associated with designing software configuration, installation, coding programs, and testing systems are capitalized and amortized using the straight-line method over seven years.

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

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

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

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

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

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

J. Income Taxes: As previously described, the Association conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws.

The Association elected to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage distributions. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

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

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

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

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include assets held in trust funds which relate to the Association's deferred compensation plan and supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates; and, (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include loans acquired in an acquisition or merger and other property owned.

The fair value disclosures are presented in Note 14.

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

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Real estate mortgage	**$ 333,362**	$ 331,429	$ 309,126
Production and intermediate-term	**135,165**	101,886	73,207
Agribusiness	**39,228**	27,467	26,614
Rural infrastructure	**19,428**	16,193	14,482
Agricultural export finance	**4,135**	4,136	1
Total loans	**$ 531,318**	$ 481,111	$ 423,430

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

	December 31, 2024	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 25,943	$ 22,195
Production and intermediate-term	32,856	17,888
Agribusiness	38,388	842
Rural infrastructure	19,428	–
Agricultural export finance	4,135	–
Total	$ 120,750	$ 40,925

	December 31, 2023	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 28,761	$ 20,029
Production and intermediate-term	17,288	13,677
Agribusiness	26,393	1,703
Rural infrastructure	16,193	–
Agricultural export finance	4,136	–
Total	$ 92,771	$ 35,409

	December 31, 2022	
	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 23,056	$ 18,232
Production and intermediate-term	5,481	6,839
Agribusiness	24,218	12,396
Rural infrastructure	14,482	–
Agricultural export finance	1	–
Total	$ 67,238	$ 37,467

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

Credit enhancements with federal government agencies of $10.0 million at year-end 2024, $9.5 million at year-end 2023, and $8.9 million at year-end 2022 were outstanding. Farm Service Agency (FSA) loan guarantees are utilized when appropriate to manage credit risk. Typically, the Association has a 90% guarantee from the FSA which would ensure that our loss on a guaranteed loan would not exceed 10% of the original loan balance in the event that we instituted foreclosure and collected the loan after liquidation of all loan collateral secured. In a few cases we have up to a 95% guarantee. During 2022, the Association's credit enhancements with federal government agencies also included loans guaranteed at 100% by the Small Business Administration (SBA).

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. These categories are defined as follows:

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

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

	2024	2023	2022[1]
Real estate mortgage			
Acceptable	**98.76%**	98.09%	96.87%
OAEM	**1.24%**	1.26%	3.05%
Substandard	**–**	0.65%	0.08%
Total	**100.00%**	100.00%	100.00%
Production and intermediate-term			
Acceptable	**100.00%**	100.00%	99.78%
OAEM	**–**	–	0.07%
Substandard	**–**	–	0.15%
Total	**100.00%**	100.00%	100.00%
Agribusiness			
Acceptable	**94.29%**	97.30%	92.47%
Substandard	**5.71%**	2.70%	7.53%
Total	**100.00%**	100.00%	100.00%
Rural infrastructure			
Acceptable	**86.24%**	83.49%	100.00%
OAEM	**13.76%**	16.51%	–
Total	**100.00%**	100.00%	100.00%
Agricultural export finance			
Acceptable	**100.00%**	100.00%	100.00%
Total	**100.00%**	100.00%	100.00%
Total Loans			
Acceptable	**98.30%**	97.98%	97.21%
OAEM	**1.70%**	1.42%	2.24%
Substandard	**–**	0.60%	0.55%
Total	**100.00%**	100.00%	100.00%

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

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

(dollars in thousands)	**2024**	2023	2022
Nonaccrual loans:			
Real estate mortgage	**$ 2**	$ 4	$ 5
Agribusiness	**–**	–	2,015
Total nonperforming assets	**$ 2**	$ 4	$ 2,020
Nonaccrual loans to total loans	**<0.01%**	<0.01%	0.48%
Nonperforming assets to total loans	**<0.01%**	<0.01%	0.48%
Nonperforming assets to total shareholders' equity	**<0.01%**	<0.01%	1.89%

The Association had no other property owned and no accruing loans greater than 90 days past due for the years presented.

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

	December 31, 2024			
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Real estate mortgage	$ –	$ 2	$ 2	$ 1
Total	$ –	$ 2	$ 2	$ 1

	December 31, 2023			
(dollars in thousands)	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Real estate mortgage	$ –	$ 4	$ 4	$ –
Agribusiness	–	–	–	113
Total	$ –	$ 4	$ 4	$ 113

Accrued interest receivable on loans of $10.9 million at December 31, 2024 and $8.7 million at December 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Consolidated Statement of Condition. No accrued interest receivable was written off during 2024 and 2023.

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

	December 31, 2024					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Real estate mortgage	$ 2,103	$ –	$ 2,103	$ 331,259	$ 333,362	$ –
Production and intermediate-term	745	–	745	134,420	135,165	–
Agribusiness	1,247	–	1,247	37,981	39,228	–
Rural infrastructure	–	–	–	19,428	19,428	–
Agricultural export finance	–	–	–	4,135	4,135	–
Total	$ 4,095	$ –	$ 4,095	$ 527,223	$ 531,318	$ –

	December 31, 2023					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ 103	$ –	$ 103	$ 331,326	$ 331,429	$ –
Production and intermediate-term	–	–	–	101,886	101,886	–
Agribusiness	–	–	–	27,467	27,467	–
Rural infrastructure	–	–	–	16,193	16,193	–
Agricultural export finance	–	–	–	4,136	4,136	–
Total	$ 103	$ –	$ 103	$ 481,008	$ 481,111	$ –

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

	December 31, 2022					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate mortgage	$ 80	$ –	$ 80	$ 314,333	$ 314,413	$ –
Production and intermediate-term	–	–	–	74,814	74,814	–
Agribusiness	1,972	–	1,972	24,788	26,760	–
Rural infrastructure	–	–	–	14,489	14,489	–
Agricultural export finance	–	–	–	1	1	–
Total	$ 2,052	$ –	$ 2,052	$ 428,425	$ 430,477	$ –

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

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

	Interest Rate Reduction			
	For the Year Ended December 31			
(dollars in thousands)	**2024**	% of Portfolio Segment	2023	% of Portfolio Segment
Real estate mortgage	**$ –**	–	$ 1,932	0.58%
Total	**$ –**		$ 1,932	

	Term Extension			
	For the Year Ended December 31			
(dollars in thousands)	**2024**	% of Portfolio Segment	2023	% of Portfolio Segment
Agribusiness	**$ 644**	1.64%	$ 742	2.70%
Total	**$ 644**		$ 742	

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was $4 thousand as of December 31, 2024 and $99 thousand as of December 31, 2023.

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

	Weighted-Average Interest Rate Reduction	
	2024	2023
Real estate mortgage	**–**	1.50%

	Weighted-Average Term Extension (in Months)	
	2024	2023
Agribusiness	**13.2**	4.1

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

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

	December 31, 2024		
	Payment Status of Loans Modified in the Past Twelve Months		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Agribusiness	$ 644	$ –	$ –
Total	$ 644	$ –	$ –

	December 31, 2023		
	Payment Status of Loans Modified in the Past Twelve Months		
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 1,932	$ –	$ –
Agribusiness	742	–	–
Total	$ 2,674	$ –	$ –

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $966 thousand at December 31, 2024 and $868 thousand at December 31, 2023.

Troubled Debt Restructuring

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The Association had no troubled debt restructures during 2022.

Credit Quality – Prior to CECL Adoption

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

(dollars in thousands)	Recorded Investment at 12/31/22	Unpaid Principal Balance*	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Agribusiness	$ 1,972	$ 2,008	$ 392	$ 615	$ –
Total	$ 1,972	$ 2,008	$ 392	$ 615	$ –
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 5	$ 4		$ 5	$ –
Production and intermediate-term	–	442		2	–
Agribusiness	43	41		148	16
Total	$ 48	$ 487		$ 155	$ 16
Total impaired loans:					
Real estate mortgage	$ 5	$ 4	$ –	$ 5	$ –
Production and intermediate-term	–	442	–	2	–
Agribusiness	2,015	2,049	392	763	16
Total	$ 2,020	$ 2,495	$ 392	$ 770	$ 16

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

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

(dollars in thousands)	For the Year Ended December 31, 2022
Interest income which would have been recognized under the original loan terms	$ 46
Less: interest income recognized	16
Interest income not recognized	$ 30

Allowance for Credit Losses

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

(dollars in thousands)	Balance at December 31, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at December 31, 2024
Real estate mortgage	$ 809	$ –	$ –	$ 11	$ 820
Production and intermediate-term	182	–	1	110	293
Agribusiness	2	–	1	9	12
Rural infrastructure	172	–	–	(73)	99
Agricultural export finance	–	–	–	1	1
Total	$ 1,165	$ –	$ 2	$ 58	$ 1,225

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

(dollars in thousands)	Balance at December 31, 2022	Cumulative Effect of CECL Adoption	Balance at January 1, 2023	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at December 31, 2023
Real estate mortgage	$ 602	$ 98	$ 700	$ –	$ –	$ 109	$ 809
Production and intermediate-term	232	(65)	167	–	–	15	182
Agribusiness	490	(89)	401	156	3	(246)	2
Rural infrastructure	65	(14)	51	–	–	121	172
Total	$ 1,389	$ (70)	$ 1,319	$ 156	$ 3	$ (1)	$ 1,165

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

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	(Loan Loss Reversals)/ Provision for Loan Losses	Balance at December 31, 2022
Real estate mortgage	$ 761	$ –	$ –	$ (159)	$ 602
Production and intermediate-term	332	–	–	(100)	232
Agribusiness	90	–	–	400	490
Rural infrastructure	63	–	–	2	65
Total	$ 1,246	$ –	$ –	$ 143	$ 1,389

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

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

	For the Year Ended December 31		
(dollars in thousands)	**2024**	2023	2022
Balance at beginning of period	**$ 217**	$ 302	$ 293
Cumulative effect of CECL adoption		(77)	
Balance at January 1		$ 225	
Provision for/(Reversal of) reserve for unfunded commitments	**40**	(8)	9
Total	**$ 257**	$ 217	$ 302

NOTE 4 – INVESTMENT IN COBANK

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

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

The Association owned approximately 0.27 percent of the outstanding common stock of CoBank at December 31, 2024, compared with 0.24 percent in 2023 and 0.28 percent in 2022.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Land	**$ 163**	$ 163	$ 163
Building(s) and leasehold improvements	**4,127**	4,127	4,127
Furniture, equipment, and automobiles	**824**	809	809
	5,114	5,099	5,099
Less: accumulated depreciation	**2,263**	2,148	2,004
Total	**$ 2,851**	$ 2,951	$ 3,095

NOTE 6 – NOTE PAYABLE TO COBANK

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

	December 31		
(dollars in thousands)	**2024**	2023	2022
Line of credit	**$ 475,000**	$ 425,000	$ 375,000
Outstanding principal and accrued interest balance	**$ 430,051**	$ 382,563	$ 316,398
Average outstanding principal balance under the line of credit	**$ 394,129**	$ 327,771	$ 299,236
Weighted average interest rate	**3.65%**	2.98%	1.74%

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. Other than the funding relationship with the Bank, and our advanced conditional payments, the Association has no other uninsured or insured debt. See Note 2 for additional information. CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, the Association's notes payable was within the specified limitations.

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

(dollars in thousands)	**2024**	2023	2022
Average committed funds	**$ 109,504**	$ 114,336	$ 111,884
Average rates	**3.87%**	3.46%	1.53%

NOTE 7 – SHAREHOLDERS' EQUITY

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

A. Capital Stock

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

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

B. Regulatory Capitalization Requirements and Restrictions

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

Ratio	Primary Components of Numerator	Denominator	2024	2023	2022	Minimum with Buffer	Minimum Requirement
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE) and common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	19.23%	21.06%	22.00%	7.0%	4.5%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	19.23%	21.06%	22.00%	8.5%	6.0%
Total Capital	Tier 1 Capital, allowance for loan losses[2], other common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	19.49%	21.32%	22.37%	10.5%	8.0%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	20.05%	22.01%	22.65%	5.0%	4.0%
URE and URE Equivalents Leverage	URE and URE Equivalents	Total assets	19.91%	21.86%	22.47%	–	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	19.27%	21.11%	22.07%	–	7.0%

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

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

The Board has established, adopted, and will maintain a formal written Capital Adequacy Plan for the Association. The Board's objectives in establishing the Capital Adequacy Plan are as follows:

- Maintain Association capital at a level sufficient to meet all regulatory and System requirements
- Provide protection against risks inherent in the Association's operations
- Provide protection against unknown or unexpected risks
- Provide sufficient capital for future asset growth
- Allow the Association to operate profitably over the long-term
- Maintain a competitive market position
- Increase Association surplus, thereby reducing the reliance on borrower stock for capitalization needs

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

C. Description of Equities

The following paragraphs describe the attributes of each class of stock authorized by the Association bylaws and indicate the number of shares outstanding at December 31, 2024. Unless otherwise indicated, all classes of stock have a par value of $5.00. All classes of stock are transferable to other customers who are eligible to hold such class of stock. Transfers of stock are only allowed as long as the Association meets the regulatory minimum capital requirements. Refer to the Management's Discussion and Analysis Capital Resources discussion for further information.

Class A — Common Stock (Nonvoting, at-risk, no shares outstanding) – Issued in exchange for Class B Common Stock or Class C Common Stock; as a patronage refund; as a dividend; or in exchange for allocated surplus. Retirement is at the sole discretion of the Board of Directors.

Class B — Common Stock (Voting, at-risk, 143,844 shares outstanding) – Issued solely to, and shall be acquired by, borrowers and other applicants who are farmers, ranchers, or producers or harvesters of aquatic products and who are eligible to vote. Class B Common Stock may also be held by those borrowers who exchanged one share of Class F Common Stock for one share of Class B Common Stock. Each Class B Common shareholder shall hold at least one share as long as the holder continues business with the Association. Within two years after the holder terminates its relationship with the Association, any outstanding Class B Common Stock shall be converted to Class A Common Stock. Retirement is at the sole discretion of the Board of Directors.

Class C — Common Stock (Nonvoting, at-risk, no shares outstanding) – Class C Common Stock may be issued to borrowers or applicants who are: (a) rural residents, including persons eligible to hold voting stock, to capitalize rural housing loans; (b) persons or organizations furnishing farm-related services; (c) other persons or organizations who are eligible to borrow from or participate with the Association but who are not eligible to hold voting stock. Class C Common Stock may be issued to any person who is not a shareholder but who is eligible to borrow from the Association for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by the Association. Within two years after the holder terminates its relationship with the Association, any outstanding Class C Common Stock shall be converted to Class A Common Stock. Retirement is at the sole discretion of the Board of Directors.

Class D — Common Stock (Nonvoting, at-risk, no shares outstanding, par value of one thousand dollars) – Issued to CoBank or to any person through direct sale.

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

Class F — Common Stock (Voting, protected, no shares outstanding) – Shall be issued to those individuals and entities who held the same class of stock in a predecessor to the Association. The Association shall not issue any additional Class F Common Stock. Each Class F Common shareholder shall hold at least one share as long as the holder continues business with the Association. Within two years after the holder terminates its relationship with the Association, any outstanding Class F Common Stock shall be converted to Class G Common Stock. Retirement is at the sole discretion of the Board of Directors.

Class G — Common Stock (Nonvoting, protected, no shares outstanding) – Issued only to those individuals and entities who held the same class of stock in a predecessor to the Association and as necessary for conversions from Class F Common Stock. No further shares of Class G Common Stock will be issued. It must be retired upon repayment of the loan.

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

(Shares in whole numbers)	Capital
Shares outstanding at December 31, 2023	145,033
Issuances	6,728
Retirements	(7,917)
Shares outstanding at December 31, 2024	143,844

D. Patronage and/or Dividends

Dividends may be declared, or patronage distributions allocated to holders of Class B and F Stock out of the whole or any part of net earnings which remain at the end of the fiscal year, as the Board of Directors may determine, in accordance with the regulations for banks and associations of the System. However, distributions and retirements are precluded by regulation until the minimum capital adequacy standards have been attained. Amounts not distributed are retained as unallocated retained earnings. The Association made a cash patronage distribution of $5.5 million during 2024, $4.5 million during 2023, and $4.0 million during 2022. The Association declared a $5.5 million patronage distribution during 2024 to be paid by June 2025.

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

At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. For 2024, the Association allocated 47.28 percent of its patronage-sourced net income to its patrons.

NOTE 8 – PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS

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

(dollars in thousands)	**2024**	2023	2022
CoBank	**$ 2,058**	$ 1,719	$ 1,659
AgVantis	**–**	188	45
Farm Credit Foundations	**11**	11	9
Total	**$ 2,069**	$ 1,918	$ 1,713

Patronage distributed from CoBank was in cash and stock. The amount earned in 2024 was accrued and will be paid by CoBank in March 2025. The Association received additional patronage distributions from CoBank of $278 thousand in 2024, $233 thousand in 2023, and $274 thousand in 2022 due to CoBank's strong capital levels and financial results. The amounts earned and accrued in 2023 and 2022 were paid by CoBank in March of the following year.

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

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

NOTE 9 – INCOME TAXES

The provision for/(benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows.

	Year Ended December 31		
(dollars in thousands)	**2024**	2023	2022
Federal tax at statutory rate	**$ 2,443**	$ 2,175	$ 1,752
Effect of nontaxable entity	**(2,106)**	(1,887)	(1,470)
Patronage distributions	**(323)**	(297)	(284)
Change in valuation allowance	**(14)**	9	2
Provision for income taxes	**$ –**	$ –	$ –

Deferred tax assets and liabilities are comprised of the following.

	December 31		
(dollars in thousands)	**2024**	2023	2022
Deferred income tax assets:			
Allowance for loan losses	**$ 99**	$ 83	$ 113
Nonaccrual loan interest	**83**	71	60
Gross deferred tax assets	**$ 182**	$ 154	$ 173
Less: valuation allowance	**(81)**	(98)	(113)
Deferred tax assets, net of valuation allowance	**$ 101**	$ 56	$ 60
Deferred income tax liabilities:			
Bank patronage allocations	**$ (101)**	$ (56)	$ (60)
Net deferred tax liability	**$ –**	$ –	$ –

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

The Association recorded a valuation allowance of $81 thousand in 2024, $98 thousand in 2023, and $113 thousand in 2022. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

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

NOTE 10 – EMPLOYEE BENEFIT PLANS

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

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

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

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

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

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

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

(dollars in thousands)	**2024**	2023	2022
Plan expenses:			
All participating employers	**$ 6,069**	$ 11,637	$ 8,079
Association's allocated share (included in salaries and benefits)	**213**	379	297
Plan contributions:			
All participating employers	**$ 2,200**	$ 4,000	$ 30,000
Association's allocated share	**75**	118	1,052

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

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical Plan to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits) included in salaries and employee benefits were expense of $1 thousand in 2024 and 2023 and income of $1 thousand in 2022. The Association made cash contributions of $4 thousand in 2024 and 2023, and $5 thousand in 2022. The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions to the plan. Employer contributions to the Contribution Plan were $240 thousand in 2024, $221 thousand in 2023, and $206 thousand in 2022.

NOTE 11 – RELATED PARTY TRANSACTIONS

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

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

Loan information to related parties for the years ended December 31 is shown below.

(dollars in thousands)	**2024**	2023	2022
Beginning balance	**$ 24,313**	$ 21,251	$ 18,664
New loans	**32,081**	39,740	46,572
Repayments	**(31,402)**	(36,678)	(43,985)
Reclassifications[1]	**(787)**	–	–
Ending balance	**$ 24,205**	$ 24,313	$ 21,251

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

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

The Association also has business relationships with certain other System entities. The Association paid $1.4 million in 2024, $1.6 million in 2023, and $1.6 million in 2022 to AgVantis for technology services and $13 thousand in 2024, $12 thousand in 2023, and $12 thousand in 2022 to CoBank for operational services. One Association officer serves as an AgVantis director. The Association paid $224 thousand in 2024, $140 thousand in 2023, and $111 thousand in 2022 to Foundations for human resource services.

NOTE 12 – REGULATORY ENFORCEMENT MATTERS

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend credit and commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2024, $151.4 million of commitments to extend credit and $1 thousand of commercial letters of credit were outstanding.

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

The Association also participates in standby letters of credits to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, $195 thousand of standby letters of credit were outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2025 to 2026. The maximum potential amount of future payments the Association is required to make under the guarantees is $195 thousand. Payment/performance risk of the standby letters of credit guarantee is assessed using the same internal customer credit ratings that we use to manage credit risk in our loan portfolio.

NOTE 14 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. See Note 2 for additional information. The Association had $1.6 million in loans measured at fair value on a non-recurring basis at December 31, 2022, compared with none at December 31, 2024 and 2023.

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

Valuation Techniques

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

Loans

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral, and other matters. These loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 15 – SUBSEQUENT EVENTS

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

Disclosure Information Required By Farm Credit Administration Regulations (Unaudited)

(Amounts in Whole Dollars)

Description of Business

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

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

Description of Property

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

Location	Description	Form of Ownership
1190 South Range Avenue Colby, Kansas	Office Building	Owned

Legal Proceedings and Enforcement Actions

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

Description of Capital Structure

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

Description of Liabilities

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

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

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

Selected Financial Data

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

Management's Discussion and Analysis

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

DIRECTORS AND SENIOR OFFICERS

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

DIRECTORS

Tony Horinek	Chairman, serving a three-year term expiring in 2025. Tony is from Colby, Kansas and serves as a director for Tier 2. He was elected in 2004. He is Vice Chairman of the Compensation Committee. During the past 5 years, Tony and his wife Anita have been involved in farming. Tony is president of Horinek Enterprises, Inc., which is a partner in Legacy H Farms, which operates the family farming enterprise. Tony is also a partner in Generation H Farms, which is a farming enterprise. Crop production includes wheat, grain sorghum, corn, soybeans, and sunflowers.
Beau Larson	Vice Chairman, serving a three-year term expiring in 2026. Beau is from Sharon Springs, Kansas and serves as a director for Tier 3. He was elected in 2017. During the past 5 years, Beau and his wife Tamera have been engaged in farming. His agricultural production includes wheat, corn, and milo. Beau also runs a feed and seed business.
Sam Crouse	Director, serving a three-year term expiring in 2027. Sam is from Atwood, Kansas and serves as a director for Tier 1. He was elected in 2009. Sam is a member of the Compensation Committee and serves as the Farm Credit Council Representative. During the past 5 years, Sam and his wife Jan have been engaged in farming. Sam is part of the Sam and Jan Crouse Joint Venture, which is their family farming enterprise producing wheat, corn, grain sorghum, and beef cattle.
Jacee Dobbs	Director, serving a three-year term expiring in 2027. Jacee is from Colby, Kansas and serves as an Outside Director. She was appointed in 2024. During the past 5 years, Jacee has been employed by Anchor Network Solutions, Inc and is married to her husband Logan.
Chad Hendricks	Director, serving a three-year term expiring in 2026. Chad is from Bird City, Kansas and serves as a director for Tier 1. He was elected in 2014. Chad is Chairman of the Compensation Committee. During the past 5 years, Chad and his wife Madeline have been engaged in farming. He is Vice President of Hendricks Farms, Inc., and a partner in Hendricks Bros. Partnership, which are farming enterprises. Crop production includes corn, wheat, milo, and soybeans.
Darrell Kaiser	Director, serving a three-year term expiring in 2027. Darrell is from Park, Kansas and serves as a director for Tier 3. He was elected in 2024. Darrell is a member of the Scholarship Committee. During the past 5 years, Darrell and his wife Frina have been engaged in farming. Their operation also includes a registered breeding livestock program. His agricultural production includes wheat, corn, sunflowers, and feed.
Kyle Kennedy	Director, serving a three-year term expiring in 2027. Kyle is from Hoxie, Kansas and serves as a director for Tier 2. He was elected in 2015. Kyle is a member of the Audit Committee. During the past 5 years, Kyle has been engaged in farming. During the past three years, Kyle and his wife Jenny have been engaged in farming together. His agricultural production includes corn, wheat, grain sorghum, and a cow/calf operation.
Ronnie Maifeld	Director, serving a three-year term expiring in 2025. Ronnie is from St. Francis, Kansas and serves as a director for Tier 1. He was elected in 2016. Ronnie is a member of the Compensation and Scholarship Committees. During the past 5 years, Ronnie and his wife Beth have been engaged in farming and veterinary medicine. Ronnie is owner of Maifeld Bros. LLC and is a partner in James Realty Trust which owns commercial real estate. His agriculture production consists of wheat, corn, and beef cattle and he is a Doctor of Veterinary Medicine.
David J. Sexson	Director, serving a three-year term expiring in 2025. David is from Weskan, Kansas and serves as a director for Tier 3. He was elected in 1994. He is the Vice Chairman of the Audit Committee. During the past 5 years, David and his wife Bonnie have been involved in farming. David is a trustee of Iley Sexson Trust, which owns agricultural land. His production includes corn, wheat, dry beans, and a cow/calf and cattle backgrounding program. He serves on the United Plains Ag Board, which is a farmer owned grain supply cooperative.

Michael Sieck	Director, serving a three-year term expiring in 2026. Michael is from Edson, Kansas and serves as a director for Tier 2. He was elected in 2011. Michael is a member of the Audit Committee. During the past 5 years, Michael has been involved in farming. He is President of Wheatridge Farms LTD which operates the family farming enterprise and is a certified seed dealer, and a Director for the Kansas Wheat Alliance, an organization that promotes grain variety development. His production includes certified seed wheat, corn, grain sorghum, and a cow/calf and feeder cattle program.
Mark Wood	Director, serving a three-year term expiring in 2026. Mark is from Colby, Kansas and serves as an Outside Director. He was appointed in 2016. Mark is Chairman of the Audit Committee. During the past 5 years, Mark has been employed by Kansas Farm Management Association NW as an ag economist. Mark is also a honey producer doing business as Colbee Honey and is married to his wife Lucy.
Mitchell Gillespie	Vice Chairman. Mr. Gillespie's term expired in 2024.

All other directors may serve as alternates on the Audit Committee if an elected Audit Committee member expects to be absent at a meeting.

SENIOR OFFICERS

Name	Office	Date of System Hire	Date of Employment in Current Position
Jessica A. Vaughn	President, CEO	12-22-97	09-01-24
Christopher R. Halbleib	Senior Vice President – Operations, CFO, Secretary/Treasurer	09-30-19	05-26-21
Darris D. DeGood	Senior Vice President – Credit, CCO	06-16-03	09-01-24

Jessica Vaughn serves as President and CEO and has served in this capacity since September 1, 2024. Jessica previously served as Chief Credit Officer (CCO) since December 2020. Prior to that, she served as Vice President of Credit. Jessica serves on the Colby Community College Board of Trustees, the Citizens Medical Foundation Board, and the Thomas County Extension Council Program Development Committee.

Christopher Halbleib serves as Chief Financial Officer (CFO) and has served in this capacity since May 2021. Chris has been with the Association since September 2019 serving as Assistant CFO. Chris is a Certified Public Accountant and worked at a public accounting firm prior to joining the Association.

Darris DeGood serves as the Chief Credit Officer (CCO) and has served in this capacity since September 1, 2024. Darris previously served as the Chief Lending Officer (CLO) since January 2022. Prior to that, he served as Vice President of Credit.

Randal Wilson served as Chief Executive Officer (CEO) until August 31, 2024 and served as CEO Emeritus until his retirement on October 31, 2024.

COMPENSATION OF DIRECTORS AND OFFICERS

Per the Association's Director Honoraria policy, during 2024, directors of the Association were compensated for services on a per diem basis at the rate of $700 per day for Board meetings, conferences, and training. The Chairman of the Board is compensated on a per diem basis at the rate of $800 per day for Board meetings and $700 per day for other meetings, conferences, and training. The Board is compensated at $125 per hour for conference calls and webinars with a $125 minimum. The Board pre-approves the number of days to be paid for other meetings, conferences, and training.

Directors serving on the Audit Committee receive quarterly compensation for their service on this committee. The Chairman of the Audit Committee is compensated for added services at the rate of $1,550 per quarter. The remaining members of the Audit Committee are compensated for their added services at the rate of $250 per meeting. When they cannot attend and an alternate Audit Committee member is contacted to serve in their place, the alternate then receives a $250 per diem for the meeting served.

Directors serving on the Compensation Committee receive $700 per day for attendance at meetings of that Committee, with the Chairman receiving $800. Scholarship Committee meetings are held on scheduled Board meeting dates with no added compensation.

Additional information for each director is provided below:

Name	Number of Days Served at		Compensation for				
	Board Meetings	Other Official Activities	Board Meetings and Other Official Duties	Audit Committee	Compensation Committee	Webinars and Conference Calls	Compensation Paid During 2024
Tony Horinek	9.0	23.0	$ 19,000	$ –	$ 700	$ 1,375	$ 21,075
Beau Larson	10.0	11.0	12,000	–	–	1,250	13,250
Sam Crouse	10.0	23.0	20,250	–	700	1,375	22,325
Jacee Dobbs	6.0	4.0	7,000	–	–	–	7,000
Chad Hendricks	10.0	13.0	12,600	–	800	1,250	14,650
Darrell Kaiser	8.0	5.0	9,100	–	–	–	9,100
Kyle Kennedy	10.0	16.0	11,550	2,250	–	–	13,800
Ronnie Maifeld	10.0	6.0	9,800	–	700	–	10,500
David J. Sexson	8.0	16.0	11,900	1,750	–	–	13,650
Michael Sieck	10.0	18.0	11,200	2,250	–	1,250	14,700
Mark Wood	10.0	18.0	13,300	6,200	–	–	19,500
Mitchell Gillespie	1.0	4.0	3,300	–	–	–	3,300
Total			$ 141,000	$ 12,450	$ 2,900	$ 6,500	$ 162,850

Directors and officers are reimbursed for travel, subsistence, and other expenses related to Association business according to Association policy. Mileage was reimbursed at the rate of $0.67 per mile. A copy of this policy is available to shareholders upon request. Aggregate reimbursements to directors for travel, subsistence, and other related expenses were $44,387 in 2024, $27,139 in 2023, and $26,539 in 2022. During 2024, there was $3,697 non-cash compensation paid to directors as a group.

Information on the President, Officers, and other highly compensated individuals follows. Certain amounts in prior years have been restated to conform to the current year's presentation.

President	Year	Annual				Total
		Salary	Incentive	Deferred/Perq	Other	
Jessica Vaughn	2024	$ 200,860	$ 41,477	$ 2,480	$ 20,719	$ 265,536
Randal D. Wilson*	2024	$ 221,222	$ 41,064	$ 6,000	$ 373,450	$ 641,736
Randal D. Wilson	2023	$ 237,024	$ 57,705	$ 7,184	$ 276,621	$ 578,534
Randal D. Wilson	2022	$ 237,024	$ 33,660	$ 5,933	$ (363,158)	$ (86,541)

* Amounts for Randal D. Wilson in 2024 includes compensation from January 1 through October 31, 2024.

Aggregate Number of Officers/Highly Compensated Individuals	Year	Annual				Total
		Salary	Incentive	Deferred/Perq	Other	
5	2024	$ 668,610	$ 144,986	$ 8,311	$ 72,863	$ 894,770
5	2023	$ 697,047	$ 122,545	$ 9,269	$ 74,066	$ 902,927
5	2022	$ 639,494	$ 91,415	$ 5,946	$ 67,264	$ 804,119

Disclosure of information on the total compensation paid during the last fiscal year to any senior officer, or to any other officer included in the aggregate is available to shareholders upon request.

"Other" includes employer match on a defined contribution plan available to all employees, any changes in the value of pension benefits, pension distributions, wellness incentives, tax fringe benefits, and redemption of unused annual leave. The change in value of the pension benefits is defined as the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year, disclosed in Note 10 of the financial statements. No tax reimbursements are made to senior officers/highly compensated individuals.

We believe the design and governance of our compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interest of our shareholders. The design of our senior officer compensation program supports our risk management goals and includes (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved, and (4) prior to 2019, a long-term portion of variable pay to encourage retention and alignment with shareholder interests.

Senior officers are compensated with a mix of direct cash and performance compensation as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of compensation while keeping in mind their responsibilities to our shareholders. Base salary and short-term incentive are intended to be competitive with annual compensation for comparable positions at peer organizations.

Senior officer base salaries reflect the officer's experience and level of responsibility. Base salaries are subject to review and approval by the Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

In addition to base salary, the President and all of the senior officers can earn additional compensation under an administrative bonus plan, which is tied to the overall business performance. The administrative bonus is calculated each calendar quarter throughout the year and paid in the month following the end of the calendar year.

All plans are designed to motivate employees to exceed financial and credit quality performance targets approved by the Board of Directors. These targets include return on assets, credit quality, loan volume, capital growth, and other key ratios. All employees participate in the administrative bonus plan, while selected employees participate in the loan officer/team incentive plan. Bonuses and incentives are shown in the year earned.

Retirement Plan Overview – The CEO and certain Senior Officers participate in two defined benefit retirement plans: (a) the Ninth Farm Credit District Pension Plan (Pension Plan), which is a qualified defined benefit plan and (b) the Former Ninth and Eleventh District Employers Pension Restoration Plan (Pension Restoration Plan), which is a nonqualified retirement plan. Additionally, substantially all employees participate in the 401(k) Plan, which has an employer matching contribution. Information on pension benefits attributable to the President, senior officers, and other highly compensated individuals as of December 31, 2024 follows.

President	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Randal D. Wilson	Pension Plan	44.63	$ 2,818,663	$ 32,481

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

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section are incorporated herein by reference from Note 11 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT OF SENIOR OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

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

BORROWER PRIVACY STATEMENT

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

RELATIONSHIP WITH COBANK, ACB (COBANK)

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

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

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

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

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

RELATIONSHIP WITH INDEPENDENT AUDITORS

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

FINANCIAL STATEMENTS

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

COBANK ANNUAL AND QUARTERLY REPORTS TO SHAREHOLDERS

The shareholders' investment in the Association is materially affected by the financial condition and results of operations of CoBank. Consequently, the Association's annual and quarterly reports should be read in conjunction with CoBank's 2024 Annual and Quarterly Reports to Shareholders. Quarterly reports are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. A copy of these reports may be obtained free upon request from the Association. The Association is located at 1190 South Range Avenue, Colby, Kansas 67701, or may be contacted by calling (800) 657-6048 or (785) 462-6714. The reports may also be obtained free of charge by visiting CoBank's website at www.cobank.com.