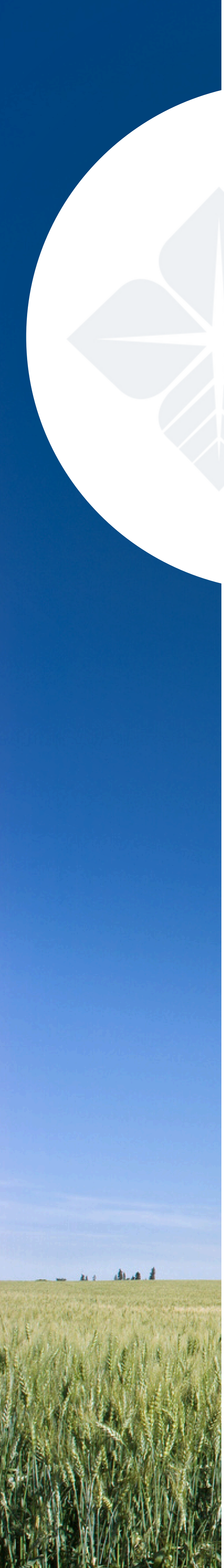
2024
Annual Report

Moving Forward with Purpose

Farm Credit
Bank of Texas



Standing Strong: A Year of Growth and Dedication to Our Mission

Farm Credit Bank of Texas is a mission-driven organization and one of the four funding banks within the Farm Credit System. In 2024, we refreshed our mission statement to better reflect our commitment to a clear vision and strong values. In alignment with our values, we empower employees to drive positive change and foster trust-based relationships with our customers. Through collaboration with our affiliated associations and capital markets partners, the bank equips farmers and rural businesses with the tools they need to succeed. As we look to 2025 and beyond, Farm Credit Bank of Texas is committed to expanding our impact, continuing to innovate, and strengthening our support for rural communities.

Our core values of **collaboration**, **continuous improvement**, **customer focus, community**, and **character** guide our efforts, ensuring a lasting impact on the prosperity and sustainable growth of the communities we serve.

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Our Mission

To serve as a dependable provider of credit and other financial services to agriculture and rural communities.

Our Vision

By providing reliable credit, risk management, and innovative products and services, we will empower our customers to be a leading financial resource for rural America.

To Our Stockholders

Under the cooperative model of the Farm Credit System, the Farm Credit Bank of Texas and our twelve affiliated lending associations share a common mission of providing rural communities and agriculture with a reliable source of credit and innovative financial services - both today and in the future.

Reflecting on 2024, it was a year marked by both obstacles and opportunities. The challenging macro environment presented numerous hurdles, including weather disruptions, economic and monetary policy shifts, and varying global production levels, that impacted agriculture businesses and operations. Continued inflation and interest rate volatility placed financial pressures on certain agricultural producers and financial institutions, including the bank. Despite this operating environment, the bank performed well with loan volume increasing 7% and net income increasing 11% compared to 2023. In keeping with our commitment of strong cooperative principles, the bank returned over $211 million of patronage and dividends to shareholders in 2024.

As a technology service provider to our affiliated lending associations, our technology priorities are to deliver modern, practical solutions, that enhance operational efficiency and drive productivity to both district associations and their end-user customers. The technological landscape is evolving rapidly, and we look forward to collaborating with our Farm Credit partners on emerging innovation and solutions that enhance the user experience, support business development, and drive efficiency.

We are well-positioned heading into 2025. Uncertainty is a characteristic of our agricultural industry, and we will remain focused on strengthening our financial foundation and processes to proactively identify and manage risk. The bank will continue to collaborate with our affiliated associations on earnings and capitalization strategies to support long-term sustainable growth.

As a cooperative, and both a funding bank and service provider, we measure our success by the value we deliver as a partner to our stakeholders. To best achieve that, we are entering into 2025 with the following strategic priorities:

- Embrace a culture of "operational excellence"
- Maintain financial flexibility
- Communicate effectively with key stakeholders

Amie Pala

Jimmy Dodson

We are also strategically investing in our people by prioritizing training and leadership development to further grow the skills and strengths of our teams. We have structured our mission, vision, and values to align our people and actions with our strategic priorities.

Farm Credit Bank of Texas is committed to meeting the evolving needs of those we serve and to driving shared success in the future.

Thank you for your trust and partnership along this journey. Together, we will continue to fulfill our mission of strengthening agriculture and rural America for generations to come.

James F. "Jimmy" Dodson
Board Chair

Amie Pala
Chief Executive Officer

Our Leadership

Farm Credit Bank of Texas board members (from left): Dennis Anthony; Dorothy Nichols; James F. "Jimmy" Dodson, chair; M. Philip Guthrie; Linda C. Floerke, vice chair; John L. "Jack" Dailey; Dr. Larry L. Boleman

Farm Credit Bank of Texas Board of Directors

Our seven-member board of directors brings together a blend of hands-on agricultural expertise and financial acumen, effectively steering the bank's strategic direction. Comprising five elected members who are accomplished farmers and ranchers, the board offers leadership grounded in real-world agricultural experience. Two appointed outside directors contribute complementary business expertise, enriching decision-making with diverse perspectives.

Executive Management Team

The bank's leadership team combines deep expertise, strategic foresight, and a strong commitment to empowering rural communities. As the executive management team adapts to meet the evolving needs of our stakeholders and the market, we remain focused on delivering results. With decades of experience spanning agriculture, finance, and technology, our leadership drives innovation and performance while staying true to our core mission and values.

Amie Pala
chief executive officer

Brandon Blaut
chief operating officer and interim chief financial officer

Scott Erlichman
chief information officer

Thomas Ringler
enterprise risk management

Nisha Rocap
chief audit executive

Ryan Schuberth
chief credit officer

Nanci Tucker
chief administrative officer and general counsel

Aaron Wiechman
chief lending officer

Isaac Bennett
chief credit officer

Retired

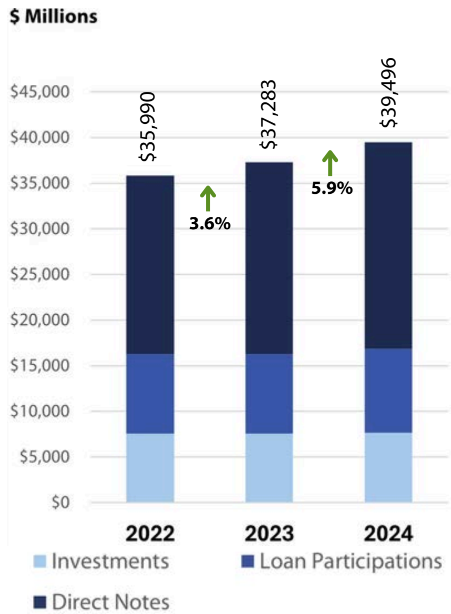
Isaac Bennett retired at the end of 2024 after a distinguished 37-year career with Farm Credit. Over the past three decades, Bennett has contributed significantly to various Farm Credit institutions, starting as vice president at AgSouth Farm Credit, then moving to AgFirst Farm Credit Bank, and most recently at Farm Credit Bank of Texas. He was part of the original credit group at FCBT which helped to establish our capital markets team. Bennett's leadership has shaped the credit division's approach to credit analysis, risk management, capital markets, and agribusiness lending, supporting our 12 affiliated associations.

With Bennett's retirement, the credit and lending divisions are now led by Ryan Schuberth as chief credit officer and Aaron Wiechman as chief lending officer, effective January 1, 2025. Schuberth oversees credit and risk management; Wiechman leads capital markets and agribusiness lending teams.

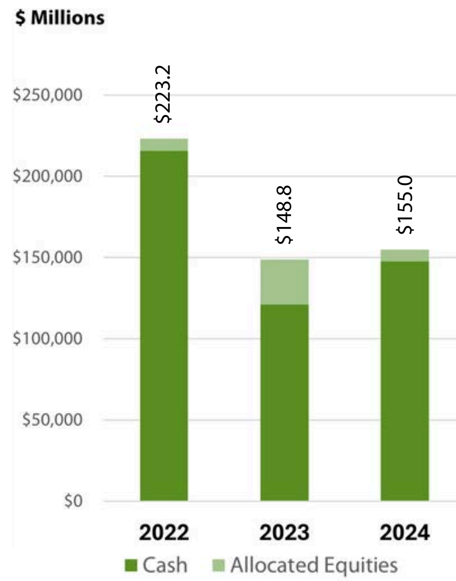
Top Financial Indicators & Highlights

Financial Indicators

Asset Growth



Patronage Declared



Regulatory Capital & Liquidity Measures

	At Dec. 31, 2024	Regulatory Requirement
Common equity tier 1 ratio	8.58%	7.00%
Total capital ratio	13.30%	10.50%
Tier 1 leverage ratio	5.64%	5.00%
Liquidity	197 days	90 days

At Year-End (in millions)		2024		2023		2022
Total loans	**$**	**31,821**	$	29,725	$	28,264
Total assets		**39,496**		37,283		35,990
Total liabilities		**37,716**		35,597		34,367
Total shareholders' equity		**1,780**		1,687		1,623

For the Year (in thousands)						
Net interest income	**$**	**364,252**	$	350,017	$	386,162
Provision for credit losses		**(23,617)**		(37,854)		(4,580)
Noninterest expense, net		**(118,687)**		(112,255)		(111,696)
Net income	**$**	**221,948**	$	199,908	$	269,886
Rate of return on:						
Average assets		**0.58%**		0.54%		0.77%
Average shareholders' equity		**11.73%**		12.04%		14.55%
Cash patronage declared	**$**	**147,792**	$	121,075	$	215,648

99.6%

Acceptable or
Special Mention

Credit Quality

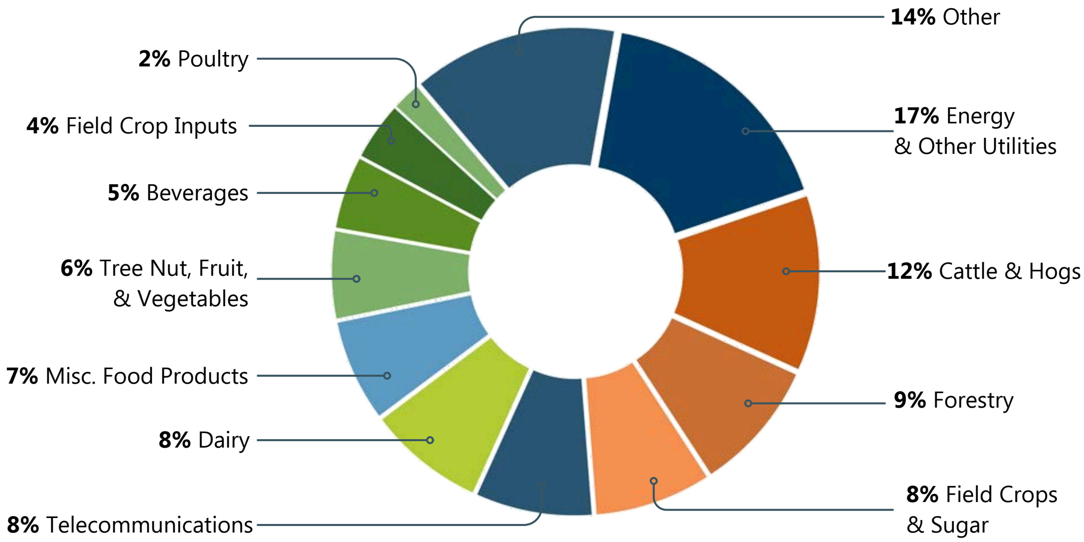
5.9%

Asset Growth

$1.8B

Capital Level

$9.2 Billion Participations Portfolio Segmented by Repayment Source



2024 Key Highlights

Strong financial results reported amid a difficult landscape

In a dynamic economic environment, the bank sustained a solid financial foundation, reporting $221.9 million in net income for 2024, reflecting an 11.0% increase compared to the previous year. Credit quality remained strong overall.

Effectively managing the balance sheet

We proactively managed the bank's balance sheet to minimize the impact of a fluctuating interest rate market. In 2024, total assets grew by 5.9%, reaching $39.5 billion.

Steady loan growth

In 2024, loan growth reflected our strategic commitment to meeting the credit needs of our associations and their customers. This increase highlights our flexibility in adapting to changing market conditions while offering reliable, competitive financing. Total loan volume grew by 7.0%, reaching $31.8 billion.

Cooperative business model reduces associations' effective cost of funds

To continue supporting rural America within the cooperative model, we shared a portion of the bank’s earnings with our affiliated associations. In 2024, the bank declared $88.5 million in patronage on direct note volume as a cash distribution, which reflects an increase year over year.

Enhanced service offerings for our customers

Operational excellence continued to be a priority as we streamlined processes, leveraged automation, and delivered enhancements to our FarmView® lending platform. By focusing on modernizing our systems, we’re ensuring we remain a competitive, reliable, and consistent partner for our associations.

The Cooperative Advantage

A legacy of empowering rural America

Farm Credit Bank of Texas is proud to be a part of the nationwide cooperative Farm Credit System. Established in 1916, the System was built to provide dependable credit to rural America. Today, as one of four funding banks in the System, the bank operates as a federated cooperative owned by 12 retail lending cooperatives.

The cooperative structure offers a distinct advantage: it aligns the interests of the bank, associations, and borrowers, ensuring that financial success is shared at every level. It’s not just about dollars returned but about building trust, fostering resilience, and creating opportunities that extend far beyond the bottom line. This structure ensures rural communities and agricultural enterprises have access to the resources they need to grow and thrive — and continues to position the bank as a trusted financial partner.

Delivering value to our customers

Within the System, the bank’s unique advantage lies in our commitment to deliver value to our associations and their borrowers as both a funding bank and a service provider. We provide reliable funding to our affiliated entities by leveraging the cooperative structure, and our business model offers additional benefits through shared services.

Our in-house credit and lending expertise, the end-to-end FarmView® lending management platform, a robust offering of cash management services, a broad catalog of information technology services, and support for risk management, compliance, training, and human resources activities are examples of shared services we offer our customers.

Empowering rural communities into the future

As a mission-driven organization, we measure success by the value we create for our associations and the communities they serve. Shared and centralized services managed by the bank allow our associations to focus more of their energy on serving their borrowers. As a key principle of the cooperative model, patronage dividends lower effective borrowing costs for associations.

These advantages position our members to succeed in a competitive marketplace while staying focused on their mission to serve rural America.

Looking ahead to 2025 and beyond, we are ready to strengthen our commitment to empowering rural America. We will harness technology, build deeper partnerships, and improve our services to better meet the evolving needs of our associations and the communities they support. Through these actions, we'll remain focused on being a competitive, reliable, and consistent partner.

Customer Focused

We emphasize valuable outcomes for our customers by providing services and solutions that are aligned with the bank's mission and vision.

Our Customers

Partnering for agriculture and rural communities

Farm Credit Bank of Texas supports 12 affiliated lending associations and their borrowers, representing a vast and diverse population that reaches across five states. This region is economically varied, encompassing industries such as crop production, livestock management, forestry, and agribusinesses that process and distribute goods.

Borrowers include family-run operations, large enterprises, and rural businesses that drive the local economy. With a mission to support agriculture and rural communities, we provide reliable and consistent credit and financial services to our associations to help sustain growth and resilience across this region and beyond.

In addition to credit and financial services, the bank also offers leadership programs to enhance interaction and engagement with our customers at the national Farm Credit System level. These programs offer the chance to deepen relationships and partner with our customers through a different avenue.

By continuing our work together, whether through financial relationships or educational programs, we ensure the strength and prosperity of rural America for generations to come.

Leadership program: developing future leaders

Each year, to deepen relationships, broaden perspectives, and engage with our associations, their borrowers, and the national Farm Credit System, the bank hosts a Leadership Program for association staff and select borrowers through an interactive and more intimate setting, while offering a broader national financial and economic perspective.

To engage with both associations and their customers, the program alternates between the Association Leadership Program (ALP) and the Young, Beginning, and Small (YBS) Program, focused on key association staff and borrowers, respectively.







These programs are designed to give individuals a deeper understanding of the Farm Credit System at the national level. The program kicks off in New York City and wraps up in Washington, D.C., providing participants with opportunities to interact with leaders from the Funding Corporation, the Farm Credit Council, the Farm Credit Administration, and elected officials on Capitol Hill. It also allows association staff from across the district to meet, collaborate, and build valuable working relationships.

Ultimately, the program fosters professional development for emerging association leaders and borrowers, providing exposure to various System entities that support Farm Credit's mission of delivering reliable credit and financial services to farmers, ranchers, and rural communities.

The Texas Farm Credit District

Farm Credit Bank of Texas, headquartered in Austin, Texas, has been proudly serving the Texas Farm Credit District for over 105 years as a key part of the nationwide Farm Credit System.

Covering a five-state area that includes Alabama, Louisiana, Mississippi, New Mexico, and Texas, the bank provides funding and financial services to twelve retail lending associations. These associations serve a diverse range of borrowers, including farmers, ranchers, rural homeowners, and agribusinesses. In the cooperative model, these institutions are the member-owners of the wholesale bank.

Headquarter Locations for Our District Entities

*AgTrust Farm Credit also serves the majority of the state of New Mexico

Collaboration

We collaborate to achieve the best results by working within the bank, our district, across the Farm Credit System, and with outside partners.

Community Impact

Invested in our communities: a commitment beyond lending

At Farm Credit Bank of Texas, supporting rural communities extends beyond financial services. Driven by a mission to serve agriculture and rural America, the bank is committed to making a positive impact through outreach, partnerships, and employee engagement. This includes disaster relief, supporting underserved populations, and initiatives to empower future agricultural leaders, all aimed at creating a lasting impact in the region.

Supporting minorities in agriculture

Farm Credit Bank of Texas is a proud partner of the National Black Growers Council (NBGC), an organization focused on advancing Black farmers' interests and promoting diversity in agriculture. Founded in 2010, NBGC works to preserve Black farm ownership, offer educational resources, and advocate for equitable farming opportunities.

Farm Credit Bank of Texas shares this mission of promoting opportunity and prosperity in rural America. Through sponsorships, educational initiatives, and collaborative programs, Farm Credit Bank of Texas supports NBGC's efforts to provide technical assistance, increase capital access, and promote sustainable farming. In 2024, Farm Credit Bank of Texas deepened its partnership with financial support and involvement in NBGC events for knowledge-sharing and community-building.

Responding to natural disasters

In 2024, the bank responded to significant challenges, including Hurricane Helene, Hurricane Milton, and the Smokehouse Creek Fire, Texas' largest wildfire. Working with partners like the American Red Cross, Farm Credit System banks and associations, and the Texas and Southwestern Cattle Raisers Association Disaster Relief Fund, the bank provided immediate relief through financial support to help those impacted begin their recovery.

A commitment to service

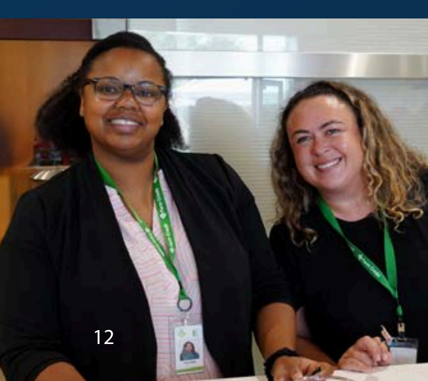
Farm Credit Bank of Texas' community impact extends beyond disaster response, with employees actively engaging in volunteerism. Each employee is given paid leave to engage in volunteer efforts that support local programs. This culture of giving strengthens Farm Credit Bank of Texas' bond with the communities we serve, including initiatives like Dress for Success, which supports workforce readiness for underprivileged women.

We aim to amplify our impact through a matching contribution program, doubling employee donations to eligible nonprofits, reinforcing collective action for meaningful change. Employees further contribute through quarterly service projects that directly benefit local communities.

In 2024, Farm Credit Bank of Texas employees devoted time, resources, and expertise to support rural America, underscoring the company's commitment to addressing the needs of the communities it serves. Looking ahead to 2025 and beyond, we are eager to continue strengthening our partnerships, expanding our initiatives, and deepening our impact, furthering our dedication to making a meaningful difference in the communities we support.

Character

We are committed to acting with integrity and doing the right thing to build trust with customers, enhance our reputation, and foster a positive work environment.



Our People

The strength behind our success

At Farm Credit Bank of Texas, our people are the foundation of everything we do. Their expertise, dedication, and passion for serving rural communities drive our success and ensure we remain a trusted financial partner to our associations and their customers. In 2024, we continued to invest in our team — growing talent, strengthening leadership, and fostering a culture of collaboration and excellence.

Investing in talent and growth

We continued to hire and retain highly qualified talent in 2024 to meet the increasing demands of our business and ensure we remain positioned for the future. By optimizing talent acquisition, performance management, and workforce planning, we attracted top talent while empowering current employees to reach their full potential.

Programs like the Farm Credit Bank of Texas Leadership Academy reflect a commitment to purpose-driven leadership, equipping employees with tools to excel at every level. The Academy's focus on skills development — such as effective communication, leadership agility, and decision-making — ensures we continue building a workforce that is adaptable, innovative, and results-driven.

A culture of collaboration and excellence

Our people share a common purpose: to serve rural communities and support our associations. This shared mission fosters a culture of teamwork and collaboration where employees are encouraged to contribute their skills and ideas to drive positive outcomes.

The bank's commitment to professional development also extends to equipping our workforce with the skills to navigate a rapidly evolving industry. Investments in technology and data literacy training have empowered employees to leverage modern tools and provide innovative solutions for our associations.

Community

We cultivate mutual respect, accountability, and open communication to empower individuals of diverse skills, experiences and backgrounds to do their best work and share their ideas.

Empowering Our Customers with End-to-End Capabilities

Farm Credit Bank of Texas is proud to serve as more than just a lender; we strive to be a dependable partner and service provider, offering not only lending solutions but also expertise in credit, lending, risk management, human resources, technology services, and more. We work alongside our associations to equip them with the tools and resources necessary for their success.

Our goal is to deliver practical solutions that enhance operational efficiency and foster long-term growth. Through reliable technology platforms and shared support services, we help associations adapt to an ever-changing landscape while staying focused on meeting the needs of their borrowers.

Strengthening technology services

In 2024, the bank made significant strides in enhancing FarmView®, our core technology platform, which is nearing implementation rollout across all associations. This platform aims to simplify operations, enhance productivity, and streamline workflows. It equips associations with modernized tools that improve reliability and enable better decision-making. The platform's success reflects the bank's commitment to collaboration and meeting stakeholder needs.

In addition to FarmView®, the bank offers a range of technology services, including advanced networking, cybersecurity, and business applications, to ensure operations remain secure and efficient. Cybersecurity is a top priority, with ongoing investments to safeguard both the bank and its associations against emerging threats.

Driving innovation through automation

In 2024, the bank enhanced operational efficiencies through automation, resulting in faster response times, improved accuracy, and increased productivity. Streamlined delivery pipelines and automated workflows enabled more efficient handling of association requests, leading to significant operational improvements. These advancements align with the bank's strategic focus on adopting technologies that deliver immediate and measurable results.

Service provider as a cooperative advantage

At Farm Credit Bank of Texas, as a service provider, we leverage the strength of the cooperative system to offer shared services that give associations access to tools and resources that benefit the whole. This collaborative approach helps associations stay competitive, agile, and ready to meet customer needs.

Continuous Improvement

We continually explore opportunities to improve by investing in positive business outcomes and empowering individuals to innovate and implement solutions.

Five-Year Summary of Selected Financial Data

Farm Credit Bank of Texas

(dollars in thousands)	2024	2023	2022	2021	2020
Balance Sheet Data					
Cash, federal funds sold and overnight investments	**$ 494,963**	$ 390,569	$ 443,165	$ 351,209	$ 336,531
Investment securities	**6,642,484**	6,610,429	6,654,952	6,560,239	5,548,167
Loans	**31,820,946**	29,725,476	28,264,222	25,674,558	21,824,201
Less allowance for credit losses on loans	**34,597**	37,873	15,706	11,869	9,608
Net loans	**31,786,349**	29,687,603	28,248,516	25,662,689	21,814,593
Other assets	**572,293**	594,718	643,507	519,251	528,214
Total assets	**$ 39,496,089**	$ 37,283,319	$ 35,990,140	$ 33,093,388	$ 28,227,505
Obligations with maturities of one year or less	**$ 12,577,572**	$ 11,648,645	$ 12,032,142	$ 11,895,213	$ 11,029,378
Obligations with maturities greater than one year	**25,138,526**	23,947,980	22,334,635	19,199,783	15,206,594
Total liabilities	**37,716,098**	35,596,625	34,366,777	31,094,996	26,235,972
Preferred stock	**750,000**	750,000	750,000	750,000	750,000
Capital stock	**522,918**	495,844	471,029	410,373	359,988
Allocated retained earnings	**109,027**	101,789	74,043	66,490	59,765
Unallocated retained earnings	**864,193**	860,572	868,650	868,365	850,607
Accumulated other comprehensive loss	**(466,147)**	(521,511)	(540,359)	(96,836)	(28,827)
Total shareholders' equity	**1,779,991**	1,686,694	1,623,363	1,998,392	1,991,533
Total liabilities and shareholders' equity	**$ 39,496,089**	$ 37,283,319	$ 35,990,140	$ 33,093,388	$ 28,227,505
Statement of Income Data					
Net interest income	**$ 364,252**	$ 350,017	$ 386,162	$ 367,811	$ 337,978
Provision for credit losses	**(23,617)**	(37,854)	(4,580)	(1,725)	(1,081)
Noninterest expense, net	**(118,687)**	(112,255)	(111,696)	(111,495)	(85,760)
Net income	**$ 221,948**	$ 199,908	$ 269,886	$ 254,591	$ 251,137
Financial Ratios (unaudited)					
Rate of return on:					
Average assets	**0.58 %**	0.54 %	0.77 %	0.84 %	0.92 %
Average shareholders' equity	**11.73**	12.04	14.55	12.17	12.58
Net interest income to average earning assets	**0.97**	0.96	1.12	1.24	1.28
Net charge-offs to average loans	**0.09**	0.07	—	—	—
Total shareholders' equity to total assets	**4.51**	4.52	4.51	6.04	7.06
Debt to shareholders' equity	**21.19**	21.10	21.17	15.56	13.17
Allowance for credit losses on loans to total loans	**0.11**	0.13	0.06	0.05	0.04
Common equity tier 1 ratio	**8.58**	8.50	8.66	9.55	9.92
Tier 1 capital ratio	**13.04**	13.12	13.42	15.09	16.07
Total capital ratio	**13.30**	13.41	13.50	15.17	16.15
Permanent capital ratio	**13.07**	13.16	13.43	15.10	16.08
Tier 1 leverage ratio	**5.64**	5.79	5.94	6.37	7.11
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**2.18**	2.26	2.50	2.73	2.99
Net Income Distributions					
Preferred stock cash dividends	**$ 59,960**	$ 50,797	$ 46,400	$ 46,400	$ 54,818
Patronage distributions declared					
Cash	**$ 147,792**	$ 121,075	$ 215,648	$ 183,691	$ 152,562
Allocated retained earnings	**7,238**	27,746	7,553	6,725	7,314

Management's Discussion & Analysis

(DOLLARS IN THOUSANDS, EXCEPT AS OTHERWISE NOTED)

The following commentary is a discussion and analysis of the financial position and the results of operations of the Farm Credit Bank of Texas (the Bank or FCBT) for the years ended December 31, 2024, 2023 and 2022. The commentary should be read in conjunction with the accompanying financial statements, notes to the financial statements (notes) and additional sections of this annual report. The accompanying financial statements were prepared under the oversight of the Bank's audit committee.

The Bank, together with its affiliated associations (Associations), are part of the federally chartered Farm Credit System (System). The district serves Texas, Alabama, Mississippi, Louisiana and most of New Mexico. The Bank provides funding to the Associations, which, in turn, provide credit to their borrower-shareholders. As of December 31, 2024, the Bank served one Federal Land Credit Association (FLCA), 11 Agricultural Credit Associations (ACAs) and certain Other Financing Institutions (OFIs) which are not part of the System. The FLCA and ACAs are collectively referred to as "Associations." See Note 1, "Organization and Operations," to the accompanying financial statements for an expanded description of the structure and operations of the Bank.

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 of 1971 as amended, FCA regulations, and safe and sound banking practices.

The accompanying financial statements exclude financial information of the Bank's Associations. The Bank and its Associations are collectively referred to as the "Texas District." The Bank separately publishes certain unaudited combined financial information of the Texas District, including a condensed statement of condition and statement of income, which can be found on the Bank's website at *www.farmcreditbank.com*.

Forward-Looking Information

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

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

Critical Accounting Policies

The financial statements are reported in conformity with generally accepted accounting principles 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 management has to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, "Summary of Significant Accounting Policies," in the accompanying financial statements. The following is a summary of certain critical policies.

- *Allowance for credit losses* — Beginning on January 1, 2023, the Bank recorded an allowance for credit losses (ACL), consisting of an allowance for credit losses for loans (ACLL), reported as a reduction of loans on the Bank's balance sheet, an allowance for credit losses on unfunded commitments, including letters of credit and unused loan commitments, which is reported as a liability on the Bank's balance sheet, and the allowance for credit losses on investments, which is reported as a reduction of the investment balance on the Bank's balance sheet. These reserves are management's best estimate of the current expected credit losses over the remaining contractual life of financial assets, which takes into consideration relevant historical events, current conditions, and reasonable and supportable forecasts of economic conditions that affect the collectability of the assets.

  The ACLL has two basic components: an asset-specific component involving individual loans that do not share risk characteristics with other loans, and a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

  Asset-specific component: These 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 of the loan and the present value of expected future cash flows discounted at the loan's effective interest rate. For collateral-dependent loans, credit loss is measured as the difference between the amortized cost of 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.

Pooled component: Loans that are not included in the asset-specific component are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default (based on the migration of loans from performing to loss by credit quality rating) and the loss given default (based on the aggregate net lifetime losses incurred per loan pool). The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss given default rates and expected macroeconomic forecasts. The macroeconomic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The Bank also considers loan and borrower characteristics, such as the two-dimensional risk ratings, industry, and the remaining term of the loan, adjusted for expected prepayments. In addition to the quantitative calculation, the Bank considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the ACLL was determined based on a periodic evaluation of the loan portfolio, which included loans that were impaired. Each of these individual loans were 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. If the present value of expected future cash flows (or, alternatively, the fair value of the collateral) was less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs, and unamortized premium or discount), an impairment was recognized by making an addition to the allowance for loan losses with a corresponding charge to the provision for loan losses or by similarly adjusting an existing valuation allowance.

The ACLL encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the reasonable and supportable macroeconomic forecasts of future conditions, the agricultural economy and the impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Bank's expectations and predictions of those circumstances.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are used when estimating fair values for certain assets for which an observable liquid market exists, such as most investment securities. Third-party valuation services are utilized by management to obtain fair values for the majority of the Bank's investments. Management utilizes significant estimates and assumptions to value items for which an observable liquid market does not exist. Examples of these items include nonperforming loans, other postretirement benefit obligations, and certain derivative and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Bank's results of operations.
- *Pensions and retirement plans* — The Bank and its Associations participate in the Farm Credit Bank of Texas Pension Plan (DB Plan). The DB Plan is noncontributory, and benefits are based on salary and years of service. As of January 1, 1996, the Bank and Associations froze participation in their defined benefit pension plan and offered defined contribution retirement plans to all employees hired subsequent to the freeze.

  The structure of the DB Plan is characterized as multiemployer for participating employers' accounting purposes, since neither the assets, liabilities nor cost of any DB Plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus asset is available to any participating employer. Participating employers are jointly and severally liable for the DB Plan obligations. Upon withdrawal or termination of their participation in the DB Plan, a participating employer must pay all associated costs of its withdrawal from the DB Plan, including its unfunded liability (the difference between replacement annuities and the withdrawing employer's share of allocated DB Plan assets). As a result, participating employers of the DB Plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon combination only. The Bank records current contributions to the DB Plan as an expense in the current year.

  The liability and expense for other postemployment benefits is determined actuarially based on certain assumptions, including discount rate and mortality. The discount rate is used to determine the present value of the Bank's future benefit obligations. The Bank selected the discount rate by reference to the Aon AA Only Above-Median Yield Curve, actuarial analyses and industry norms. The Aon yield curves are determined based on actual corporate bond yields for bonds rated AA as of the measurement date. The discount rate at December 31, 2024, was 5.35 percent compared to 5.50 percent at December 31, 2023, and 5.20 percent at December 31, 2022.

OVERVIEW

General

The Bank's loan portfolio totaled $31.82 billion at December 31, 2024, a 7.05 percent increase from the prior year. The increase in the Bank's loan portfolio was due to an increase in the Bank's direct notes to Associations and an increase in the Bank's capital markets loan portfolio. The Bank's net income for 2024 was $221.9 million, an increase of $22.0 million compared to 2023. The increase in net income was the result of a $14.2 million increase in net interest income, a $14.2 million decrease in the provision for credit losses and a $2.2 million decrease in operating expenses, partially offset by an $8.6 million decrease in noninterest income. The increase in net interest income was the result of a $1.26 billion increase in average earning assets and the benefit of income earned on assets funded by non-interest bearing sources (principally capital). These were partially offset by a 4 basis points decrease in the Bank's net interest rate spread to 0.80 percent. The decrease in net interest spread was due to an increase in the cost of debt of 49 basis points, partially offset by an increase in yields on average interest earning assets of 45 basis points.

Funding

During 2024, the System continued to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. The Federal Open Market Committee (FOMC) reduced the target federal funds rate by 100 basis points in 2024 bringing the target rate range of 4.25 - 4.50 percent. The FOMC is expected to lower the pace of rate reductions in 2025 while staying attentive to the risks to both sides of its dual mandate as the economic outlook remains uncertain.

Service Provider

During 2024, the Bank, in its role as an information technology provider to its affiliated Associations, continued to modernize and improve its service offering branded FarmView®. The FarmView platform is an integrated suite of products for managing the full lending relationship. The suite of products includes sales management, origination, credit analysis, loan accounting, integrated cash management and document management solutions. The FarmView platform provides benefits directly to the converted Associations as well as their underlying borrowers.

Material and Significant Events

On May 20, 2024, the Bank issued $300.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 5 (Class B-5), representing 300,000 shares at $1,000 per share par value, for net proceeds of $296.7 million, with issuance costs of $3.3 million.

On September 16, 2024, the Bank redeemed 300,000 shares of Fixed to Floating Rate Class B Perpetual Non-Cumulative Subordinated Preferred Stock, Series 2 (Class B-2) at $100 per share or $300.0 million in the aggregate.

In November 2024, the Class A common stockholders approved amendments to the Bank's bylaws. The amendments included updating and simplifying regulatory citations and obsolete language and increasing the number of directors on the board by one, resulting in an eight-member board of directors, six elected by the 12 Associations and two appointed by the elected board members. The additional board member will be elected in 2025 to fill the latter two years of a three-year term that began on January 1, 2025 and expires at the end of 2027.

On December 31, 2024, Isaac Bennett, the Bank's Chief Credit Officer, retired from the Bank. With the retirement, Ryan Schuberth assumed the role of Chief Credit Officer on January 1, 2025 and all leadership responsibilities of the credit division. Aaron Wiechman, serving as the Chief Lending Officer, assumed all leadership responsibility of the lending division on January 1, 2025.

On January 3, 2025, Brian O'Keane, the Bank's Chief Financial Officer, left the Bank. While the Bank conducts a search for a new Chief Financial Officer, Brandon Blaut, Chief Operating Officer and former Chief Financial Officer, will serve as interim Chief Financial Officer, continuing his oversight of the finance division and management of the FarmView products.

In January 2025, the Board approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement will increase to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis. This will result in an increase in the Bank's shareholder equity and capital ratios in the first quarter of 2025 to support growth across the Texas District.

Conditions in the Texas District

The Bank continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of financial and macroeconomic volatility. Despite the challenging operating environment, credit quality at the Bank has remained strong. Volatility in risk ratings remains a concern in the near future due to such factors as high production costs, elevated cost of debt and declining farm income over the last two years (19.1 percent decline in 2023 and 5.6 percent decline in 2024).

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI) increased by 3.0 percent for the twelve-month period ending January 2025, persistently above the Federal Reserve's long-term target of approximately 2.0 percent. CPI has increased month-over-month for the last four consecutive months from a low of 2.4 percent in September 2024 to 3.0 percent in January 2025, while decreasing year-over-year from 3.1 percent. From July 2023 to August 2024, the FOMC maintained the target federal funds rate within the 5.25 – 5.50 percent range. Starting at the September 2024 meeting, the FOMC decided to reduce the target federal funds rate by 50 bps and then by 25 bps in each of its subsequent November and December meetings to the 4.25 – 4.50 percent range. The target federal funds rate was unchanged at the January 2025 meeting. The FOMC stated that it is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

On January 30, 2025, the U.S. Bureau of Economic Analysis (BEA) released its advance estimate of real gross domestic product (GDP) for the fourth quarter of 2024. U.S. real GDP increased at an annual rate of 2.3 percent during the fourth quarter, down from 3.1 percent during the previous quarter and down from 3.2 percent during the same period a year ago. The International Monetary Fund estimated in its World Economic Outlook projections released in January 2025 that the annual percentage change in real GDP growth in the United States was 2.8 percent in 2024 and would be 2.7 percent in 2025 and 2.1 percent in 2026. The increase in real GDP during the fourth quarter of 2024 primarily reflected increases in consumer and government spending that were partly offset by a decrease in investment. Within the Texas District, the third quarter 2024 annualized real GDP growth rates ranged from a low of 2.3 percent in Louisiana to a high of 6.0 percent in Alabama. Texas real

GDP grew at an annual rate of 4.2 percent during the third quarter, above the national average of 3.1 percent.

Data from the BLS released on February 7, 2025 indicates that the U.S. unemployment rate decreased month-over-month by 0.1 percent to 4.0 percent in January 2025; however, the unemployment rate is up from 3.7 percent during the same period a year ago. The December state unemployment rates in the Texas District ranged from a low of 3.3 percent in Alabama and Mississippi to a high of 4.4 percent in New Mexico and Louisiana. The Texas unemployment rate remained at 4.2 percent in December 2024, slightly higher than the national average. The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased from an average of about $75 per barrel in the third quarter to an average of about $70 per barrel during the fourth quarter of 2024. Similarly, the average front-month WTI price decreased by approximately 10.5 percent (about $8 per barrel) during the fourth quarter of 2024 compared to the same period a year ago. The front-month WTI price increased by less than $1.0 per barrel month-over-month to $72.5 per barrel in January 2025. In the February 2025 edition of the Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration (EIA) indicates that the monthly average WTI spot price was nearly $77 per barrel in 2024 and is expected to depict a downward trend in 2025 and 2026, averaging about $71 per barrel and $63 per barrel, respectively. The front-month WTI futures price was volatile in January 2025, rising to a three-month high of about $80 per barrel in mid-January due to factors such as OPEC+ temporarily rolling over production cuts, extremely cold weather in the beginning of the year in Northern Europe and the Northeastern U.S. putting pressure on oil inventories and a new set of U.S. sanctions targeting Russian oil that was unveiled on January 10, 2025.

On February 6, 2025, the U.S. Department of Agriculture (USDA) released its 2025 Farm Income Forecast. Net farm income (nominal), a broad measure of profits, is forecasted at $180.1 billion in 2025, up by $41.0 billion, or 29.5 percent, relative to 2024. This forecasted increase in net farm income in 2025 is mostly driven by an expected annual increase of $33.1 billion (+355 percent) in Federal Government direct farm program payments. The increase follows a record high in net farm income of $182.0 billion in calendar year 2022 and two years of consecutive declines of about $34.7 billion, or 19.1 percent, in 2023 and $8.2 billion, or 5.6 percent, in 2024. Total crop receipts are forecasted to decrease year-over-year by $5.6 billion, or 2.3 percent, to $239.6 billion in 2025, mostly due to lower receipts for corn and soybeans. However, total animal and animal product receipts are projected to continue increasing year-over-year by $3.8 billion, or 1.4 percent, to $275.4 billion in 2025. Receipts for hogs, milk and broilers are forecasted to rise in 2025. Total production expenses are forecasted to continue decreasing year-over-year by $2.5 billion, or 0.6 percent, to $450.4 billion in 2025. Farm sector assets and equity are forecasted to increase by 4.2 and 4.3 percent, respectively. Farm sector debt is expected to increase by 3.7 percent in 2025, leading to a slight year-over-year improvement in the debt-to-asset ratio from 12.84 to 12.78 percent in 2025.

According to USDA's February 2025 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, soybeans, wheat and cotton are estimated to continue decreasing during the 2024/25 season from a range of 4.4 percent decline in corn to 20.3 percent decline in wheat. Steer, barrow/gilt and broiler prices are estimated to have increased year-over-year by 6.6 percent, 5.1 percent and 4.0 percent, respectively, in 2024. Turkey prices are estimated to have declined year-over-year by an average of 33.1 percent in 2024. Subsequently, steer, barrow/gilt, broiler and turkey prices are projected to increase year-over-year by about 7.4 percent, 4.0 percent, 2.0 percent, and 3.5 percent in 2025, respectively. USDA also estimates that after decreasing by nearly 20.0 percent in 2023, all-milk prices are estimated to have increased by about 11.2 percent in 2024 from an average of about $20.3 per hundredweight (/cwt.) in 2023 to $22.6/cwt. in 2024. Average all-milk prices are projected to remain relatively stable year-over-year in 2025. The front-month random length lumber futures price increased quarter-over-quarter by about 5.7 percent from a quarterly average of $521.0 per thousand board feet (/tbf) in the third quarter of 2024 to about $550.5/tbf in the fourth quarter of 2024 but decreased year-over-year by about 3.8 percent in December 2024. The front-month lumber futures price increased month-over-month by about 7.5 percent in January 2025 to $592.0/tbf.

According to the U.S. Monthly Drought Outlook released on January 31, 2025 by the U.S. Climate Prediction Center from the National Weather Service, periods of rainfall eased drought across parts of eastern Texas and Mississippi, but drought conditions worsened in areas that did not receive sufficient rainfall including parts of southern Texas. February is a drier time of the year for this region. Dry conditions are expected across most of Texas. The revised outlook for February favors below-normal precipitation across central-western Texas and drought expansion is expected. Drought persistence and development is likely for portions of New Mexico. Above normal precipitation is predicted for northern portions of Mississippi, favoring soil moisture. Rain similarly brought drought improvement to parts of Alabama, but drought persistence is in the forecast for parts of this area. The seasonal temperature outlook indicates that above-normal temperatures are expected for most of the Texas District from February through April 2025. Similarly, the seasonal precipitation outlook indicates that below normal precipitation is in the forecast for most of the Texas District. Additionally, the national drought severity and coverage index was more severe by the end of January 2025 than the index of the same year-ago period.

Agricultural producers and processors are expected to face several risk factors in 2025, including volatile commodity prices, high input costs, trade disruptions, geopolitical challenges and adverse weather conditions. The Texas District's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Texas District's borrowers primarily rely on non-farm sources of income to repay their loans.

RESULTS OF OPERATIONS

Net Income

The Bank's net income of $221.9 million for the year ended December 31, 2024, reflects an increase of 11.03 percent from 2023, while 2023 net income of $199.9 million reflects a decrease of 25.93 percent from 2022. The return on average assets was 0.58 percent for the year ended December 31, 2024, compared to 0.54 percent and 0.77 percent for the years ended December 31, 2023, and December 31, 2022, respectively.

Changes in the major components of net income for the referenced periods are outlined in the table below:

	Year Ended December 31,	
	2024 vs. 2023	2023 vs. 2022
Net income (prior period)	**$ 199,908**	$ 269,886
Increase due to:		
Increase in interest income	**219,401**	535,505
Increase in interest expense	**(205,166)**	(571,650)
Increase (decrease) in net interest income	**14,235**	(36,145)
Decrease (increase) in provision for credit losses on loans	**14,237**	(33,274)
(Decrease) increase in noninterest income	**(8,584)**	4,354
Decrease (increase) in noninterest expense	**2,152**	(4,913)
Total change in net income	**22,040**	(69,978)
Net income	**$ 221,948**	$ 199,908

Interest Income

Total interest income for the year ended December 31, 2024, was $1.67 billion, an increase of $219.4 million, or 15.14 percent, compared to 2023. Total interest income for the year ended December 31, 2023, was $1.45 billion, an increase of $535.5 million, or 58.59 percent, compared to 2022.

The increase in interest income for 2024 was due to a 45 basis point increase in the yield on average interest earning assets and an increase in average interest earning assets of $1.26 billion. The increase for 2023 was due to a 133 basis point increase in the yield on average interest earning assets and a $1.89 billion increase in average interest earning assets. The increase for 2022 was due primarily to a $4.79 billion increase in average interest earning assets as well as a 47 basis point increase in the yield on average interest earning assets.

The following table illustrates the impact that volume and yield changes had on interest income over these periods:

	Year Ended December 31,	
	2024 vs. 2023 [1]	2023 vs. 2022 [1]
Increase in average earning assets	**$ 1,264,082**	$ 1,887,730
Average yield (prior year)	**3.99%**	2.66%
Interest income variance attributed to change in volume	**50,769**	50,267
Average earning assets (current year)	**37,560,375**	36,296,293
Increase in average yield	**0.45%**	1.33%
Interest income variance attributed to change in yield	**168,632**	485,238
Net change in interest income	**$ 219,401**	$ 535,505

[1] The change in interest income was not solely due to changes in volume or rate and has been allocated in proportion to the absolute dollar amount of the change in volume and rate.

Interest Expense

Total interest expense for the year ended December 31, 2024, was $1.30 billion, an increase of $205.2 million, or 18.66 percent, compared to the same period of 2023. Total interest expense for the year ended December 31, 2023, was $1.10 billion, an increase of $571.7 million, or 108.30 percent, compared to the same period of 2022.

The increase in interest expense for 2024 was due primarily to a 49 basis point increase in the average cost of debt as well as an increase of $911.3 million in interest-bearing liabilities. The increase in 2023 was primarily due to a 154 basis point increase in the average cost of debt as well as an increase of $2.01 billion in interest-bearing liabilities. Average interest-bearing liabilities increased in 2023 as a result of the growth in average interest-earnings assets. The increase in 2022 was due primarily to the effects of a 60 basis point increase in the average cost of debt and an increase of $5.08 billion in interest-bearing liabilities. Average interest-bearing liabilities increased in 2022 as a result of the growth in average interest-earnings assets.

During 2024, 2023 and 2022, the Bank reduced its interest expense by calling and replacing fixed-rate debt totaling $1.74 billion, $375.0 million and $125.0 million, respectively. The Bank also called and replaced $1.55 billion, $775.0 million and $25.0 million in callable floating rate notes during 2024, 2023 and 2022, respectively. During the years ended December 31, 2024, 2023 and 2022, the Bank recognized concession expense of $3.8 million, $915 thousand and $174 thousand, respectively.

The following table illustrates the impact that volume and rate changes had on interest expense over these periods:

	Year Ended December 31,	
	2024 vs. 2023 [1]	2023 vs. 2022 [1]
Increase in average interest-bearing liabilities	**$ 911,328**	$ 2,007,825
Average rate (prior year)	**3.15%**	1.61%
Interest expense variance attributed to change in volume	**28,919**	32,252
Average interest-bearing liabilities (current year)	**35,803,254**	34,891,926
Increase in average rate	**0.49%**	1.54%
Interest expense variance attributed to change in rate	**176,247**	539,398
Net change in interest expense	**$ 205,166**	$ 571,650

[1] The change in interest expense was not solely due to changes in volume or rate and has been allocated in proportion to the absolute dollar amount of the change in volume and rate.

Net Interest Income

Net interest income increased by $14.2 million from 2023 to 2024 and decreased by $36.1 million from 2022 to 2023. The increase in net interest income in 2024 was primarily due to the impact of an increase in average interest earning assets of $1.26 billion and the benefit of income earned on assets funded by non-interest bearing sources. These were partially offset by a 4 basis point decrease in the interest rate spread. The increase in average interest earning assets was driven by growth in both the direct notes to Texas District Associations and in the Bank's capital markets loan portfolio.

Net interest income in 2023 decreased by $36.1 million from 2022. The decrease in 2023 was primarily due to a 21 basis point decrease in the interest rate spread, partially offset by the impact of an increase in average interest earning assets of $1.89 billion. The increase in average interest earning assets was driven by growth in the direct notes to Texas District Associations, partially offset by declines in the Bank's capital markets loan portfolio.

Net interest income in 2022 increased $18.4 million from 2021. The increase in 2022 was due to the effects of a $4.79 billion increase in average interest-earning assets, partially offset by a 13 basis point decrease in the interest rate spread. The Bank's increase in average interest earning assets included growth in direct notes to

Associations, the Bank's capital markets loan portfolio and the investment portfolio.

ANALYSIS OF NET INTEREST INCOME

	2024			2023			2022		
	Average Balance	**Interest**	**Average Yield**	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Loans	**$ 30,454,491**	**$ 1,395,547**	**4.58%**	$ 29,234,034	$ 1,212,718	4.15%	$ 27,573,140	$ 793,581	2.88%
Investments	**7,105,884**	**273,373**	**3.85%**	7,062,259	236,801	3.35%	6,835,423	120,433	1.76%
Total earning assets	**37,560,375**	**1,668,920**	**4.44%**	36,296,293	1,449,519	3.99%	34,408,563	914,014	2.66%
Interest-bearing liabilities	**35,803,254**	**1,304,668**	**3.64%**	34,891,926	1,099,502	3.15%	32,884,101	527,852	1.61%
Impact of capital	**$ 1,757,121**			$ 1,404,367			$ 1,524,462		
Net interest spread			**0.80%**			0.84%			1.05%
Impact of capital			**0.17%**			0.12%			0.07%
Net Interest Income and Margin		**$ 364,252**	**0.97%**		$ 350,017	0.96%		$ 386,162	1.12%

Provision for Credit Losses

The Bank's provision for credit losses on loans for 2024 was $23.6 million, a decrease of $14.2 million compared to the $37.9 million provision for credit losses in 2023. The decrease compared to the prior year was attributable to the absence of specific reserves and related charge-offs associated with select borrowers in the agribusiness, production and intermediate-term and energy sectors that were recognized during the prior year. The provision for credit losses for the year ended December 31, 2024 reflects specific reserves for certain loans in the agribusiness and production and intermediate-term sectors and higher general reserves due to credit deterioration for select borrowers in the agribusiness loan sector and more challenging economic forecasts.

The Bank's provision for credit losses for 2023 was $37.9 million, an increase of $33.3 million from the $4.6 million provision for credit losses recorded in 2022. The provision for credit losses for the year ended December 31, 2023 was primarily due to an increase in specific reserves of $32.7 million, resulting from credit deterioration among select borrowers in the agribusiness, production and intermediate-term and energy sectors. The Bank also increased general reserves by $5.2 million due to more challenging economic forecasts than in 2022.

The Bank's provision for credit losses for 2022 was $4.6 million, an increase of $2.9 million from the $1.7 million provision for credit losses recorded for 2021. The provision for credit losses for the year ended December 31, 2022, primarily reflected an increase in specific reserves for two borrowers in the agribusiness sector as well as increases in general reserves due to isolated credit deterioration and loan growth.

Noninterest Income

Noninterest income for the year ended December 31, 2024, was $42.2 million, a decrease of $8.6 million, or 16.91 percent, compared to 2023. The decrease was driven by the recognition of valuation losses of $8.7 million on certain Rural Business Investment Companies (RBICs) in which the Bank has an equity investment of $19.9 million and losses recognized on loans sold or held for sale within the Bank's loan participation portfolio of $3.9 million, partially offset by a return of excess insurance funds from the Farm Credit System Insurance Corporation (FCSIC) in April 2024 of $4.6 million. The prior year had a gain of $2.0 million in other income related to an extinguishment of debt and a $1.2 million gain on a swap unwind.

Noninterest income for the year ended December 31, 2023, was $50.8 million, an increase of $4.4 million, or 9.38 percent, compared to 2022. The increase was driven by a $5.6 million increase in patronage income, a $2.0 million gain on extinguishment of debt, a $1.8 million increase in fees for services related to Associations and a $1.2 million gain on a swap unwind, partially offset by higher interest payments on collateral received from counterparties for cleared derivatives and valuation losses on the RBICs.

Noninterest income for the year ended December 31, 2022, was $46.4 million, a decrease of $1.6 million, or 3.40 percent, compared to 2021. The decrease reflected lower prepayment fees as the loan prepayment rate decreased from the rising interest rate environment, partially offset by higher patronage income.

Noninterest Expense

Noninterest expense totaled $160.9 million for 2024, a decrease of $2.2 million, or 1.32 percent, from 2023. The decrease is primarily due to a decrease of $10.0 million in FCSIC premiums due to a decrease in the premium rate assessed during 2024, partially offset by an increase in salaries and employee benefits of $7.5 million.

Noninterest expense totaled $163.0 million for 2023, an increase of $4.9 million, or 3.11 percent, from 2022. The increase in noninterest expenses reflects an increase in occupancy and equipment of $6.1 million due to an increase in computer software-related depreciation, partially offset by lower salaries and employee benefits of $1.0 million.

Noninterest expense totaled $158.1 million for 2022, a decrease of $1.4 million, or 0.90 percent, from 2021. The decrease reflected lower professional fees of $8.1 million, partially offset by an increase of $6.9 million in FCSIC premiums due to a premium rate of 20 basis points and increased outstanding debt.

The expense for FCSIC insurance premiums is directly impacted by the premium rate assessed by FCSIC. The FCSIC board meets periodically throughout the year to review premium rates. The premium rates were 10 basis points in 2024, 18 basis points in 2023 and 20 basis points in 2022. In February 2025, FCSIC determined that it would assess a premium rate of 10 basis points for 2025.

Operating expense (salaries and employee benefits, occupancy and equipment, FCSIC premiums, and other operating expenses) statistics are set forth below for each of the three years ended December 31:

	2024	2023	2022
Operating expense as a percentage of net interest income	**44.16 %**	46.57 %	40.94 %
Operating expense as a percentage of net interest income and noninterest income	**39.58**	40.68	36.55
Operating expense as a percentage of average loans	**0.53**	0.56	0.57
Operating expense as a percentage of average earning assets	**0.43**	0.45	0.46

CORPORATE RISK PROFILE

Overview

The Bank is in the business of funding and participating in agricultural and other loans which requires us to take certain risks in exchange for compensation for the risks undertaken. Management of risks inherent in our business is essential for our current and long-term financial performance. Our goal is to mitigate risks, where appropriate, and to properly and effectively identify, measure, price, monitor and report risks in our business activities.

The major types of risks to which we have exposure are:

- *structural risk* — risk inherent in our business and related to our structure (an interdependent network of lending institutions);
- *credit risk* — risk of loss arising from an obligor's failure to meet the terms of its contract or failure to perform as agreed;
- *interest rate risk* — risk that changes in interest rates may adversely affect our operating results and financial condition;
- *liquidity risk* — risk of loss arising from the inability to meet obligations when they come due without incurring unacceptable losses;
- *operational risk* — risk of loss resulting from inadequate or failed internal processes or systems, errors by employees, external cyber risk and data security or external events;
- *reputational risk* — risk of loss resulting from events, real or perceived, that shape the image of the Bank, the System or any System entities, including the impact of investors' perceptions about agriculture, the reliability of district or System financial information, or the overt actions of any district or System institution; and
- *political risk* — risk of loss of support for the System and agriculture by the federal and state governments.

Structural Risk Management

Structural risk results from the fact that the Bank, along with its related Associations, is part of the System, which is composed of banks and associations that are cooperatively owned, directly or indirectly, by their borrowers. While System institutions are financially and operationally interdependent, this structure at times requires action by consensus or contractual agreement. Further, there is structural risk in that only the banks are jointly and severally liable for the payments of Systemwide debt securities. Although capital at the association level reduces a bank's credit exposure with respect to its direct loans to its affiliated associations, this capital may not be available to support the payment of principal and interest on Systemwide debt securities.

In order to mitigate this risk, the System utilizes two integrated contractual agreements — the Amended and Restated Contractual Interbank Performance Agreement (CIPA), and the Third Amended and Restated Market Access Agreement (MAA). Under provisions of the CIPA, a score (CIPA score) is calculated that measures the financial condition and performance of each district using various ratios that take into account the Texas District's and Bank's capital, asset quality, earnings, interest-rate risk and liquidity. The CIPA score is then compared against the agreed-upon standard of financial condition and performance that each district must achieve and maintain. The measurement standard established under the CIPA is intended to provide an early-warning mechanism to assist in monitoring the financial condition of each district. The performance standard under the CIPA is based on the average CIPA score over a four-quarter period.

The MAA is designed to provide for the timely identification and resolution of each individual bank's financial issues. It establishes performance criteria and procedures that provide operational oversight and control over a bank's access to System funding.

As required by the CIPA, the banks and the Federal Farm Credit Banks Funding Corporation (Funding Corporation) undertake a periodic formal review of the CIPA to consider whether any amendments are appropriate. In connection with the most recent review, the banks and the Funding Corporation agreed to enter into the Amended and Restated CIPA, which was effective on January 1, 2024.

Periodically, the CIPA model and the MAA performance criteria are reviewed to take into consideration current performance standards in the financial services industry or regulatory changes. As a result of the changes to regulatory capital ratio requirements that became effective January 1, 2017, the performance criteria set forth in the MAA are as follows:

- the defined CIPA scores,
- the tier 1 leverage ratio of a bank, and
- the total capital ratio of a bank.

A bank's tier 1 leverage ratio is tier 1 capital (primarily unallocated retained earnings, the bank's common stock and preferred stock less certain regulatory required deductions) divided by non-risk adjusted assets. A bank's total capital ratio is the sum of the bank's common equity tier 1 capital, additional tier 1 capital and tier 2 capital elements, minus regulatory deductions and adjustments, divided by risk-adjusted assets.

If a bank fails to meet the MAA performance criteria, it will be placed into one of three categories. A "Category I" bank is subject to additional monitoring and reporting requirements; a "Category II" bank's ability to participate in issuances of Systemwide debt securities may be limited to refinancing maturing debt obligations; and a "Category III" bank may not be permitted to participate in issuances of Systemwide debt securities. Each category gives the other System banks progressively more control over a bank that has declining financial performance under the MAA performance criteria. A bank exits these categories by returning to compliance with the agreed-upon performance criteria.

The criteria for the tier 1 leverage ratio and the total capital ratio is:

	Tier 1 Leverage Ratio	Total Capital Ratio
Category I	<5.0%	<10.5%
Category II	<4.0%	<8.0%
Category III	<3.0%	<7.0%

During the year ended December 31, 2024, all System banks met the agreed-upon standards for the tier 1 leverage ratio and total capital ratio required by the MAA. As of December 31, 2024, the System banks met the defined CIPA score required by the MAA.

Credit Risk Management

Credit risk arises from the potential inability of an obligor to meet its repayment obligation and exists in our outstanding loans, letters of credit, unfunded loan commitments, investment portfolio and derivative counterparty credit exposures. We manage credit risk associated with our lending activities through an assessment of the credit risk profile of individual obligors. We set our own underwriting standards and lending policies, approved by the board of directors, which provide direction to loan officers. Underwriting standards include, among other provisions, an expectation that lending decisions include evaluations 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* — protects the lender in the event of default and represents a potential secondary source of loan repayment;
- *capital* — ability of the operation to survive unanticipated risks; and
- *conditions* — structure of the transaction, including limitations on usage of loan funds, financial covenants and monitoring requirements.

The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including non-farm income. Real estate loans with terms greater than 10 years must be secured by first liens on real estate. As required by Farm Credit Administration (FCA) regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

This credit risk-rating process uses a two-dimensional loan rating structure, incorporating a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 4-point scale addressing loss given default. The 14-point probability of default rating scale provides for nine "acceptable" categories, one "other assets especially mentioned" (OAEM) category, two "substandard" categories, one "doubtful" category and one "loss" category. The loss given default scale establishes ranges of anticipated principal loss if the loan defaults. This process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. Existing borrower relationships are periodically reviewed to ensure that the assigned probability of default and loss given default ratings appropriately reflect the risk of the transaction.

By buying and selling loans or interests in loans to or from other institutions within the System or outside the System, we limit our exposure to individual borrowers and industries. This also allows us to manage growth and capital, and to improve geographic diversification.

Portfolio credit risk is also evaluated with the goal of managing the concentration of credit risk. Concentration risk is reviewed and measured by industry, commodity, geography and customer limits.

Loans

The Bank's loan portfolio consists of direct notes receivable from its Associations and OFIs, and the Bank's capital markets loan portfolio. See Note 1, "Organization and Operations," Note 2, "Summary of Significant Accounting Policies," and Note 4, "Loans and Allowance for Credit Losses on Loans," to the accompanying financial statements for further discussions.

The Bank's capital markets loan portfolio predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. The Bank also refers to the capital markets loan portfolio as participations purchased. In addition to purchasing loans from our Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside of the Texas District's territory by other System institutions, commercial banks and other lenders. Our capital markets loan portfolio depends to a significant degree on our relationships with other Farm Credit institutions. These loans may be held as earning assets of the Bank or sub-participated to the associations or to other System entities.

Gross loan volume of $31.82 billion at December 31, 2024 reflected an increase of $2.10 billion, or 7.05 percent, from December 31, 2023. The increase is due to growth of $1.62 billion in the Bank's direct loans to Associations and OFIs and a $479.7 million increase in the Bank's capital markets loan portfolio. Gross loan volume of $29.73 billion at December 31, 2023, reflected an increase of $1.46 billion, or 5.17 percent, from December 31, 2022. The increase in the loan portfolio was attributable to a $1.47 billion increase in the Bank's direct loans to Associations and OFIs.

The Bank has purchased loan participations and Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) from Associations in Capitalized Participation Pool (CPP) program transactions. CPP purchases result in pay downs on the Associations' direct notes at the time of purchase. During 2024, an Association repurchased $27.1 million of CPP loan participations that had been previously sold to the Bank and the Bank purchased a loan in the amount of $1.9 million from another Association in a CPP transaction. These transactions resulted in net stock retirements of $2.1 million. CPP loans held at December 31, 2024 totaled $56.8 million and were included in loans on the balance sheet. The balance of the Farmer Mac AMBS CPP was $6.6 million at December 31, 2024 and is included in investment securities on the balance sheet.

The Bank also purchased loans from Associations in Non-Capitalized Participation Pool (NCPP) program transactions. NCPP purchases result in pay downs on the Associations' direct notes at the time of purchase. There were no NCPP loan purchases during the year ended December 31, 2024. NCPP loans held at December

31, 2024 totaled $173.5 million and are included in loans on the balance sheet.

The following table presents each loan category as a percentage of the total loan portfolio:

	December 31,		
	2024	2023	2022
Direct notes receivable from Associations and OFIs	**71.14 %**	70.72 %	69.18 %
Participations purchased	**28.86**	29.28	30.82
Total	**100.00 %**	100.00 %	100.00 %

The following table discloses the credit quality of the Bank's loan portfolio:

	December 31,		
	2024	2023	2022
Acceptable	**98.72 %**	99.04 %	99.35 %
OAEM (special mention)	**0.91**	0.50	0.30
Substandard	**0.35**	0.46	0.35
Doubtful	**0.02**	—	—
Total	**100.00 %**	100.00 %	100.00 %

The acceptable loans credit quality classification as of December 31, 2024 decreased slightly as compared to December 31, 2023, and the classification as of December 31, 2023 also decreased slightly as compared to December 31, 2022.

The increase in special mention loans credit quality classification as of December 31, 2024, compared to December 31, 2023, was primarily due to downgrades of loans from acceptable, driven by isolated credit deterioration in the agribusiness, real estate mortgage and production and intermediate-term loan sectors.

The decrease in the substandard credit quality classification as of December 31, 2024 reflects the transfer of an agribusiness loan to other property owned and the sale of certain agribusiness loans. Additionally, the decrease reflects repayment activity, the further downgrade to doubtful of a loan in the agribusiness sector and loan charge-offs. These decreases were partially offset by the downgrade of certain loans to the substandard classification.

The increase in the doubtful loan credit quality classification as of December 31, 2024 was driven by the downgrade of a loan in the agribusiness sector. There were no loans classified as doubtful at either December 31, 2023 or December 31, 2022.

The Bank's capital markets loan portfolio's concentration of credit risk in various commodities is shown in the following table at December 31:

	Percentage of Portfolio		
Commodity Group	**2024**	2023	2022
Rural electric	**14 %**	14 %	15 %
Livestock	**13**	12	11
Dairy	**8**	8	9
Communications	**6**	7	7
Miscellaneous food products	**6**	6	7
Grain mill products	**6**	6	6
Beverages	**5**	4	4
Meat products	**4**	5	5
Timber	**3**	3	3
Other	**35**	35	33
Total	**100 %**	100 %	100 %

The geographic diversity of the Bank's capital markets loan portfolio by state is reflected in the following table:

	December 31,		
States*	**2024**	2023	2022
Texas	**21 %**	17 %	16 %
California	**8**	7	8
Illinois	**6**	6	7
Pennsylvania	**4**	4	4
New York	**4**	3	3
Colorado	**3**	4	4
All other states	**54**	59	58
Total	**100 %**	100 %	100 %

*In all presentations of geographic distribution in this annual report, the distribution is based on the state in which the borrower is headquartered and may not be representative of their operations or business activities.

The balance of the Bank's Association direct notes sold to another System bank was $4.35 billion at December 31, 2024, December 31, 2023 and December 31, 2022.

Association Direct Notes and Association Loan Portfolios

The Bank's loan portfolio consisted of 71.14 percent of direct note receivables from Associations and OFIs at December 31, 2024. Terms of direct notes to Associations and OFIs are specified in a separate general financing agreement between the Bank and each Association and OFI, and all assets of each Association secure the direct notes to the Bank. A new general financing agreement between the Bank and each Association and OFI was executed and became effective October 1, 2023.

Each Association is a federally chartered instrumentality of the United States and is regulated by the FCA. See Note 1, "Organization and Operations," to the accompanying financial statements for further discussion of the System.

Effective December 1, 2024, two of the Bank's affiliated Associations, Heritage Land Bank, ACA and Texas Farm Credit Services merged and are doing business as Texas Farm Credit Services.

Effective December 1, 2023, two of the Bank's affiliated Associations, Ag New Mexico, Farm Credit Services, ACA and Lone Star, ACA merged and are doing business as AgTrust Farm Credit, ACA.

Direct notes from the Associations located in Texas represent the majority of the Bank's direct notes from all Associations. However, these notes are collateralized by a diverse loan portfolio, both in terms of geography and underlying commodities, which helps to mitigate the concentration risk often associated with one state or locale. Associations in each state have commodity diversification that is being augmented by purchases of loan participations.

The credit exposure of the Bank's loans to Associations, which are evidenced by direct notes with full recourse, is dependent on the Associations' creditworthiness and the ability of their borrowers to repay loans made to them. The credit risk to the Bank is mitigated by diversity in the Associations' loan portfolios in terms of underlying collateral and repayment sources, geography and range of individual loan amounts. In addition, the risk-bearing capacities of the Associations are assessed quarterly by the Bank. Each Association maintains an ACLL determined by its management and is capitalized to serve its unique market area. Associations are subject to FCA regulations concerning minimum capital, loan underwriting and portfolio management, and are audited annually by independent auditors. In addition, Associations are required by the general financing agreement with the Bank to provide copies of their risk-based internal credit review reports and other audit/examination reports. The Associations are required to maintain a risk-based internal credit review program including procedures addressing: reviewer qualification and independence, review frequency, accuracy of risk ratings, credit administration, regulatory compliance, scope selection, documentation of audit committee approval of reviewers and audit committee review of the internal control reports. The Bank completes an annual risk-based review of Association loan portfolios to verify the accuracy of assigned risk ratings and, in certain cases, the appropriateness of lending and credit administration practices.

As of December 31, 2024, all Associations were in compliance with their general financing agreements with the Bank.

Loans held by the combined Associations totaled $30.56 billion at December 31, 2024, an increase of $1.60 billion, or 5.51 percent, from loan volume at December 31, 2023. In 2023 and 2022, Association loan volume increased by $1.30 billion and $1.88 billion, respectively.

The combined Associations' concentration of credit risk in various agricultural commodities is shown in the following table at December 31:

	Percentage of Portfolio		
Commodity Group	**2024**	2023	2022
Livestock	**39 %**	39 %	40 %
Crops	**16**	16	16
Timber	**7**	7	7
Dairy	**5**	5	4
Cotton	**5**	4	4
Poultry	**3**	3	3
Rural home	**1**	1	1
Other	**24**	25	25
Total	**100 %**	100 %	100 %

The geographic diversity of the combined Associations' loan portfolio by state is reflected in the following table:

	December 31,		
States	**2024**	2023	2022
Texas	**64 %**	64 %	64 %
Mississippi	**7**	7	7
Alabama	**7**	7	8
Louisiana	**4**	4	4
All other states	**18**	18	17
Total	**100 %**	100 %	100 %

The combined Associations' loans by size are shown in the following table:

Size (thousands)	**December 31, 2024**
<$250	**13 %**
$250-$500	**11**
$500-$1,000	**13**
$1,000-$5,000	**32**
$5,000-$25,000	**27**
$25,000-$100,000	**4**
Total	**100 %**

Credit quality at the Associations remained strong, with loans classified as "acceptable" or "other assets especially mentioned" (OAEM) as a percentage of total loans of 98.84 percent, 99.15 percent and 99.17 percent at December 31, 2024, 2023 and 2022, respectively. Association nonearning assets as a percentage of total loans at December 31, 2024 were 0.40 percent, compared to 0.44 percent and 0.56 percent at December 31, 2023 and 2022, respectively.

From the perspective of the Texas District, the loan portfolio consists only of retail loans. The diversity of the commodity types and income sources supporting Texas District loan repayment further mitigates credit risk at the Bank.

The following table illustrates the Texas District's loan portfolio by major commodity segments at December 31:

	Percentage of Portfolio		
Commodity Group	**2024**	2023	2022
Livestock	**33 %**	33 %	33 %
Crops	**13**	14	14
Timber	**6**	6	6
Dairy	**6**	6	6
Cotton	**3**	3	3
Poultry	**2**	3	3
Rural home	**1**	1	1
Other	**36**	34	34
Total	**100 %**	100 %	100 %

The following table reflects the Texas District's geographic distribution, by major states, at December 31:

	Percentage of Portfolio		
States	**2024**	2023	2022
Texas	**54 %**	53 %	53 %
Alabama	**6**	6	6
Mississippi	**6**	5	6
Louisiana	**4**	4	4
California	**3**	3	4
All other states	**27**	29	27
Total	**100 %**	100 %	100 %

High-Risk Assets

High-risk assets consist of nonperforming loans and other property owned (OPO). Nonperforming loan volume is composed of nonaccrual loans and loans 90 days or more past due and still accruing interest.

The following table discloses the components of the Bank's high-risk assets at December 31:

	2024	2023	2022
Nonaccrual loans	**$ 42,303**	$ 43,025	$ 29,994
Loans past due 90 days or more and still accruing interest	**—**	—	—
Total nonperforming loans	**42,303**	43,025	29,994
Other property owned	**4,854**	—	—
Total high-risk assets	**$ 47,157**	$ 43,025	$ 29,994

High-risk assets at December 31, 2024, increased by $4.1 million, or 9.60 percent, from $43.0 million at December 31, 2023 due to OPO, which was held for sale and consists of real and personal property acquired through collection activities.

The decrease in nonaccrual loans at December 31, 2024, reflects the transfer of an agribusiness loan to OPO, as well as repayment and charge-off activity, partially offset by credit deterioration in the production and intermediate-term and real estate mortgage loan sectors. The increase in nonaccrual loans at December 31, 2023 resulted from credit deterioration among select borrowers in the real estate mortgage and production and intermediate-term sectors. At December 31, 2024, $33.6 million, or 79.38 percent of nonperforming loans were current as to principal and interest, compared to $5.0 million, or 11.72 percent at December 31, 2023.

Allowance for Credit Losses on Loans and Allowance for Credit Losses on Unfunded Commitments

The ACLL at December 31, 2024 totaled $34.6 million, compared to $37.9 million at December 31, 2023, and $15.7 million at December 31, 2022. The decrease during 2024 was driven by charge-offs, net of recoveries, partly offset by specific reserves for certain loans in the agribusiness and production and intermediate-term loan sectors as well as increases in general reserves due to credit deterioration on select borrowers in the agribusiness loan sector.

The allowance for credit losses on unfunded commitments on letters of credit (LOC) and unfunded commitments totaled $5.3 million, $5.0 million and $2.1 million at December 31, 2024, 2023 and 2022, respectively. The allowance for credit losses on loans and the allowance for credit losses on unfunded commitments in its entirety is related to risks identified in the Bank's participation portfolio.

The following table provides an analysis of key statistics related to the allowance for credit losses on loans and allowance for credit losses on unfunded commitments at December 31:

	2024	2023	2022
ACLL and allowance for credit losses on unfunded commitments as a percentage of:			
Average loans	**0.13 %**	0.15 %	0.06 %
Loans at year end			
Total loans	**0.13**	0.14	0.06
Participations	**0.43**	0.49	0.20
Nonaccrual loans	**94.24**	99.75	59.21
Net charge-offs to average loans	**0.09**	0.07	—
Provision expense to average loans	**0.08**	0.13	0.02

The activity in the ACLL and the allowance for credit losses on unfunded commitments is discussed further in Note 4, "Loans and Reserves for Credit Losses," to the accompanying financial statements.

Interest Rate Risk Management

Asset/liability management is the Bank's process for directing and controlling the composition, level and flow of funds related to the Bank's and Texas District's interest-rate-sensitive assets and liabilities. The Bank is able to manage the balance sheet composition by using various debt issuance strategies and hedging transactions to match its asset cash flows. Management's objective is to generate adequate and stable net interest income in a changing interest rate environment.

The Bank uses a variety of techniques to manage its financial exposure to changes in market interest rates. These include monitoring the difference in the maturities or repricing cycles of interest-rate-sensitive assets and liabilities; simulating changes in net interest income under various interest rate scenarios; and monitoring the change in the market value of interest-rate-sensitive assets and liabilities under various interest rate scenarios. The Bank measures interest rate risk on a quarterly basis.

The interest rate risk inherent in an Association's loan portfolio is substantially mitigated through its funding relationship with the Bank. The Bank manages the Texas District's interest rate risk through its direct loan pricing and funding processes. Under the Farm Credit Act of 1971, as amended, an Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. An Association's indebtedness to the Bank, under a general financing agreement between the Bank and the Association, represents demand borrowings by the Association to fund the majority of its loan advances to Association members and is secured by the total assets of the Association.

The Bank's net interest income is determined by the difference between income earned on loans and investments and the interest expense paid on funding sources, typically Systemwide bonds and discount notes. The Bank's level of net interest income is affected by both changes in market interest rates and timing differences in the maturities or repricing cycles of interest-bearing assets and liabilities. Depending upon the direction and magnitude of changes in market interest rates, the Bank's net interest income may be affected either positively or negatively by the mismatch in the maturity or the repricing cycle of interest-rate-sensitive assets and liabilities.

The Bank maintains a loan pricing philosophy that loan rates should be based on competitive market rates of interest. The Associations offer a wide variety of products, including SOFR- and prime-indexed variable-rate loans and loans with fixed-rate terms ranging from under one year to 30 years. The interest rates on these loans are directly related to the Bank's cost to issue debt in the capital markets and a credit spread added for borrower risk.

The Bank offers an array of loan programs to Associations that are designed to meet the needs of the Associations' borrowers. These loan programs have varying repayment terms, including fixed and level principal payments, and a choice of payment frequencies, such as monthly, quarterly, semiannual and annual payments. Additionally, the Bank offers a choice of prepayment options to meet customer needs.

The Bank uses complex modeling tools to manage and measure the risk characteristics of its earning assets and liabilities, including gap and simulation analyses. The following interest rate gap analysis sets forth the Bank's interest-earning assets and interest-bearing liabilities outstanding as of December 31, 2024, which are expected to mature or reprice in each of the future time periods shown:

Interest Rate Gap Analysis

as of December 31, 2024

Interest-Sensitive Period

	One Month or Less	More Than One Through Six Months	More Than Six Through Twelve Months	**Total Twelve Months or Less**	More Than One Year but Less Than Five Years	More Than Five Years and Non-Rate-Sensitive	Total
Interest-Earning Assets							
Total loans	$ 9,635,562	$ 2,822,531	$ 2,106,517	$ 14,564,610	$ 10,590,167	$ 6,666,169	$ 31,820,946
Total investments	3,107,335	469,424	333,848	3,910,607	1,975,150	1,212,050	7,097,807
Total interest-earning assets	12,742,897	3,291,955	2,440,365	18,475,217	12,565,317	7,878,219	38,918,753
Interest-Bearing Liabilities							
Total interest-bearing funds	11,557,962	3,155,692	2,317,890	17,031,544	14,009,573	6,117,653	37,158,770
Excess of interest-earning assets over interest-bearing liabilities	—	—	—	—	—	1,759,983	1,759,983
Total interest-bearing liabilities	11,557,962	3,155,692	2,317,890	17,031,544	14,009,573	7,877,636	$ 38,918,753
Interest rate sensitivity gap	$ 1,184,935	$ 136,263	$ 122,475	$ 1,443,673	$ (1,444,256)	$ 583	
Cumulative interest rate sensitivity gap	$ 1,184,935	$ 1,321,198	$ 1,443,673	$ 1,443,673	$ (583)		

The amount of assets or liabilities shown in each of the time periods was based on the earlier of repricing date, contractual maturity or anticipated loan payments, or projected exercise date on callable debt. To reflect the expected cash flow and repricing characteristics of the Bank's balance sheet, an estimate of expected prepayments on loans and mortgage-related investments is used to adjust the maturities of the loans and investments in the earning assets section of the gap analysis. Changes in market interest rates will affect the volume of prepayments on loans and mortgage-related investments. Correspondingly, adjustments have been made to reflect the characteristics of callable debt instruments and the effect derivative financial instruments have on the repricing structure of the Bank's balance sheet. The "interest rate sensitivity gap" line reflects the mismatch, or gap, in the maturity or repricing of interest-rate-sensitive assets and liabilities. A gap position can be either positive or negative. A positive gap indicates that a greater volume of assets than liabilities reprices or matures in a given time period, and conversely, a negative gap indicates that a greater volume of liabilities than assets reprices or matures in a given time period. On a 12-month cumulative basis, the Bank has a positive gap position, indicating that the Bank has positive exposure to rising interest rates. This would occur when interest income on maturing or repricing interest-bearing assets increases sooner than interest expense on maturing or repricing interest-bearing liabilities.

The cumulative gap, which is a static measure, does not take into consideration the changing value of options available to the Bank in order to manage this exposure, specifically the ability to exercise or not exercise options on callable debt. These options are considered when projecting the effects of interest rate changes on net interest income and on the market value of equity in the following tables.

Interest rate risk exposure, as measured by simulation modeling, calculates the Bank's expected net interest income and market value of equity based upon projections of interest-rate-sensitive assets, liabilities and derivative financial instruments under multiple interest rate scenarios. The Bank monitors its financial exposure to multiple interest rate scenarios. The Bank's policy guideline for the maximum percentage reduction was 16 percent for net interest income based on a twelve-month forecast and 20 percent for market value of equity as a result of a 200 basis point shock in interest rates at the measurement date. The Bank manages its interest rate risk exposure within these guidelines. At December 31, 2024, projected annual net interest income would decrease by 1.30 percent, if interest rates were to decrease by 100 basis points, and would decrease by 0.54 percent if interest rates were to decrease by 200 basis points. At December 31, 2024, projected annual net interest income would increase by 3.76 percent if interest rates were to increase by 100 basis points and by 7.05 percent if interest rates were to increase by 200 basis points. Market value of equity is projected to increase by 11.82 percent as a result of a 100 basis point decrease in interest rates and to increase by 26.69 percent if interest rates were to decrease by 200 basis points at December 31, 2024. Market value of equity is projected to decrease by 8.09 percent if interest rates were to increase by 100 basis points at December 31, 2024, and decrease by 14.93 percent if interest rates were to increase by 200 basis points.

The following tables set forth the Bank's projected sensitivity to interest rate movements as prescribed by policy as of December 31, 2024, based on the Bank's interest-earning assets and interest-bearing liabilities:

	December 31, 2024			
	+200	**+100**	**-100**	**-200**
Change in net interest income	7.05 %	3.76 %	(1.30)%	(0.54)%
Change in market value of equity	(14.93)	(8.09)	11.82	26.69

The Bank may use derivative financial instruments to manage its interest rate risk and liquidity position. Fair value and cash flow interest rate swaps for asset/liability management purposes may be used to change the repricing characteristics of liabilities to match the repricing characteristics of the assets they support. The Bank does not hold, and is restricted by policy from holding, derivative financial instruments for trading purposes and is not a party to leveraged derivative transactions.

At December 31, 2024, the Bank held interest rate caps with a notional amount of $95.0 million (net fair value asset of $101 thousand) and pay-fixed interest rate swap contracts with a notional amount of $1.40 billion (net fair value liability of $1.7 million, net of posted variation margin). See Note 17, "Derivative Instruments and Hedging Activity," to the accompanying financial statements for further discussion. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item (principally, debt securities) attributable to the hedge risk are recognized in current earnings. The Bank includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related pay-floating interest rate swaps. To the extent that the derivatives have a negative fair value, the Bank has a payable on the instrument and the counterparty is exposed to the credit risk of the Bank. To the extent that the derivatives have a positive fair value, the Bank has a receivable on the instrument and is therefore exposed to credit risk from the counterparty. To manage this credit risk, the Bank monitors the credit ratings of its counterparties and has bilateral collateral agreements with counterparties. The Bank clears cash flow hedges through a futures commission merchant (FCM), with a clearinghouse or central counterparty (CPP).

At December 31, 2024, the notional amount of cleared cash flow hedges was $1.40 billion with associated posted initial margin of $32.8 million. At December 31, 2024, all cleared cash flow hedges were in an asset position and the Bank received cash collateral from the counterparty of $67.0 million. Cleared derivatives require the payment of initial and variation margin as a protection against default.

Excluding centrally cleared cash flow hedges, the Bank had counterparty credit risk exposure to three counterparties totaling $101 thousand at December 31, 2024.

Liquidity Risk Management

The Bank's liquidity risk management practices ensure the Texas District's ability to meet its financial obligations. These obligations include the repayment of Systemwide debt securities as they mature, the ability to fund new and existing loan and other funding commitments, and the ability to fund operations in a cost-effective manner. A primary objective of liquidity risk management is to plan for unanticipated changes in the capital markets.

The Bank's primary source of liquidity is the ability to issue Systemwide debt securities, which are the general unsecured joint and several obligations of the System banks as discussed below. As a secondary source of liquidity, the Bank maintains an investment portfolio composed primarily of high-quality liquid securities. The securities provide a stable source of income for the Bank, and their high quality ensures the portfolio can be quickly converted to cash should the need arise.

While the Bank's primary source of liquidity is the ability to access the capital markets to issue Systemwide debt, the Bank also maintains other contingency funding sources including repurchase agreements with several commercial banks, a $75.0 million uncommitted federal funds line of credit and reciprocal emergency lending agreements with other System entities. These alternative funding sources are subject to various terms and conditions, and as a result, there can be no assurance that funding will be available if needed by the Bank. In addition, the Funding Corporation provides contingency financing mechanisms which include emergency and non-emergency purchases of federal funds from counterparties and direct issuance of Systemwide debt securities to institutional investors.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). FCSIC insures the timely payment of principal and interest on Systemwide debt securities. FCSIC maintains the Insurance Fund for this purpose and for certain other purposes. In the event a System bank is unable to timely pay principal and interest on any insured debt obligation for which that bank is primarily liable, FCSIC must expend amounts in the Insurance Fund to the extent necessary to insure the timely payment of principal and interest on the debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the System banks on the debt obligation cannot be invoked until the Insurance Fund is exhausted. However, there are no assurances that sufficient funds will be available to pay the principal or interest on the insured debt obligation because of other mandatory and discretionary uses of the Insurance Fund. The insurance provided through use of the Insurance Fund is not an obligation of and is not a guarantee by the U.S. government.

FCSIC has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to FCSIC under limited circumstances. Under its existing statutory authority, FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances that threaten the System banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and will remain in full force and effect until terminated by either the Federal Financing Bank or the FCSIC. The decision whether to seek funds from the Federal Financing Bank is at the discretion of FCSIC, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

FCA regulations require each System bank to maintain a minimum of 90 days of liquidity coverage on a continuous basis, assuming no access to the capital markets. Liquidity coverage is defined as the number of days that maturing Systemwide debt securities could be funded with cash and eligible liquidity investments maintained by the Bank. Regulations on liquidity reserve requirement divide the existing eligible liquidity reserve requirement into three levels: Level 1 consists of cash and cash-like instruments and must provide 15 days of coverage; Level 2 consists primarily of government guaranteed securities and must provide 30 days of coverage (combined with Level 1); and Level 3 consists primarily of agency guaranteed securities and must provide a total of 90 days of coverage (combined with Level 1 and Level 2). Additionally, regulations require the Bank to maintain a supplemental liquidity reserve above the 90-day minimum to cover cash flow requirements unique to the Bank. At December 31, 2024, the Bank met all individual level criteria and had a total of 197 days of liquidity coverage, as compared with 200 days at December 31, 2023.

Funding Sources

The Bank continually raises funds to support its mission to provide credit and related services to the rural and agricultural sectors, repay maturing Systemwide debt securities and meet other obligations. As a government-sponsored enterprise, the Bank has access to the nation's and world's capital markets. This access provides us with a dependable source of competitively priced debt that is critical to support our mission of providing funding to the rural and agricultural sectors. Moody's Investors Service (Moody's) rates the System's long-term debt as Aaa and short-term debt as P-1. These are the highest ratings available from this rating agency. S&P Global Ratings and Fitch Ratings maintain the long-term sovereign credit rating of the U.S. government at AA+, which directly corresponds to their AA+ long-term debt rating of the System. These rating agencies base their ratings on many quantitative and qualitative factors, including the System's status as a government-sponsored enterprise. Material changes to the factors considered could result in a different debt rating. However, as a result of the System's financial performance, credit quality and standing in the capital markets, we anticipate continued access to funding necessary to support System needs. The U.S. government does not guarantee, directly or indirectly, Systemwide debt securities.

The types and characteristics of securities are described in Note 10, "Bonds and Notes," to the accompanying financial statements. As a condition of the Bank's participation in the issuance of Systemwide debt securities, the Bank is required by regulation to maintain specified eligible assets as collateral in an amount equal to or greater than the total amount of bonds and notes outstanding for which the Bank is liable. At December 31, 2024 and December 31, 2023, the Bank had excess collateral of $1.68 billion and $1.49 billion, respectively. Management expects the Bank to maintain sufficient collateral to permit its continued participation in Systemwide debt issuances in the foreseeable future.

The Bank receives ratings from two rating agencies:

- On December 12, 2024, Fitch Ratings affirmed the Bank's long-term and short-term issuer default ratings (IDR) at A+ and F1+, respectively, with a stable outlook.
- On May 16, 2024, Moody's affirmed the Bank's issuer rating at Aa3, with a stable outlook.

The following table provides a summary of the period-end balances of the debt obligations of the Bank:

	December 31,		
(dollars in thousands)	**2024**	2023	2022
Bonds outstanding	**$ 35,558,462**	$ 33,067,825	$ 30,737,944
Average effective interest rates	**3.52 %**	3.46 %	2.57 %
Average remaining life (years)	**3.1**	3.4	3.7
Discount notes outstanding	**$ 1,600,308**	$ 2,065,499	$ 3,233,798
Average effective interest rates	**4.73 %**	5.27 %	3.51 %
Average remaining life (days)	**98**	82	142

During the years ended December 31, 2024, 2023 and 2022, the Bank called and replaced fixed-rate debt totaling $1.74 billion, $375.0 million and $125.0 million, respectively, to help reduce its interest expense. The Bank also called and replaced $1.55 billion, $775.0 million and $25.0 million in callable floating rate notes in 2024, 2023 and 2022, respectively. During the years ended December 31, 2024, 2023 and 2022, the Bank recognized concession expense of $3.8 million, $915 thousand and $174 thousand, respectively. During 2023, the Bank extinguished debt totaling $125.0 million and recorded a gain of $2.0 million as a result of the extinguishment, which was recognized in noninterest income. No similar transaction occurred during 2024 or 2022.

The following table provides a summary of the average balances of the debt obligations of the Bank:

	Year Ended December 31,		
	2024	2023	2022
Average interest-bearing liabilities outstanding	**$ 35,803,254**	$ 34,891,926	$ 32,884,101
Average interest rates on interest-bearing liabilities	**3.64 %**	3.15 %	1.61 %

Investments

As permitted under FCA regulations, a bank is authorized to hold eligible investments for the purposes of maintaining a diverse source of liquidity, managing short-term surplus funds and managing interest rate risk. The Bank is authorized to hold an amount not to exceed 35.0 percent of loans outstanding. The Bank's holdings are within this limit as of December 31, 2024.

FCA regulations also define eligible investments by specifying credit criteria and percentage of investment portfolio limit for each investment type. If an investment no longer meets eligibility criteria, the investment becomes ineligible for inclusion in the liquidity portfolio.

The Bank held no investments which were ineligible for liquidity purposes at December 31, 2024 and 2023.

On a quarterly basis, the Bank evaluates its investment portfolio for impairment. At December 31, 2024 and 2023, U.S. Treasury, agency and all (or substantially all) mortgage-backed securities had a zero loss assumption. The Bank does not consider these unrealized losses to be credit-related, and therefore, an allowance for credit losses is not necessary. The Bank also evaluated its non-guaranteed investment securities with unrealized losses and, as a result of the assessment, determined there was no credit impairment on investment securities as of December 31, 2024 and 2023.

The Bank's investments are all considered available-for-sale and include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio had a fair value of $6.64 billion at December 31, 2024 and consisted primarily of federal agency-guaranteed collateralized mortgage-backed securities (MBS), corporate debt, agency-guaranteed debt, U.S. Treasury securities, asset-backed securities (ABS) and certificates of deposit. The majority of the liquidity portfolio's MBS includes Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities.

The Bank's investment portfolio consisted of the following at December 31:

	2024		2023	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Liquidity investments:				
Agency-guaranteed debt	**$ 9,739**	**$ 9,608**	$ 28,728	$ 28,171
Certificates of deposit	**250,000**	**250,084**	250,000	250,245
Corporate debt	**59,993**	**59,528**	197,968	195,032
Federal agency collateralized mortgage-backed securities:				
GNMA	**3,265,069**	**2,853,858**	3,135,926	2,725,312
FNMA and FHLMC	**2,649,128**	**2,529,593**	2,465,791	2,321,141
U.S. Treasury securities	**824,071**	**824,223**	895,725	887,919
Asset-backed securities	**109,494**	**109,037**	195,178	194,110
Total liquidity investments	**7,167,494**	**6,635,931**	7,169,316	6,601,930
Other investments:				
Agricultural mortgage-backed securities	**7,243**	**6,553**	9,441	8,499
Total investments	**$ 7,174,737**	**$ 6,642,484**	$ 7,178,757	$ 6,610,429

During the year ended December 31, 2024, an investment security was sold for total proceeds of $50.4 million with a book value of $50.0 million, resulting in a gain of $404 thousand recognized in noninterest income and previously reflected in accumulated other comprehensive loss. The Bank uses the specific identification method to determine the cost of securities sold. During the years ended December 31, 2023 and 2022, no investment securities were sold.

The Bank's other investments consisted of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS), purchased from Associations as part of the Bank's CPP program. The Farmer Mac AMBS are not included in the Bank's liquidity portfolio. The Farmer Mac securities are backed by loans originated by the Associations and previously held by the Associations under the Farmer Mac long-term standby commitments to purchase agreements.

Farmer Mac is a government-sponsored enterprise and is examined and regulated by FCA. It provides secondary market arrangements for agricultural and rural home mortgage loans that meet certain underwriting standards. Farmer Mac is authorized to provide loan guarantees or be a direct pooler of agricultural mortgage loans. Farmer Mac is owned by both System and non-System investors and its board of directors has both System and non-System representation. Farmer Mac is not liable for any debt or obligation of any System institution and no System institution other than Farmer Mac is liable for any debt or obligation of Farmer Mac.

Capital Adequacy

Total shareholders' equity at December 31, 2024, was $1.78 billion compared to $1.69 billion and $1.62 billion at December 31, 2023 and 2022, respectively. Total shareholders' equity increase of $93.3 million during 2024 was primarily due to net income of $221.9 million, improvements in other comprehensive income of $55.4 million and the net issuance of capital stock of $27.1 million, partially offset by cash patronage declared of $147.8 million, preferred stock dividends of $60.0 million and the preferred stock issuance costs of $3.3 million. The Bank declared cash patronage of $147.8 million which included $88.5 million in direct loan patronage, $53.4 million in patronage on certain participations and $5.8 million in CPP and NCPP patronage. The Bank also paid allocated retained earnings in 2024 of $7.2 million in patronage on certain participations.

On May 20, 2024, the Bank issued $300.0 million of Class B-5 preferred stock, representing 300,000 shares at $1,000 per share par value, for net proceeds of $296.7 million, with issuance costs of $3.3 million. Dividends on Class B-5, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2024, at an annual fixed rate of 7.75 percent of par value of $1,000 per share up to, but excluding June 15, 2029, from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 3.291 percent. The Class B-5 is not mandatorily redeemable at any time, but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after June 15, 2029. The Class B-5 ranked pari passu with respect to the existing Class B-3 and Class B-4 preferred stock, and senior to all of the Bank's other outstanding capital stock. For regulatory purposes, the Class B-5 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations.

On September 16, 2024, the Bank redeemed the Class B-2 preferred stock at $100 per share or $300.0 million in the aggregate.

Preferred stock totaled $750.0 million at December 31, 2024, 2023 and 2022. Class B noncumulative subordinated perpetual preferred stock included $100.0 million of Class B Series 3 issued in June 2018 (Class B-3), $350.0 million of Class B Series 4 issued in July 2020 (Class B-4) and $300.0 million of Class B-5 preferred stock issued in May 2024. Preferred stock is the sole obligation of the Bank and is not guaranteed by another System institution. Such obligations are not Systemwide Debt Securities, and therefore, are not subject to the joint and several obligations of the System banks nor are they guaranteed or insured by the Insurance Fund.

Dividends on the Class B-3 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2018, at an annual fixed rate of 6.20 percent of par value of $1,000 per share up to, but excluding June 15, 2028, from and after which date will be paid at a rate of the 3-Month USD LIBOR plus 3.223 percent or the Alternative Rate determined at that time.

Dividends on the Class B-4 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2020, at an annual fixed rate of 5.70 percent of par value of $1,000 per share up to, but excluding, September 15, 2025, from and after which date will be paid at an annual rate of the 5-year Treasury rate as of the most recent five-year reset dividend determination date plus 5.415 percent.

The Class B preferred stock ranks senior to all of our outstanding common stock. "Dividend/patronage stopper" clauses in the preferred stock offerings require the payment or declaration of current period dividends on the preferred stock issuances before any other patronage can be declared, and were required before declaration of the December 31, 2024 direct note patronages to Associations and OFIs.

Accumulated other comprehensive loss decreased $55.4 million, or 10.62 percent, to $466.1 million at December 31, 2024, from $521.5 million at December 31, 2023. The decrease was driven by a $36.1 million decrease in unrealized losses on the Bank's investments, and a $20.2 million increase in net unrealized gains on cash flow derivatives, partially offset by a $907 thousand change in postretirement benefit plans. The decrease in unrealized net losses on investments and the increase in net unrealized gains on cash flow derivatives were a result of changes in interest rates during 2024.

Capital adequacy is evaluated using various ratios for which the FCA has established regulatory minimums. Regulatory ratios of the Bank remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2024.

The following table reflects the Bank’s capital ratios at December 31:

	2024	2023	2022	Total Regulatory Requirement Including Capital Conservation Buffers
Permanent capital ratio	**13.07%**	13.16%	13.43%	7.00 %
Common equity tier 1 ratio	**8.58**	8.50	8.66	7.00
Tier 1 capital ratio	**13.04**	13.12	13.42	8.50
Total capital ratio	**13.30**	13.41	13.50	10.50
Tier 1 leverage ratio	**5.64**	5.79	5.94	5.00
UREE leverage ratio	**2.18**	2.26	2.50	1.50

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors, external cyber risk and data security, or external events, including the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and the risk of fraud by employees or persons outside the System. The board of directors is required, by regulation, to adopt an internal control policy that provides adequate direction to the institution in establishing effective control over and accountability for operations, programs and resources. The policy must include, at a minimum, the following items:

- direction to management that assigns responsibility for the internal control function to an officer or officers of the institution;
- adoption of internal audit and control procedures;
- direction for the operation of a program to review and assess its assets;
- adoption of loan, loan-related assets and appraisal review standards, including standards for scope of review selection and standards for work papers and supporting documentation;
- adoption of asset quality classification standards;
- adoption of standards for assessing credit administration, including the appraisal of collateral; and
- adoption of standards for the training required to initiate a program.

In general, we address operational risk through the organization’s internal governance structure. Exposure to operational risk is typically identified with the assistance of senior management, and internal audit plans are risk-based and are re-evaluated on an annual basis, or more frequently, if necessary. The board of directors is responsible for defining the role of the audit committee in providing oversight and review of the institution’s internal controls.

Reputational Risk Management

Reputational risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the Bank, the System or any of its entities. The Bank and its Associations could be harmed if its reputation were impacted by negative publicity about the System as a whole, an individual System entity or the agriculture industry in general.

Reputational risk is the direct responsibility of each System entity. For reputational issues that have broader consequences for the System as a whole, System governance will communicate guidance to the System supporting those business practices that are consistent with our mission.

Political Risk Management

We, as part of the System, are an instrumentality of the federal government and are intended to further governmental policy concerning the extension of credit to or for the benefit of agricultural and rural America. The System and its borrowers may be significantly affected by federal legislation that affects the System directly, such as changes to the Farm Credit Act, or indirectly, such as agricultural appropriations bills. Political risk to the System is the risk of loss of support for the System or agriculture by the U.S. government.

We manage political risk by actively supporting the Farm Credit Council (Council), which is a full-service, federal trade association representing the System before Congress, the executive branch and others. The Council provides the mechanism for “grassroots” involvement in the development of System positions and policies with respect to federal legislation and government actions that impact the System. Additionally, we take an active role in representing the individual interests of System institutions and their borrowers before Congress. In addition to the Council, each district has its own council, which is a member of the Council. The district councils represent the interests of their members on a local and state level, as well as on a federal level.

Human Capital

The Bank recognizes that its people are the key to success and, therefore, strive to make the workplace attractive for all employees. Effective human capital management results from the recruitment and retention of a highly qualified workforce that is aligned with the Bank's core values and mission. The Bank has an onboarding program dedicated to familiarizing all new hires with the Bank's culture and values. The mission of effectively serving the needs of rural America and agriculture drives the organizational culture.

The Bank's human capital strategy is unique to its organization and is influenced by the geography and workforce demographics in the communities in which it serves. Human capital management is carried out under the oversight of the Bank's board of directors.

The Bank has adopted a Human Capital Plan (Plan) that focuses on assessment of workforce, performance management and succession planning, among other things.

Assessment of Workforce and Performance Management

The Plan provides a description of the Bank's workforce and an assessment of strengths and weaknesses within the workforce. The Plan generally takes into account effective strategies to evaluate the workforce including the review of job descriptions to make sure the skills needed are accurately defined, engaging in a performance review process to assess skills desired against skills employees have, and training to address gaps.

Succession Planning

Succession planning is necessary to ensure that talent and skills are available and essential knowledge and organization culture are maintained when employees in key positions depart. The Plan also provides for management succession planning and strategies with the main objective of identifying critical workforce positions and developing a targeted pool of potential successors.

Workforce Composition

Diversity in the workforce helps foster stronger collaboration, problem-solving, innovation and helps boost employee retention.

At December 31, 2024, the Bank employed 300 full-time employees of which 37 percent were women, 63 percent were men and 39 percent were minorities based on employee self-reporting. The statistics are for the Bank only and other System institutions' information may vary from these statistics, as the composition of each System institution's workforce is impacted by the demographics of its unique service area.

Cybersecurity

Risk Management and Strategy

Cyber risk is the risk of loss, disruption, or damage to the reputation of the Bank due to the failure or unauthorized or erroneous use of its information systems. The Bank has a risk management policy and procedures to assess, identify and manage material risks from cybersecurity threats with the goal of providing the appropriate level of protection to maintain confidentiality, integrity and availability of the Bank, Associations', and borrowers' information.

The Bank engages in a variety of activities to assess cybersecurity risks and implements layers of controls to prevent, detect or mitigate these risks. The effectiveness of the controls is tested through internal and external audits and assessments, including regular penetration tests, vulnerability scans and business continuity/disaster recovery tests. The Bank leverages one or more industry standards or frameworks such as the National Institute of Standards and Technology, Center for Internet Security, International Organization for Standardization to guide its cybersecurity management activities.

In addition, the Bank has a cybersecurity incident response plan that assesses the nature and scope of an incident, the information systems and types of information accessed or misused, steps to be taken to resume business activities and reporting to the board of directors, FCA, customers (former, current, and potential) and employees.

No cybersecurity threats or incidents have materially impacted the Bank during the past three years.

Recent Accounting Pronouncements

The recent accounting pronouncements are described in Note 2, “Summary of Significant Accounting Policies,” to the accompanying financial statements.

Regulatory Matters

At December 31, 2024, there were no Associations operating under written agreements with the FCA.

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

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

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

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

On September 6, 2024, the FCA posted an advance notice of proposed rulemaking to seek public comments on how the FCA should amend its similar entity lending regulations to enhance their clarity and guidance. The FCA is considering: (1) the appropriate criteria to determine whether the activities of similar entities are “functionally similar” to the activities of eligible borrowers, (2) how the FCA can make sure that the similar entity regulations are aligned with the System’s statutory mission, (3) whether more guidance is needed to determine which entities in a multi-organizational structure qualify as similar entities, and (4) what financial instruments might qualify as “other extensions of credit” and “other technical and financial assistance” in the regulations. The comment period ended on December 5, 2024.

On October 10, 2024, the FCA approved a proposed rule that would require System associations that meet certain asset thresholds/conditions as well as all System banks to obtain an annual audit of their internal controls over financial reporting (ICFR), in conjunction with their financial statements, known as an integrated audit. All System banks currently obtain an integrated audit, so this rule would merely formalize that requirement. System associations that fall within the requirements will generally have three fiscal years to obtain an integrated audit. The proposed rule was published in the Federal Register on November 29, 2024. The rule is subject to a revised public comment period deadline of March 31, 2025 (from an original deadline of January 28, 2025).

Farm Bill

Approximately every five years, Congress considers legislation, commonly referred to as the "Farm Bill," that sets national agriculture, nutrition, conservation and forestry policy. The last bill enacted was the Agricultural Improvement Act of 2018 that was extended to September 30, 2024. The American Relief Act, 2025 (Relief Act) signed into law on December 21, 2024 extended the farm bill to September 30, 2025. The Relief Act also included $21 billion in disaster aid, most of which is to be distributed by the USDA to cover necessary expenses related to the losses of revenues, quality or production for crops. Qualified losses include those caused by natural disasters that occurred in calendar years 2023 and 2024, including droughts, wildfires, hurricanes, floods, derechos, excessive heat, tornadoes, winter storms, freeze, smoke exposure and excessive moisture. In addition to the disaster aid, the Relief Act included $10 billion for economic aid in response to the adverse economic environment, particularly for crop farmers. The funds will provide much-needed relief for farmers and ranchers across the country.

Report of Management

The financial statements of the Farm Credit Bank of Texas (Bank) are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, except as noted. Other financial information included in this annual report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Bank's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. To monitor compliance, the internal audit staff of the Farm Credit Bank of Texas audits the accounting records, reviews accounting systems and internal controls, and recommends improvements as appropriate. The financial statements are audited by PricewaterhouseCoopers LLP (PwC), independent auditors. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2024. In addition, the Bank is examined by the Farm Credit Administration.

In the opinion of management, the financial statements are true and correct and fairly state the financial position of the Farm Credit Bank of Texas at December 31, 2024, 2023 and 2022. The independent auditors have direct access to the audit committee, which is composed solely of directors who are not officers or employees of the Bank.

The undersigned certify that we have reviewed the December 31, 2024 annual report of the Farm Credit Bank of Texas, that the report has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information included herein is true, accurate and complete to the best of our knowledge and belief.

James F. Dodson
Chair of the Board

Amie Pala
Chief Executive Officer

Brandon Blaut
Executive Vice President, Chief Operating Officer and
Interim Chief Financial Officer

February 28, 2025

Report of Audit Committee

The audit committee (Committee) is composed of the entire board of directors of the Farm Credit Bank of Texas (Bank). The Committee oversees the Bank's system of internal controls and the adequacy of management's action with respect to recommendations arising from those internal control activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on the Bank's website at *www.farmcreditbank.com*. In 2024, 11 Committee meetings were held, with some of these meetings including executive sessions between the Committee and PricewaterhouseCoopers LLP (PwC) and the Bank's internal auditor. The Committee approved the appointment of PwC as independent auditors for 2024.

Management is responsible for the Bank's internal controls and for the preparation of the 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 Bank's financial statements in accordance with auditing standards generally accepted in the United States of America in addition to the Bank's internal control over financial reporting 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 Bank's audited financial statements for the year ended December 31, 2024, with management and PwC. The Committee also reviewed with PwC the matters required to be discussed by Auditing Standard No. 16 (Communications with Audit Committees).

PwC has provided to the Committee the written communications regarding their independence. The Committee discussed with appropriate representatives of PwC the firm's independence from the Bank. The Committee also approved the non-audit service provided by PwC and concluded that the service was not incompatible with maintaining the auditor's independence. Furthermore, throughout 2024 the Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate. Both PwC and the Bank's internal auditor directly provided reports on significant matters to the committee.

M. Philip Guthrie, Chair
Dr. Larry L. Boleman, Vice Chair
Dennis Anthony
John L. Dailey
James F. Dodson
Linda C. Floerke
Dorothy Nichols

Audit Committee Members

February 28, 2025

Report on Internal Control Over Financial Reporting

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

The Bank's management has completed an assessment of the effectiveness of internal controls over financial reporting as of December 31, 2024. In making the assessment, management used the updated Internal Control – Integrated Framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission on May 14, 2013, commonly referred to as the "COSO 2013 Framework."

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

The effectiveness of the Bank's internal control over financial reporting as of December 31, 2024, has been audited by PricewaterhouseCoopers LLP, independent auditors, which expresses an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2024.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2024, management of the Farm Credit Bank of Texas (Bank) carried out an evaluation with the participation of the Bank's management, including the chief executive officer (CEO) and chief financial officer (CFO), of the effectiveness of the design and operation of their respective disclosure controls and procedures [(1)] with respect to this annual stockholder report. This evaluation is based on testing of the design and effectiveness of key internal controls, certifications and other information furnished to the principal executive officer and principal financial officer of the Bank, as well as incremental procedures performed by the Bank. Based upon and as of the date of the Bank's evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective in alerting them on a timely basis of any material information relating to the Bank that is required to be disclosed by the Bank in the annual and quarterly stockholder reports it files or submits to the Farm Credit Administration. There have been no significant changes in the Bank's internal control over financial reporting[(2)] that occurred during the quarter ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

[(1)] For purposes of this discussion, "disclosure controls and procedures" are defined as controls and procedures of the Bank that are designed to ensure that the financial information required to be disclosed by the Bank in this annual stockholder report is recorded, processed, summarized and reported, within the time periods specified under the rules and regulations of the Farm Credit Administration.

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

Certification

I, Amie Pala, certify that:

1. I have reviewed the 2024 Annual Report of the Farm Credit Bank of Texas (Bank).
2. Based on my knowledge, this annual stockholder report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual stockholder report.
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this report.
4. The Bank's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures[1] and internal control over financial reporting[2] for the Bank and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank is made known to us, particularly during the period in which this annual stockholder report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this annual stockholder report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual stockholder report based on such evaluation; and
   (d) disclosed in this annual stockholder report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.
5. The Bank's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the Bank's audit committee:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Amie Pala
Chief Executive Officer

February 28, 2025

(1) See footnote 1 on evaluation of disclosure controls and procedures report

(2) See footnote 2 on evaluation of disclosure controls and procedures report

Certification

I, Brandon Blaut, certify that:

1. I have reviewed the 2024 Annual Report of the Farm Credit Bank of Texas (Bank).
2. Based on my knowledge, this annual stockholder report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual stockholder report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this report.
4. The Bank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures[1] and internal control over financial reporting[2] for the Bank and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank is made known to us, particularly during the period in which this annual stockholder report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this annual stockholder report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual stockholder report based on such evaluation; and
   (d) disclosed in this annual stockholder report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.
5. The Bank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the Bank's audit committee:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Brandon Blaut
Executive Vice President, Chief Operating Officer and
Interim Chief Financial Officer

February 28, 2025

(1) See footnote 1 on evaluation of disclosure controls and procedures report
(2) See footnote 2 on evaluation of disclosure controls and procedures report

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Farm Credit Bank of Texas

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying balance sheets of Farm Credit Bank of Texas (the "Bank") as of December 31, 2024, 2023 and 2022, and the related statements of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the "financial statements"). We also have audited the Bank's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2024, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Bank changed the manner in which it accounts for the allowance for credit losses in 2023.

Basis for Opinions

The Bank's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Bank's financial statements and on the Bank's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with the relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct and the Farm Credit Administration's independence rules set forth in 12 CFR Part 621, *Accounting and Reporting Requirements*, Subpart E, *Auditor Independence*.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material

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weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans (ACLL) - Pooled Component

As described in Notes 2 and 4 to the financial statements, the allowance for credit losses on loans was $34.6 million, of which a majority is related to the pooled component as of December 31, 2024. The ACLL represents management's estimate of credit losses over the remaining expected life of loans and takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management's process and methodology to establish the ACLL has two basic components: an asset-specific component and a pooled component. In estimating the pooled component of the ACLL, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. Management uses a two-dimensional risk rating model that incorporates a scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is management's assumption of the probability that a borrower will experience a default and loss given default is management's assumption as to the anticipated principal loss on a specific loan assuming default has occurred or is expected to occur. The ACLL is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan pool by considering the probability of default and the loss given default.

The principal considerations for our determination that performing procedures relating to the pooled component of the ACLL is a critical audit matter are (i) the significant judgment by management in developing the estimate of the pooled component of the ACLL; (ii) a high degree of auditor judgment, pwc

subjectivity, and effort in performing procedures and evaluating audit evidence related to management's probability of default and loss given default significant assumptions and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the effectiveness of controls relating to management's ACLL estimation process, including controls over the probability of default and loss given default significant assumptions. These procedures also included, among others (i) testing management's process for developing the estimate of the pooled component of the ACLL; (ii) evaluating the appropriateness of the methodology and model; (iii) testing the completeness and accuracy of certain data used in the estimate; and (iv) evaluating the reasonableness of the significant assumptions used by management related to probability of default and loss given default. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the methodology and model and (ii) the reasonableness of the probability of default and loss given default assumptions.

PricewaterhouseCoopers LLP

Austin, Texas
February 28, 2025

We have served as the Bank's auditor since at least 2002. We have not been able to determine the specific year we began serving as auditor of the Bank.

Balance Sheets

Farm Credit Bank of Texas

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Cash	**$ 39,640**	$ 78,170	$ 141,487
Federal funds sold and overnight investments	**455,323**	312,399	301,678
Investment securities	**6,642,484**	6,610,429	6,654,952
Loans	**31,820,946**	29,725,476	28,264,222
Less allowance for credit losses on loans	**34,597**	37,873	15,706
Net loans	**31,786,349**	29,687,603	28,248,516
Accrued interest receivable	**155,360**	146,887	122,465
Premises and equipment, net	**105,462**	118,123	134,754
Other assets	**311,471**	329,708	386,288
Total assets	**$ 39,496,089**	$ 37,283,319	$ 35,990,140
Liabilities and Shareholders' Equity			
Liabilities			
Bonds and notes, net	**$ 37,158,770**	$ 35,133,324	$ 33,971,742
Accrued interest payable	**237,027**	205,045	135,676
Allowance for credit losses on unfunded commitments	**5,270**	5,045	2,052
Preferred stock dividends payable	**12,350**	13,798	11,600
Patronage payable	**147,854**	50,839	46,071
Other liabilities	**154,827**	188,574	199,636
Total liabilities	**37,716,098**	35,596,625	34,366,777
Commitments and Contingencies (Note 14)			
Shareholders' Equity			
Preferred stock	**750,000**	750,000	750,000
Capital stock	**522,918**	495,844	471,029
Allocated retained earnings	**109,027**	101,789	74,043
Unallocated retained earnings	**864,193**	860,572	868,650
Accumulated other comprehensive loss	**(466,147)**	(521,511)	(540,359)
Total shareholders' equity	**1,779,991**	1,686,694	1,623,363
Total liabilities and shareholders' equity	**$ 39,496,089**	$ 37,283,319	$ 35,990,140

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

Statements of Comprehensive Income

Farm Credit Bank of Texas

(dollars in thousands)	Year Ended December 31, 2024	2023	2022
Interest Income			
Loans	**$ 1,395,547**	$ 1,212,718	$ 793,581
Investment securities	**273,373**	236,801	120,433
Total interest income	**1,668,920**	1,449,519	914,014
Interest Expense			
Bonds and notes	**1,304,668**	1,099,502	527,852
Net Interest Income	**364,252**	350,017	386,162
Provision for credit losses on loans	**23,617**	37,854	4,580
Net interest income after provision for credit losses on loans	**340,635**	312,163	381,582
Noninterest Income			
Patronage income	**34,496**	32,378	26,771
Fees for services to Associations	**6,271**	6,293	4,485
Fees for loan-related services	**11,067**	11,960	12,586
Refunds from Farm Credit System Insurance Corporation (FCSIC)	**4,578**	—	—
(Loss) gain on sales of loans, net	**(3,898)**	(397)	21
(Loss) gain on Rural Business Investment Companies	**(8,712)**	(836)	1,269
Other (loss) income, net	**(1,622)**	1,366	1,278
Total noninterest income	**42,180**	50,764	46,410
Noninterest Expense			
Salaries and employee benefits	**66,674**	59,222	60,187
Occupancy and equipment	**40,137**	40,924	34,871
FCSIC premiums	**12,121**	22,084	22,414
Other components of net periodic postretirement benefit cost	**317**	417	309
Other operating expenses	**41,618**	40,372	40,325
Total noninterest expense	**160,867**	163,019	158,106
Net Income	**$ 221,948**	$ 199,908	$ 269,886
Other comprehensive income (loss)			
Change in postretirement benefit plans	**(907)**	(220)	2,919
Change in unrealized loss on investments	**36,076**	38,076	(576,540)
Change in cash flow derivative instruments	**20,195**	(19,008)	130,098
Total other comprehensive income (loss)	**55,364**	18,848	(443,523)
Comprehensive income (loss)	**$ 277,312**	$ 218,756	$ (173,637)

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

Statements of Changes In Shareholders' Equity

Farm Credit Bank of Texas

(dollars in thousands)	Preferred Stock	Capital Stock	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2021	$ 750,000	$ 410,373	$ 66,490	$ 868,365	$ (96,836)	$ 1,998,392
Net income	—	—	—	269,886	—	269,886
Other comprehensive loss	—	—	—	—	(443,523)	(443,523)
Capital stock and allocated retained earnings issued	—	63,786	—	—	—	63,786
Capital stock and allocated retained earnings retired	—	(3,130)	—	—	—	(3,130)
Preferred stock dividends	—	—	—	(46,400)	—	(46,400)
Patronage distributions						
Cash	—	—	—	(215,648)	—	(215,648)
Shareholders' equity	—	—	7,553	(7,553)	—	—
Balance at December 31, 2022	$ 750,000	$ 471,029	$ 74,043	$ 868,650	$ (540,359)	$ 1,623,363
Adjustment in beginning balance due to change in accounting for credit losses	—	—	—	(8,368)	—	(8,368)
Balance at January 1, 2023	750,000	471,029	74,043	860,282	(540,359)	1,614,995
Net income	—	—	—	199,908	—	199,908
Other comprehensive income	—	—	—	—	18,848	18,848
Capital stock and allocated retained earnings issued	—	32,073	—	—	—	32,073
Capital stock and allocated retained earnings retired	—	(7,258)	—	—	—	(7,258)
Preferred stock dividends	—	—	—	(50,797)	—	(50,797)
Patronage distributions						
Cash	—	—	—	(121,075)	—	(121,075)
Shareholders' equity	—	—	27,746	(27,746)	—	—
Balance at December 31, 2023	**$ 750,000**	**$ 495,844**	**$ 101,789**	**$ 860,572**	**$ (521,511)**	**$ 1,686,694**
Net income	**—**	**—**	**—**	**221,948**	**—**	**221,948**
Other comprehensive income	**—**	**—**	**—**	**—**	**55,364**	**55,364**
Capital stock and allocated retained earnings issued	**—**	**30,846**	**—**	**—**	**—**	**30,846**
Capital stock and allocated retained earnings retired	**—**	**(3,772)**	**—**	**—**	**—**	**(3,772)**
Preferred stock issued	**300,000**	**—**	**—**	**—**	**—**	**300,000**
Preferred stock retired	**(300,000)**	**—**	**—**	**—**	**—**	**(300,000)**
Issuance cost on preferred stock	**—**	**—**	**—**	**(3,337)**	**—**	**(3,337)**
Preferred stock dividends	**—**	**—**	**—**	**(59,960)**	**—**	**(59,960)**
Patronage distributions						
Cash	**—**	**—**	**—**	**(147,792)**	**—**	**(147,792)**
Shareholders' equity	**—**	**—**	**7,238**	**(7,238)**	**—**	**—**
Balance at December 31, 2024	**$ 750,000**	**$ 522,918**	**$ 109,027**	**$ 864,193**	**$ (466,147)**	**$ 1,779,991**

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

Statements of Cash Flows

Farm Credit Bank of Texas

(dollars in thousands)	Year Ended December 31, 2024	2023	2022
Cash Flows From Operating Activities			
Net income	**$ 221,948**	$ 199,908	$ 269,886
Reconciliation of net income to net cash provided by operating activities			
Provision for credit losses	**23,617**	37,854	4,580
Depreciation and amortization on premises and equipment	**18,292**	18,058	14,008
Premium amortization on loans	**(7,087)**	(6,632)	(6,083)
Amortization and accretion on debt instruments	**7,446**	31,058	45,966
(Discount accretion) premium amortization on investments	**(4,617)**	(8,552)	436
Gain on sale of investment securities	**(404)**	—	—
Gain on extinguishment of debt	**—**	(1,986)	—
Loss (gain) on sale of loans	**3,898**	397	(21)
Allocated equity patronage from System bank retired (distributed)	**(3,591)**	25,438	(2,561)
Loss (gain) on disposal of premises and equipment	**24**	(63)	85
Increase in accrued interest receivable	**(8,473)**	(24,422)	(54,703)
(Increase) decrease in other assets, net	**(612)**	33,021	(72,713)
Increase in accrued interest payable	**31,982**	69,369	72,626
(Decrease) increase in other liabilities, net	**(32,233)**	(20,037)	38,212
Net cash provided by operating activities	**250,190**	353,411	309,718
Cash Flows From Investing Activities			
Net increase in federal funds sold and overnight investments	**(142,924)**	(10,721)	(107,455)
Investment securities			
Purchases	**(1,979,428)**	(1,484,311)	(2,378,184)
Proceeds from maturities, calls and prepayments	**1,938,088**	1,575,462	1,706,495
Proceeds from sales of investment securities	**50,382**	—	—
Increase in loans, net	**(2,228,893)**	(1,611,243)	(3,125,127)
Proceeds from sale of loans	**98,794**	141,669	533,734
Proceeds from disposal of other property owned	**13,217**	—	—
Proceeds from sale of premises and equipment	**35**	106	105
Expenditures for premises and equipment	**(5,690)**	(1,470)	(735)
Decrease (increase) in equity investments	**6,084**	(1,055)	(5,657)
Net cash used in investing activities	**(2,250,335)**	(1,391,563)	(3,376,824)
Cash Flows From Financing Activities			
Bonds and notes issued	**22,119,000**	30,625,500	37,503,438
Bonds and notes retired	**(20,101,000)**	(29,492,990)	(34,368,090)
Decrease in cash collateral posted with a counterparty	**8,200**	1,739	48,117
Increase (decrease) in cash collateral posted by a counterparty	**23,863**	(19,323)	62,480
Preferred stock issued	**300,000**	—	—
Preferred stock retired	**(300,000)**	—	—
Issuance costs on preferred stock	**(3,337)**	—	—
Capital stock issued	**30,846**	32,073	63,786
Capital stock retired and allocated retained earnings distributed	**(3,772)**	(7,258)	(3,130)
Cash dividends on preferred stock	**(61,408)**	(48,599)	(46,400)
Cash patronage distributions paid	**(50,777)**	(116,307)	(208,594)
Net cash provided by financing activities	**1,961,615**	974,835	3,051,607
Net (decrease) increase in cash	**(38,530)**	(63,317)	(15,499)
Cash at beginning of year	**78,170**	141,487	156,986
Cash at End of Year	**$ 39,640**	$ 78,170	$ 141,487
Supplemental Schedule of Noncash Investing and Financing Activities			
Loans transferred to other property owned	**$ 18,071**	$ —	$ —
Net decrease (increase) in unrealized losses on investment securities	**36,076**	38,076	(576,540)
Preferred stock dividends payable	**12,350**	13,798	11,600
Patronage distributions cash payable	**147,854**	50,839	46,071
Patronage distribution allocated equities	**7,238**	27,746	7,553
Supplemental Disclosure of Cash Flow Information			
Interest paid	**$ 1,272,686**	$ 1,030,133	$ 455,227

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

Notes to Financial Statements

Farm Credit Bank of Texas

(dollars in thousands, except per share amounts and as otherwise noted)

Note 1 — Organization and Operations

A. Organization:

The Farm Credit Bank of Texas (FCBT or Bank) is one of the banks of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations established by acts of Congress. The System is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

As of December 31, 2024, there were three Farm Credit Banks (FCBs), each of which has specific lending authority within its chartered territory, and one Agricultural Credit Bank (ACB) — collectively, the "System banks" — which has nationwide lending authority for lending to cooperatives. The ACB also has the lending authorities of an FCB within its chartered territories. The Bank, together with its affiliated associations (Associations), are part of the federally chartered System and are collectively referred to as the "Texas District". The Texas District is chartered to serve the states of Alabama, Louisiana, Mississippi, New Mexico and Texas.

Each FCB and the ACB serves one or more Federal Land Credit Associations (FLCAs) and/or Agricultural Credit Associations (ACAs). As of December 31, 2024, the Bank served one FLCA, 11 ACA parent associations, each containing two wholly-owned subsidiaries (a FLCA and a Production Credit Association (PCA)), certain Other Financing Institutions (OFIs) which are not part of the System, and preferred stockholders which jointly owned the Bank. The Bank's FLCA and ACAs collectively are referred to as Associations.

Effective December 1, 2024, two of the Bank's affiliated Associations, Heritage Land Bank, ACA and Texas Farm Credit Services, merged and are doing business as Texas Farm Credit Services. Effective December 1, 2023, two of the Bank's affiliated Associations, Ag New Mexico Farm Credit Services, ACA and Lone Star, ACA, merged and are doing business as AgTrust Farm Credit, ACA.

Each FCB and the ACB provides funding for its district associations and is responsible for supervising their activities. The FCBs and/or associations make loans to or for the benefit of eligible borrower-stockholders for qualified agricultural and rural purposes. District associations borrow the majority of their funds from their related bank. The System banks obtain a substantial majority of funds for their lending operations through the sale of consolidated Systemwide bonds and notes to the public, and also obtain a portion of their funds from internally generated earnings and from the issuance of common and preferred stock.

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

B. Operations:

The Farm Credit Act sets forth the types of authorized lending activities, persons eligible to borrow and financial services which can be offered by the Bank.

The Bank lends primarily to Texas District Associations in the form of revolving lines of credit (direct notes) to fund the Associations' loan portfolios. These direct notes are collateralized by a pledge of substantially all of each Association's assets. The terms of the revolving direct notes are governed by a general financing agreement between the Bank and each Association. Each advance is structured so that the principal cash flow, repricing characteristics and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the interest rate risk is effectively transferred to the Bank.

Advances are also made to fund general operating expenses of the Associations. The FLCA borrows money from the Bank and, in turn, originates and services long-term real estate and agribusiness loans to their members. ACAs borrow from the Bank and in turn originate and service long-term mortgage loans through the FLCA subsidiary and short- and intermediate-term loans through the PCA subsidiary. The OFIs borrow from the Bank and in turn originate and service short- and intermediate-term loans to their members. An Association's indebtedness to the Bank, under a general financing agreement between the Bank and the Association, represents demand borrowings by the Association to fund the majority, but not all, of its loan advances to Association member-borrowers.

In addition to providing loan funds to the Associations, the Bank also provides banking and support services to them, such as accounting, information systems, and human resources. The fees charged by the Bank for these services are included in the Bank's noninterest income.

The Bank is also authorized to provide, 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 Bank may also lend to qualifying financial institutions engaged in lending to eligible borrowers.

The Bank, in conjunction with other System banks, jointly owns service organizations which were created to provide a variety of services for the System. The Bank has ownership interests in the following service organizations:

- *Federal Farm Credit Banks Funding Corporation (Funding Corporation)* — provides for the issuance, marketing and processing of Systemwide debt securities using a network of investment dealers and dealer banks. The Funding Corporation also provides financial accounting and reporting services.
- *Farm Credit System Building Association* — leases premises and equipment to the FCA, as required by the Farm Credit Act.
- *Farm Credit System Association Captive Insurance Company* — reciprocal insurer that provides insurance services to its member organizations.

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

The accounting and reporting policies of the Bank conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires the management of the Bank to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these notes as applicable. These estimates and assumptions 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 these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. Certain amounts in prior years' financial statements have been reclassified to conform to the current year presentation.

The accompanying financial statements include the accounts of the Bank and reflect the investments in and allocated earnings of the service organizations in which the Bank has partial ownership interests.

The multiemployer structure of certain retirement and benefit plans of the Texas District results in the recording of these plans only in the combined financial statements of the Texas District.

A. Cash:

Cash, as included in the financial statements, represents cash on hand and on deposit at banks and the Federal Reserve.

B. Federal Funds Sold and Overnight Investments:

The Bank holds federal funds sold and other overnight funds primarily to maintain a liquidity reserve and manage short-term surplus funds. Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions.

C. Investment Securities:

The Bank, as permitted under FCA regulations, holds eligible investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk in an amount not to exceed 35 percent of its total outstanding loans.

The Bank's investments are generally held to maturity unless needed for liquidity purposes and, accordingly, have been classified as available-for-sale (AFS) at December 31, 2024, 2023 and 2022. These investments are reported at fair value, and unrealized holding gains and losses on investments are netted and reported as a separate component of shareholders' equity on the balance sheet (accumulated other comprehensive gain/loss). Changes in the fair value of these investments are reflected as direct charges or credits to other comprehensive income (loss) unless deemed to be impaired.

Beginning on January 1, 2023, impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of whether any decline in fair value is due to a credit loss, all relevant information is considered at the individual security level. For mortgage-backed and asset-backed securities, performance indicators considered related to the underlying assets' default rates, delinquency rates, percentage of nonperforming assets, debt-to-collateral ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, analyst reports and forecasts, credit ratings and other market data.

With respect to certain classes of debt securities, primarily U.S. Treasuries and government guaranteed agency securities, management considers the history of credit losses, current conditions and reasonable and supportable forecasts, which may indicate the expectation that nonpayment of the amortized cost basis is or continues to be zero, even if the U.S. government were to technically default. Therefore, for those securities, the Bank does not record expected credit losses.

AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For AFS debt securities, a decline in fair value due to estimated credit loss results in recording an allowance for credit losses (ACL) to the extent the fair value is less than the amortized cost basis. Declines in fair value that have not been recorded through an ACL, such as declines due to changes in market interest rates, are recorded through other comprehensive income.

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

Prior to January 1, 2023, the Bank reviewed all investments that were in a loss position in order to determine whether the unrealized loss, which was considered an impairment, was temporary or other-than-temporary. Impairment was considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security was less than the amortized cost basis of the security (any such shortfall was referred to as a "credit loss"). If the Bank intended to sell an impaired debt security or was more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment was other-than-temporary and was recognized in earnings at that time in an amount equal to the entire difference between fair value and amortized cost. If a credit loss existed, but the Bank did not intend to sell the impaired debt security and was not more likely than not to be required to sell before recovery, the impairment was other-than-temporary and was separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount was recognized in earnings at that time, with the remainder of the loss amount recognized in other comprehensive income. In subsequent periods, if the present value of cash flows expected to be collected was less than the amortized cost basis, the Bank would record an additional other-than-temporary impairment and adjust the yield of the security prospectively. The amount of total other-than-temporary impairment for an available-for-sale security that previously was impaired was determined as the difference between its carrying amount prior to the determination of other-than-temporary impairment and its fair value.

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

All or a portion of the unrealized holding gain or loss of an AFS security that is designated as a hedged item in a fair value hedge is recognized in earnings during the period of the hedge.

The Bank may also hold additional investments in accordance with other investment programs approved by the FCA. These programs allow the Bank to make investments that further the System's mission to serve rural America. These other investments are not included in the Bank's liquidity calculations and are not covered by the eligible investment limitations specified by the FCA regulations. Agricultural mortgage-backed securities (AMBS) issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) are considered other investments in the AFS portfolio and are excluded from the limitation and the Bank's liquidity calculations.

The Bank's holdings in investment securities are further described in Note 3, "Investment Securities."

D. Loans and Allowance for Credit Losses:

Long-term real estate mortgage loans can have maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less.

Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs and valuation adjustments relating to hedging activities. Loan origination fees are capitalized and the fee is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding. Funds which are held by the Bank on behalf of the borrowers, where legal right of setoff exists and which can be used to reduce outstanding loan balances at the Bank's discretion, are netted against loans on the balance sheets.

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

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 either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in the prior year). 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 repayment terms and after remaining current as to principal and interest for a sustained period or having 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.

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

Collateral Dependent Loans — Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. Accounting guidance requires the Bank to measure the expected credit losses based on fair value of the collateral at the reporting date when the Bank determines that foreclosure is probable. Additionally, accounting guidance 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.

Risk Rating Model — The Bank uses a two-dimensional risk rating model based on an internally generated combined System that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is management's assumption of the probability that a borrower will experience a default during the life of a loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's assumption as to the anticipated principal loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point probability of default rating scale provides granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a 9 to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) or doubtful rating indicates that the probability of default is almost certain.

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

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the balance sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the balance sheet in other liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity (HTM) and AFS securities, is recognized within each investment securities classification on the balance sheet.

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

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

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

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

In estimating the pooled component of the ACLL, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The ACLL is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the loss given default, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss given default 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 Bank's macroeconomic forecast includes a weighted selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the estimates for ACLL and unfunded commitments were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting weak economic conditions relative to the baseline scenario; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. Subsequent to the forecast period, the Bank reverts to long-run historical loss experiences over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

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

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

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

Allowance for Credit Losses on Unfunded Commitments — The Bank evaluates the need for an allowance for credit losses on unfunded commitments and, if required, an amount is recognized and included in other liabilities on the balance sheet. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Bank and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

E. Accrued Interest Receivable:

The Bank elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the balance sheet.

F. Other Property Owned:

Other property owned (OPO), consisting of real and personal property acquired through foreclosure or deed-in-lieu of foreclosure, would be recorded at fair value, based on appraisal, less estimated selling costs upon acquisition and included in other assets on the balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received would be charged to the ACLL. On at least an annual basis, revised estimates to the fair value, established by appraisal, less cost to sell would be reported as adjustments to the carrying amount of the asset, provided that such adjusted value was not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments would be included in net losses (gains) on OPO in the statements of comprehensive income.

G. Premises and Equipment:

Premises and equipment are carried at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of three years for automobiles, and three to 10 years for furniture, equipment and certain leasehold improvements. Computer software and hardware are amortized over three to 10 years. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are charged to operating expense, and improvements are capitalized and amortized over the remaining useful life of the asset.

H. Leases:

The Bank evaluates arrangements at inception to determine if they meet the criteria for a lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases are included in other assets for right-of-use (ROU) assets and other liabilities for lease liabilities on the balance sheet.

ROU assets represent the Bank's right to use an underlying asset for the lease term and lease liabilities represent the Bank's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. The Bank's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Bank will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

I. Other Assets and Other Liabilities:

Rural Business Investment Companies (RBICs) in which we are a limited partner and holding non-controlling interests are accounted for under the equity method. The investments are assessed annually for impairment. If impairment exists, losses are included in (loss) gain on Rural Business Investment Companies in the statements of comprehensive income in the year of impairment. This primarily includes our investments in which we are a limited partner in RBICs and unincorporated business entities (UBEs), as well as our investments in the FCS Building Association and Farm Credit System Association Captive Insurance Corporation.

The Bank is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Bank on such balances. There were no significant balances of ACPs at December 31, 2024, 2023 and 2022.

Investment in another System bank represents non-marketable investments consisting of stock in another institution regulated by the FCA. This investment is carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Derivative financial instruments are included on the balance sheet at fair value, as either other assets or other liabilities.

J. Employee Benefit Plans:

Employees of the Bank participate in one of two Texas District-wide retirement plans (a defined benefit plan and a defined contribution plan) and are eligible to participate in the 401(k) plan of the Texas District. Within the 401(k) plan, a certain percentage of employee contributions are matched by the Bank. The 401(k) plan costs are expensed as incurred. Additionally, certain qualified individuals in the Bank may participate in a separate, nonqualified 401(k) plan.

The structure of the Texas District's defined benefit plan (DB Plan) is characterized as multiemployer, since neither the assets, liabilities nor cost of the DB Plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. Participating employers are jointly and severally liable for the DB Plan obligations. Upon withdrawal or termination of their participation in the DB Plan, a participating employer must pay all associated costs of its withdrawal from the DB Plan, including its unfunded liability (the difference between replacement annuities and the withdrawing employer's share of allocated plan assets). As a result, participating employers of the DB Plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon consolidation at the Texas District level only. The Bank records current contributions to the DB Plan as an expense in the current year.

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

The Bank records an accrual of the expected cost of providing postretirement benefits other than pensions (primarily health care benefits) to an employee and an employee's beneficiaries and covered dependents during the years that the employee renders service necessary to become eligible for these benefits.

K. Income Taxes:

The Bank is exempt from federal and certain other income taxes as provided in the Farm Credit Act.

L. Derivative Instruments and Hedging Activity:

In the normal course of business, the Bank enters into derivative financial instruments, including interest rate swaps and caps, which are principally used to manage interest rate risk on assets, liabilities and anticipated transactions. Derivatives are recorded on the balance sheet as assets and liabilities at fair value.

Changes in the fair value of derivatives are recorded in current period earnings or accumulated other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedges, which hedge changes in the fair value of assets, liabilities or firm commitments, changes in the fair value of the derivative are recorded in earnings and will generally be offset by changes in the hedged item's fair value. For cash flow hedges, which hedge the exposure to variability in expected future cash flows, changes in the fair value of the derivative will generally be offset by an entry to accumulated other comprehensive income (loss) in the statement of shareholders' equity. The ineffective portion of all hedges is recorded in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

The Bank formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) specific assets or liabilities on the balance sheet, or (2) firm commitments or forecasted transactions. The Bank also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. The Bank uses regression analysis (or other statistical analysis) to assess the effectiveness of its hedges. The Bank discontinues hedge accounting prospectively when the Bank determines that 1) a derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; 2) the derivative expires or is sold, terminated, or exercised; 3) it is no longer probable that the forecasted transaction will occur; 4) a hedged firm commitment no longer meets the definition of a firm commitment; or 5) management determines that designating the derivative as a hedging instrument is no longer appropriate. For cash flow hedges, when the Bank discontinues hedge accounting, any remaining accumulated other comprehensive income (loss) would be amortized into earnings over the remaining life of the original hedged item. For fair value hedges, when the Bank discontinues hedge accounting, changes in fair value of the derivative will be recorded in current period earnings. The Bank may use interest rate swaps whose critical terms match the corresponding hedged item, thereby qualifying for short-cut treatment, and are presumed to be highly effective in offsetting changes in the fair value. The Bank would discontinue hedge accounting prospectively if it were determined that a hedge had not been or is not expected to be effective as a hedge. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Bank will carry the derivative at its fair value on the balance sheet, recognizing changes in fair value in current period earnings. See Note 17, "Derivative Instruments and Hedging Activity," for additional disclosures about derivative instruments.

M. Fair Value Measurements:

The Financial Accounting Standards Board (FASB) guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include assets held in trust funds, which relate to our 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. This category generally includes certain U.S. government and agency mortgage-backed debt securities, certificates of deposit, corporate debt securities, and derivative contracts. The market value of collateral assets and liabilities is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

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 assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes the Bank's Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) and certain loans.

The fair value disclosures are presented in Note 16, "Fair Value Measurements."

N. 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 the 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.

O. Recently Issued or Adopted Accounting Pronouncements:

In November 2023, the FASB issued an update entitled "Segment Reporting: Improvements to Reportable Segment

Disclosures.” The amendments in this update improve reportable segment disclosures but do not change the definition of a segment, method of determining a segment, or the criteria for aggregating operating segments. The standard requires a public entity to disclose the following on an annual and interim basis: 1) significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss; 2) composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses; 3) the title and position of the CODM; and 4) an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

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

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

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

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

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

Note 3 — Investment Securities

The Bank's AFS investments include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio consists primarily of agency-guaranteed debt instruments, mortgage-backed securities (MBS), U.S. Treasury securities, asset-backed securities (ABS), corporate debt and certificates of deposit. The liquidity portfolio's MBS were federal agency-guaranteed collateralized MBS, including the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The Bank's other investments portfolio consists of Farmer Mac AMBS purchased from Associations in 2010, 2012 and 2014, as a part of the Bank's Capitalized Participation Pool (CPP) program. In accordance with this program, any positive impact to the net income of the Bank can be returned as patronage to the Association if declared by the Bank's board of directors. The declared patronage approximates the net earnings of the respective pool. The Farmer Mac securities are backed by loans originated by the Associations and previously held by the Associations under Farmer Mac long-term standby commitments to purchase agreements.

During the year ended December 31, 2024, an investment security was sold for total proceeds of $50.4 million with a book value of $50.0 million, resulting in a gain of $404 thousand recognized in noninterest income and previously reflected in other comprehensive loss. During the years ended December 31, 2023 and 2022, no investment securities were sold.

A summary of the amortized cost and fair value of the AFS investment securities in the liquidity portfolio and other investments portfolio are included in the following tables:

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	$ 9,739	$ 1	$ (132)	$ 9,608	2.97 %
Certificates of deposit	250,000	84	—	250,084	4.82
Corporate debt	59,993	117	(582)	59,528	3.99
Federal agency collateralized mortgage-backed securities:					
GNMA	3,265,069	478	(411,689)	2,853,858	2.59
FNMA and FHLMC	2,649,128	3,218	(122,753)	2,529,593	3.94
U.S. Treasury securities	824,071	484	(332)	824,223	4.47
Asset-backed securities	109,494	90	(547)	109,037	4.77
Total liquidity investments	7,167,494	4,472	(536,035)	6,635,931	3.43
Other Investments:					
Agricultural mortgage-backed securities	7,243	—	(690)	6,553	5.57
Total investments	$ 7,174,737	$ 4,472	$ (536,725)	$ 6,642,484	

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	$ 28,728	$ 7	$ (564)	$ 28,171	3.22 %
Certificates of deposit	250,000	245	—	250,245	5.94
Corporate debt	197,968	21	(2,957)	195,032	3.81
Federal agency collateralized mortgage-backed securities:					
GNMA	3,135,926	305	(410,919)	2,725,312	2.33
FNMA and FHLMC	2,465,791	1,113	(145,763)	2,321,141	3.86
U.S. Treasury securities	895,725	47	(7,853)	887,919	3.66
Asset-backed securities	195,178	215	(1,283)	194,110	4.79
Total liquidity investments	7,169,316	1,953	(569,339)	6,601,930	3.26
Other Investments:					
Agricultural mortgage-backed securities	9,441	—	(942)	8,499	5.58
Total investments	$ 7,178,757	$ 1,953	$ (570,281)	$ 6,610,429	

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gain Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	$ 54,888	$ —	$ (1,587)	$ 53,301	2.79 %
Certificates of deposit	200,000	—	(991)	199,009	4.46
Corporate debt	240,914	135	(6,271)	234,778	2.83
Federal agency collateralized mortgage-backed securities:					
GNMA	3,070,832	736	(388,548)	2,683,020	2.04
FNMA and FHLMC	2,652,701	49	(183,541)	2,469,209	3.04
U.S. Treasury securities	841,444	2	(22,602)	818,844	1.91
Asset-backed securities	188,983	345	(2,807)	186,521	3.76
Total liquidity investments	7,249,762	1,267	(606,347)	6,644,682	2.53
Other Investments:					
Agricultural mortgage-backed securities	11,595	—	(1,325)	10,270	4.81
Total investments	$ 7,261,357	$ 1,267	$ (607,672)	$6,654,952	

Accrued interest receivable of $20.7 million, $18.1 million and $14.9 million as of December 31, 2024, 2023 or 2022, respectively, has been excluded from amortized cost basis of AFS investments.

There were no investments in a HTM portfolio at December 31, 2024, 2023 or 2022.

A summary of contractual maturity, amortized cost, estimated fair value and weighted average yield of the AFS portfolio at December 31, 2024 is included in the following table:

	Due in One Year Or Less	Due After One Year Through Five Years	Due After Five Years Through 10 Years	Due After 10 Years	Total
Liquidity Portfolio:					
Agency-guaranteed debt	$ 7,985	$ 1,623	$ —	$ —	$ 9,608
Certificates of deposit	250,084	—	—	—	250,084
Corporate debt	30,002	29,526	—	—	59,528
Federal agency collateralized mortgage-backed securities					
GNMA	—	12,066	3,361	2,838,431	2,853,858
FNMA and FHLMC	4,927	539,723	715,428	1,269,515	2,529,593
U.S. Treasury securities	474,099	350,124	—	—	824,223
Asset-backed securities	—	43,112	43,035	22,890	109,037
Total fair value of liquidity investments	$ 767,097	$ 976,174	$ 761,824	$ 4,130,836	$ 6,635,931
Total amortized cost	$ 766,766	$ 979,710	$ 764,737	$ 4,656,281	$ 7,167,494
Weighted average yield	4.66%	4.47%	4.97%	2.75%	3.43%
Other Investments:					
Fair value of agricultural mortgage-backed securities	$ 306	$ 6,247	$ —	$ —	$ 6,553
Total amortized cost	$ 309	$ 6,934	$ —	$ —	$ 7,243
Weighted average yield	3.86%	5.64%	—%	—%	5.57%

Collateralized mortgage obligations (CMOs) have stated contractual maturities in excess of 15 years at purchase. However, the security structure of the CMOs is designed to produce a relatively short-term life. At December 31, 2024, the CMO portfolio had a weighted average remaining life of 4.78 years.

The following tables show the fair value and gross unrealized losses for the liquidity portfolio and the length of time the securities have been in a continuous unrealized loss position. The continuous loss position is based on the date the impairment was first identified.

	December 31, 2024					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Liquidity Portfolio:						
Agency-guaranteed debt	$ —	$ —	$ 8,636	$ (132)	$ 8,636	$ (132)
Corporate debt	—	—	14,411	(582)	14,411	(582)
Federal agency collateralized mortgage-backed securities						
GNMA	447,394	(5,744)	2,217,739	(405,945)	2,665,133	(411,689)
FNMA and FHLMC	325,081	(1,575)	1,450,090	(121,178)	1,775,171	(122,753)
U.S. Treasury securities	224,590	(332)	—	—	224,590	(332)
Asset-backed securities	49,377	(409)	14,008	(138)	63,385	(547)
Total liquidity investments	1,046,442	(8,060)	3,704,884	(527,975)	4,751,326	(536,035)
Other Investments:						
Agricultural mortgage-backed securities	—	—	6,553	(690)	6,553	(690)
Total investments	$ 1,046,442	$ (8,060)	$ 3,711,437	$ (528,665)	$ 4,757,879	$ (536,725)

	December 31, 2023					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Liquidity Portfolio:						
Agency-guaranteed debt	$ 3,746	$ (4)	$ 20,228	$ (560)	$ 23,974	$ (564)
Corporate debt	27,998	(2)	142,014	(2,955)	170,012	(2,957)
Federal agency collateralized mortgage-backed securities						
GNMA	377,225	(5,626)	2,283,170	(405,293)	2,660,395	(410,919)
FNMA and FHLMC	259,857	(1,318)	1,772,964	(144,445)	2,032,821	(145,763)
U.S. Treasury securities	349,295	(277)	440,182	(7,576)	789,477	(7,853)
Asset-backed securities	19,887	(35)	70,708	(1,248)	90,595	(1,283)
Total	1,038,008	(7,262)	4,729,266	(562,077)	5,767,274	(569,339)
Other Investments:						
Agricultural mortgage-backed securities	—	—	8,499	(942)	8,499	(942)
Total investments	$ 1,038,008	$ (7,262)	$ 4,737,765	$ (563,019)	$ 5,775,773	$ (570,281)

	December 31, 2022					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Liquidity Portfolio:						
Agency-guaranteed debt	$ 47,760	$ (1,567)	$ 5,541	$ (20)	$ 53,301	$ (1,587)
Certificates of deposit	199,009	(991)	—	—	199,009	(991)
Corporate debt	154,993	(2,946)	46,651	(3,325)	201,644	(6,271)
Federal agency collateralized mortgage-backed securities						
GNMA	1,149,659	(103,469)	1,407,300	(285,079)	2,556,959	(388,548)
FNMA and FHLMC	1,713,903	(63,213)	733,304	(120,328)	2,447,207	(183,541)
U.S. Treasury securities	455,102	(11,796)	338,933	(10,806)	794,035	(22,602)
Asset-backed securities	68,602	(381)	41,699	(2,426)	110,301	(2,807)
Total	3,789,028	(184,363)	2,573,428	(421,984)	6,362,456	(606,347)
Other Investments:						
Agricultural mortgage-backed securities	747	(32)	9,523	(1,293)	10,270	(1,325)
Total investments	$ 3,789,775	$ (184,395)	$ 2,582,951	$ (423,277)	$ 6,372,726	$ (607,672)

At December 31, 2024 and 2023, U.S. Treasury, agency and all (or substantially all) mortgage-backed securities had a zero loss assumption. The Bank does not consider these unrealized losses to be credit-related, and therefore, an allowance for credit losses is not necessary. The Bank evaluates non-guaranteed investment securities with unrealized losses for impairment on a quarterly basis. As a result of the assessment as of December 31, 2024 and 2023, the Bank concluded that it does not intend to sell any securities and it is not more likely than not that it would be required to sell any securities, prior to recovery of the amortized cost. If it is determined that a security is impaired, the Bank will evaluate whether credit impairment exists by comparing the present value of the expected cash flows to the security's amortized cost. Credit impairment is recorded as an ACL for debt securities. The Bank concluded that a credit impairment did not exist at December 31, 2024 or 2023.

There were no other-than-temporarily impaired (OTTI) securities at December 31, 2022.

Note 4 — Loans and Allowance for Credit Losses on Loans

Loans comprised the following categories at December 31:

	2024	2023	2022
Direct notes receivable from District Associations and OFIs	**$ 22,638,740**	$ 21,023,006	$ 19,551,823
Participations purchased	**9,182,206**	8,702,470	8,712,399
Total loans	**$ 31,820,946**	$ 29,725,476	$ 28,264,222

A summary of the Bank's loan types by amortized cost at December 31 follows:

	2024	2023	2022
Direct notes receivable from District Associations	**$ 22,582,343**	$ 20,967,702	$ 19,499,945
Real estate mortgage	**1,247,497**	1,172,829	1,096,090
Production and intermediate-term	**1,342,429**	1,150,891	1,067,229
Agribusiness			
Loans to cooperatives	**431,354**	442,926	503,670
Processing and marketing	**3,383,019**	3,183,583	3,407,164
Farm-related business	**220,916**	226,685	261,843
Communications	**731,090**	800,600	785,563
Energy (rural utilities)	**1,444,696**	1,349,317	1,303,639
Water and waste disposal	**240,859**	279,343	187,044
Rural home	**1,087**	2,848	1,815
Mission-related	**1,986**	2,082	2,172
Lease receivables	**4,055**	4,697	7,885
International	**133,218**	86,669	88,285
Loans to other financing institutions	**56,397**	55,304	51,878
Total	**$ 31,820,946**	$ 29,725,476	$ 28,264,222

The Bank's capital markets loan portfolio predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. The Bank also refers to the capital markets portfolio as participations purchased. In addition to purchasing loans from our District Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside of the Texas District's territory by other System institutions, commercial banks and other lenders. Our capital markets loan portfolio depends to a significant degree on our relationships with other Farm Credit institutions. These loans may be held as earning assets of the Bank or sub-participated to the Associations or to other System entities. The Bank purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations.

The following table presents information on loan participations and their related amortized cost, excluding syndications, at December 31, 2024:

	Other Farm Credit Institutions		Non–Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,400,293	$ 311,780	$ 48,000	$ —	$ 1,448,293	$ 311,780
Production and intermediate-term	3,270,086	2,008,613	20,115	—	3,290,201	2,008,613
Agribusiness	2,753,853	859,316	113,176	—	2,867,029	859,316
Communications	915,643	184,104	—	—	915,643	184,104
Energy (rural utilities)	1,522,031	122,581	—	—	1,522,031	122,581
Water and waste disposal	314,537	73,549	—	—	314,537	73,549
Rural home	1,568	—	—	—	1,568	—
International	223,572	90,196	—	—	223,572	90,196
Mission-related	1,986	—	—	—	1,986	—
Lease receivables	5,068	1,015	—	—	5,068	1,015
Direct note receivable from District Associations	—	4,350,000	—	—	—	4,350,000
Total	**$ 10,408,637**	**$ 8,001,154**	**$ 181,291**	**$ —**	**$ 10,589,928**	**$ 8,001,154**

A substantial portion of the Bank's loan portfolio consists of direct notes receivable from District Associations. As described in Note 1, "Organization and Operations," these notes are used by the Associations to fund their loan portfolios, and therefore the Bank's implicit concentration of credit risk in various agricultural commodities approximates that of the Texas District as a whole. Loan concentrations are considered to exist when there are amounts loaned to borrowers engaged in similar activities, which could cause them to be similarly impacted by economic or other conditions. A substantial portion of the Associations' lending activities is collateralized and the Associations' exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Bank's credit risk exposure is considered in the Bank's allowance for credit losses on loans.

At December 31, 2024, the Bank had sold a total of $4.35 billion of Association direct notes to another System bank. The sales included participations of 11 direct notes receivable from Associations. These sales provide diversification benefits among Farm Credit entities.

The Bank has purchased loan participations and Farmer Mac guaranteed AMBS from Associations in CPP transactions. As a condition of the transactions, the Bank redeemed common stock in the amount of 2.0 percent of the par value of the loans and AMBS purchased, and the Associations bought Bank stock equal to 8.0 percent of the purchased loans' par value and 1.6 percent of the Farmer Mac AMBS' par value.

CPP loans held at December 31, 2024, totaled $56.8 million and were included in loans on the balance sheet. The balance of the Farmer Mac AMBS CPP was $6.6 million at December 31, 2024, and is included in investment securities on the balance sheet.

The Bank also purchased loans from Associations in Non-Capitalized Participation Pool (NCPP) transactions. As a condition of these transactions, the Bank redeems common stock in the amount of 2.0 percent of the par value of the loans purchased. There were no NCPP purchases during 2024. NCPP loans held at December 31, 2024, totaled $173.5 million, and were included in loans on the balance sheet.

During the year ended December 31, 2024, the Bank sold 20 loans with an amortized cost of $101.4 million. Loans held for sale totaled $8.0 million at December 31, 2024. Losses for loans sold and held for sale during 2024 totaled $3.9 million. There were no loans held for sale at December 31, 2023 or December 31, 2022.

Credit Quality

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

One credit quality indicator utilized by the Bank is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- *Acceptable* — assets are expected to be fully collectible and represent the highest quality;
- *Other assets especially mentioned (OAEM)* — assets are currently collectible but exhibit some potential weakness;
- *Substandard* — assets exhibit some serious weakness in repayment capacity, equity or collateral pledged on the loan. Substandard classification is divided between viable and non-viable based on extent of weaknesses and likelihood of collection in full;
- *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; and
- *Loss* — assets are considered uncollectible.

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

	December 31, 2024	December 31, 2023
Acceptable	98.72 %	99.04 %
OAEM	0.91	0.50
Substandard	0.35	0.46
Doubtful	0.02	0.00
	100.00 %	100.00 %

At December 31, 2023, the Bank did not have any loans classified as doubtful.

The following table presents credit quality indicators by loan type and the related amortized cost loan balance for the loan participation portfolio as of December 31, 2024:

	Term Loans by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 138,766	$ 111,546	$ 179,108	$ 187,833	$ 91,419	$ 378,131	$ 104,306	$ 2,060	$ 1,193,169
OAEM	—	—	9,544	1,131	—	3,287	28,134	—	42,096
Substandard	—	—	—	202	—	4,159	2,519	5,352	12,232
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 138,766	$ 111,546	$ 188,652	$ 189,166	$ 91,419	$ 385,577	$ 134,959	$ 7,412	$ 1,247,497
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Production and intermediate-term									
Acceptable	$ 40,564	$ 53,894	$ 121,293	$ 32,658	$ 15,268	$ 79,089	$ 943,011	$ —	$ 1,285,777
OAEM	800	692	—	515	1,223	708	18,913	—	22,851
Substandard	—	—	364	—	—	33	33,404	—	33,801
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 41,364	$ 54,586	$ 121,657	$ 33,173	$ 16,491	$ 79,830	$ 995,328	$ —	$ 1,342,429
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 4,521	$ —	$ —	$ 4,521
Agribusiness									
Acceptable	$ 727,432	$ 454,273	$ 604,536	$ 363,279	$ 172,815	$ 285,135	$ 1,159,857	$ 13,286	$ 3,780,613
OAEM	15,535	—	67,220	17,038	—	21,478	68,505	—	189,776
Substandard	10,524	1,253	—	19,662	15,753	7	11,365	377	58,941
Doubtful	—	—	4,579	—	—	—	1,380	—	5,959
Total	$ 753,491	$ 455,526	$ 676,335	$ 399,979	$ 188,568	$ 306,620	$ 1,241,107	$ 13,663	$ 4,035,289
Gross charge-offs	$ —	$ —	$ 5,550	$ 6,040	$ —	$ 4,957	$ 5,713	$ —	$ 22,260
Communications									
Acceptable	$ 194,620	$ 127,142	$ 119,056	$ 179,730	$ 72,633	$ —	$ 22,775	$ —	$ 715,956
OAEM	3,339	—	—	—	10,724	—	1,071	—	15,134
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 197,959	$ 127,142	$ 119,056	$ 179,730	$ 83,357	$ —	$ 23,846	$ —	$ 731,090
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Energy and water/waste disposal									
Acceptable	$ 326,979	$ 255,502	$ 255,588	$ 104,001	$ 47,621	$ 467,252	$ 166,552	$ 36,056	$ 1,659,551
OAEM	—	5,803	8,413	—	5,781	—	—	—	19,997
Substandard	—	—	4,344	—	—	1,663	—	—	6,007
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 326,979	$ 261,305	$ 268,345	$ 104,001	$ 53,402	$ 468,915	$ 166,552	$ 36,056	$ 1,685,555
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural home									
Acceptable	$ —	$ —	$ 245	$ —	$ —	$ 577	$ —	$ —	$ 822
OAEM	—	—	—	—	265	—	—	—	265
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ 245	$ —	$ 265	$ 577	$ —	$ —	$ 1,087
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Term Loans by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
International									
Acceptable	$ 15,038	$ 86,681	$ —	$ —	$ —	$ —	$ 31,499	$ —	$ 133,218
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 15,038	$ 86,681	$ —	$ —	$ —	$ —	$ 31,499	$ —	$ 133,218
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Mission-related									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ 1,986	$ —	$ —	$ 1,986
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 1,986	$ —	$ —	$ 1,986
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Lease receivables									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ 4,055	$ —	$ —	$ 4,055
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 4,055	$ —	$ —	$ 4,055
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Direct notes to District Associations:									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 22,582,343	$ —	$ 22,582,343
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 22,582,343	$ —	$ 22,582,343
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans to other financing institutions									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 56,397	$ —	$ 56,397
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 56,397	$ —	$ 56,397
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total loans									
Acceptable	$ 1,443,399	$ 1,089,038	$ 1,279,826	$ 867,501	$ 399,756	$ 1,216,225	$ 25,066,740	$ 51,402	$ 31,413,887
OAEM	19,674	6,495	85,177	18,684	17,993	25,473	116,623	—	290,119
Substandard	10,524	1,253	4,708	19,864	15,753	5,862	47,288	5,729	110,981
Doubtful	—	—	4,579	—	—	—	1,380	—	5,959
Total	$ 1,473,597	$ 1,096,786	$ 1,374,290	$ 906,049	$ 433,502	$ 1,247,560	$ 25,232,031	$ 57,131	$ 31,820,946
Gross charge-offs	$ —	$ —	$ 5,550	$ 6,040	$ —	$ 9,478	$ 5,713	$ —	$ 26,781

The following table presents credit quality indicators by loan type and the related amortized cost loan balance for the loan participation portfolio as of December 31, 2023. At December 31, 2023, there were no loans classified as doubtful.

	Term Loans by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 85,199	$ 194,450	$ 205,627	$ 104,437	$ 120,002	$ 326,010	$ 121,963	$ 3,379	$ 1,161,067
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	752	521	10,489	—	11,762
Total	$ 85,199	$ 194,450	$ 205,627	$ 104,437	$ 120,754	$ 326,531	$ 132,452	$ 3,379	$ 1,172,829
Gross charge-offs	$ —	$ —	$ —	$ —	$ 28	$ —	$ —	$ —	$ 28
Production and intermediate-term									
Acceptable	$ 64,603	$ 85,470	$ 37,404	$ 15,857	$ 9,462	$ 82,343	$ 817,765	$ —	$ 1,112,904
OAEM	—	—	—	—	—	—	—	—	—
Substandard	5,494	7,443	—	—	20,250	—	4,800	—	37,987
Total	$ 70,097	$ 92,913	$ 37,404	$ 15,857	$ 29,712	$ 82,343	$ 822,565	$ —	$ 1,150,891
Gross charge-offs	$ —	$ —	$ —	$ —	$ 6,244	$ —	$ 3,003	$ —	$ 9,247
Agribusiness									
Acceptable	$ 501,149	$ 878,700	$ 564,452	$ 230,274	$ 201,163	$ 305,816	$ 1,008,328	$ 8,571	$ 3,698,453
OAEM	—	3,732	30,813	—	5,179	—	3,957	—	43,681
Substandard	12,166	21,517	18,683	15,747	—	7,653	35,294	—	111,060
Total	$ 513,315	$ 903,949	$ 613,948	$ 246,021	$ 206,342	$ 313,469	$ 1,047,579	$ 8,571	$ 3,853,194
Gross charge-offs	$ —	$ 5,938	$ —	$ —	$ —	$ 2,572	$ 2,612	$ —	$ 11,122
Communications									
Acceptable	$ 104,704	$ 167,822	$ 206,666	$ 140,576	$ 14,470	$ 76,363	$ 35,497	$ —	$ 746,098
OAEM	—	17,487	—	34,808	—	—	2,207	—	54,502
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 104,704	$ 185,309	$ 206,666	$ 175,384	$ 14,470	$ 76,363	$ 37,704	$ —	$ 800,600
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Energy and water/waste disposal									
Acceptable	$ 227,805	$ 355,707	$ 143,284	$ 50,370	$ 27,056	$ 541,464	$ 196,825	$ 37,629	$ 1,580,140
OAEM	—	13,745	12,647	6,301	—	10,851	1,000	—	44,544
Substandard	—	—	—	—	2,054	1,922	—	—	3,976
Total	$ 227,805	$ 369,452	$ 155,931	$ 56,671	$ 29,110	$ 554,237	$ 197,825	$ 37,629	$ 1,628,660
Gross charge-offs	$ —	$ —	$ —	$ —	$ 701	$ —	$ —	$ —	$ 701
Rural home									
Acceptable	$ —	$ 432	$ 641	$ 1,173	$ 226	$ 376	$ —	$ —	$ 2,848
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ 432	$ 641	$ 1,173	$ 226	$ 376	$ —	$ —	$ 2,848
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Term Loans by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
International									
Acceptable	$ 86,669	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 86,669
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 86,669	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 86,669
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Mission-related									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ 2,082	$ —	$ —	$ 2,082
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 2,082	$ —	$ —	$ 2,082
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Lease receivables									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ 4,697	$ —	$ —	$ 4,697
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 4,697	$ —	$ —	$ 4,697
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Direct notes to District Associations:									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,967,702	$ —	$ 20,967,702
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,967,702	$ —	$ 20,967,702
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans to other financing institutions									
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 55,304	$ —	$ 55,304
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 55,304	$ —	$ 55,304
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total loans									
Acceptable	$ 1,070,129	$ 1,682,581	$ 1,158,074	$ 542,687	$ 372,379	$ 1,339,151	$ 23,203,384	$ 49,579	$ 29,417,964
OAEM	—	34,964	43,460	41,109	5,179	10,851	7,164	—	142,727
Substandard	17,660	28,960	18,683	15,747	23,056	10,096	50,583	—	164,785
Total	$ 1,087,789	$ 1,746,505	$ 1,220,217	$ 599,543	$ 400,614	$ 1,360,098	$ 23,261,131	$ 49,579	$ 29,725,476
Gross charge-offs	$ —	$ 5,938	$ —	$ —	$ 6,973	$ 2,572	$ 5,615	$ —	$ 21,098

The following table presents loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31, 2022. At December 31, 2022, there were no loans classified as doubtful.

	December 31, 2022
Real estate mortgage:	
Acceptable	99.89 %
OAEM	0.09
Substandard	0.02
	100.00 %
Production and intermediate-term:	
Acceptable	99.19 %
OAEM	—
Substandard	0.81
	100.00 %
Agribusiness:	
Acceptable	96.25 %
OAEM	1.68
Substandard	2.07
	100.00 %
Communications:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Energy & water/waste disposal:	
Acceptable	98.78 %
OAEM	0.80
Substandard	0.42
	100.00 %
Rural home:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
International:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Mission-related:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Lease receivables:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Direct notes to Associations:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Loans to other financing institutions:	
Acceptable	100.00 %
OAEM	—
Substandard	—
	100.00 %
Total loans:	
Acceptable	99.35 %
OAEM	0.30
Substandard	0.35
	100.00 %

Accrued interest receivable on loans of $127.0 million, $120.1 million and $101.5 million at December 31, 2024, 2023 and 2022, respectively, has been excluded from the amortized cost of loans and is reported separately on the balance sheet. During 2024 and 2023, the Bank reversed $291 thousand and $791 thousand, respectively, in accrued interest receivable against interest income.

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned. The Bank's nonperforming assets consisted of participations purchased. No direct notes to Associations were nonperforming at December 31, 2024, 2023 and 2022.

	December 31,		
	2024	2023	2022
Nonaccrual loans			
Real estate mortgage	**$ 4,145**	$ 1,067	$ —
Production and intermediate-term	**30,537**	25,744	—
Agribusiness	**5,958**	12,237	26,559
Energy and water/waste disposal	**1,663**	3,977	3,435
Total nonaccrual loans	**42,303**	43,025	29,994
Total accruing loans 90 days or more past due	**—**	—	—
Other property owned	**4,854**	—	—
Total nonperforming assets	**$ 47,157**	$ 43,025	$ 29,994
Nonaccrual loans as a percentage of total loans	**0.13 %**	0.14 %	0.11 %
Nonperforming assets as a percentage of total loans and other property owned	**0.15**	0.14	0.11
Nonperforming assets as a percentage of capital	**2.65**	2.55	1.85

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

	December 31, 2024			
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**Interest Income Recognized Year Ended December 31, 2024**
Nonaccrual loans				
Real estate mortgage	**$ —**	**$ 4,145**	**$ 4,145**	**$ 74**
Production and intermediate-term	**30,537**	**—**	**30,537**	**—**
Agribusiness	**5,958**	**—**	**5,958**	**13**
Energy and water/waste disposal	**1,663**	**—**	**1,663**	**541**
Total nonaccrual loans	**$ 38,158**	**$ 4,145**	**$ 42,303**	**$ 628**

	December 31, 2023			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized Year Ended December 31, 2023
Nonaccrual loans				
Real estate mortgage	$ —	$ 1,067	$ 1,067	$ —
Production and intermediate-term	25,744	—	25,744	—
Agribusiness	12,237	—	12,237	31
Energy and water/waste disposal	3,977	—	3,977	—
Total nonaccrual loans	$ 41,958	$ 1,067	$ 43,025	$ 31

At December 31, 2024, the Bank had specific reserves included in the allowance for credit losses of $9.5 million, associated with the nonaccrual loan balance of $38.2 million. At December 31, 2023, the Bank had specific reserves included in the allowance for credit losses of $16.7 million, associated with the nonaccrual loan balance of $42.0 million.

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

December 31, 2024	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment Greater Than 90 Days Past Due and Accruing**
Real estate mortgage	**$ 734**	**$ 481**	**$ 1,215**	**$ 1,246,282**	**$ 1,247,497**	**$ —**
Production and intermediate-term	**4,707**	**—**	**4,707**	**1,337,722**	**1,342,429**	**—**
Agribusiness	**5,958**	**—**	**5,958**	**4,029,331**	**4,035,289**	**—**
Energy & water/waste disposal	**—**	**—**	**—**	**1,685,555**	**1,685,555**	**—**
Rural home	**—**	**—**	**—**	**1,087**	**1,087**	**—**
Lease receivables	**—**	**—**	**—**	**4,055**	**4,055**	**—**
Communications	**—**	**—**	**—**	**731,090**	**731,090**	**—**
Direct notes to Associations	**—**	**—**	**—**	**22,582,343**	**22,582,343**	**—**
Loans to OFIs	**—**	**—**	**—**	**56,397**	**56,397**	**—**
International	**—**	**—**	**—**	**133,218**	**133,218**	**—**
Mission-related	**—**	**—**	**—**	**1,986**	**1,986**	**—**
Total	**$ 11,399**	**$ 481**	**$ 11,880**	**$ 31,809,066**	**$ 31,820,946**	**$ —**

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment Greater Than 90 Days Past Due and Accruing
Real estate mortgage	$ 468	$ —	$ 468	$ 1,172,361	$ 1,172,829	$ —
Production and intermediate-term	20,250	5,494	25,744	1,125,147	1,150,891	—
Agribusiness	—	12,237	12,237	3,840,957	3,853,194	—
Energy & water/waste disposal	—	—	—	1,628,660	1,628,660	—
Rural home	—	—	—	2,848	2,848	—
Lease receivables	—	—	—	4,697	4,697	—
Communications	—	—	—	800,600	800,600	—
Direct notes to Associations	—	—	—	20,967,702	20,967,702	—
Loans to OFIs	—	—	—	55,304	55,304	—
International	—	—	—	86,669	86,669	—
Mission-related	—	—	—	2,082	2,082	—
Total	$ 20,718	$ 17,731	$ 38,449	$ 29,687,027	$ 29,725,476	$ —

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

December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment Greater Than 90 Days Past Due and Accruing
Real estate mortgage	$ 164	$ —	$ 164	$ 1,107,641	$ 1,107,805	$ —
Production and intermediate-term	—	—	—	1,074,968	1,074,968	—
Agribusiness	5,393	1,384	6,777	4,192,808	4,199,585	—
Energy & water/waste disposal	—	2	2	1,498,411	1,498,413	—
Rural home	—	—	—	1,821	1,821	—
Lease receivables	—	—	—	7,929	7,929	—
Communications	—	—	—	787,968	787,968	—
Direct notes to Associations	—	—	—	19,543,825	19,543,825	—
Loans to OFIs	—	—	—	52,054	52,054	—
International	—	—	—	89,201	89,201	—
Mission-related	—	—	—	2,195	2,195	—
Total	$ 5,557	$ 1,386	$ 6,943	$ 28,358,821	$ 28,365,764	$ —

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. Collateral dependent loans are primarily production and intermediate-term, agribusiness, energy and water/waste disposal and real estate mortgage loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

For loan modifications granted to borrowers during 2024, the following table shows the amortized cost of outstanding balances as reflected in our balance sheet as of December 31, 2024, disaggregated by loan type and type of modification granted:

	Year Ended December 31, 2024				
	Term Extension	**Payment Deferral**	**Combination - Term Extension and Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Agribusiness	**—**	**25,348**	**13,358**	**38,706**	**0.96 %**
Total	**$ —**	**$ 25,348**	**$ 13,358**	**$ 38,706**	**0.12 %**

For loan modifications granted to borrowers during 2023, the following table shows the amortized cost of the loan at the time of modification, disaggregated by loan type and type of modification granted:

	Year Ended December 31, 2023				
	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total	Percentage of Total by Loan Type
Agribusiness	$ 9,640	$ 15,759	$ 20,320	$ 45,719	1.19 %
Energy & water/waste disposal	2,903	—	—	2,903	0.18
Total	$ 12,543	$ 15,759	$ 20,320	$ 48,622	0.16 %

Accrued interest receivable related to loans modified during the years ended December 31, 2024 and December 31, 2023 totaled $463 thousand and $840 thousand, respectively.

The following tables describe the financial effects of the modifications made to borrowers experiencing financial difficulty during the years ended December 31, 2024 and December 31, 2023.

	Financial Effect - Term Extension	
	Year Ended December 31, 2024	Year Ended December 31, 2023
Agribusiness	—	Added a weighted average 2.50 years to the life of the loans
Energy & water/waste disposal	—	Added a weighted average 7.13 months to the life of the loans

	Financial Effect - Payment Deferral	
	Year Ended December 31, 2024	Year Ended December 31, 2023
Agribusiness	Added a weighted average 2.11 years to the life of the loans	Added a weighted average 2.51 years to the life of the loans

	Financial Effect - Combination - Term Extension and Payment Deferral	
	Year Ended December 31, 2024	Year Ended December 31, 2023
Agribusiness	Added a weighted average 3.03 months in payment extensions and 3.03 months to the life of the loans	Added a weighted average 5.63 months in payment extensions and 5.63 months to the life of the loans

During the years ended December 31, 2024 and December 31, 2023, there were no defaults on loans to borrowers experiencing financial difficulty that had received a modification in the twelve months before default. As of December 31, 2024 and December 31, 2023, all loans that had received a modification in the preceding twelve months were either current in all required payments or paid in full.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and December 31, 2023, totaled $14.7 million and $24.8 million, respectively.

Allowance for Credit Losses on Loans and Reserves for Credit Losses on Unfunded Commitments

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

Effective January 1, 2023, the Bank adopted the CECL accounting guidance as described in Note 2. A summary of changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and December 31, 2023 are as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Home	International	Mission-Related	Lease Receivables	Direct Notes to District Associations	Loans to OFIs	Total
Allowance for credit losses on loans:												
Balance at December 31, 2023	**$ 2,000**	**$ 10,896**	**$ 19,403**	**$ 1,363**	**$ 4,140**	**$ 3**	**$ 62**	**$ 6**	**$ —**	**$ —**	**$ —**	**$ 37,873**
Charge-offs	**—**	**(4,521)**	**(22,260)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(26,781)**
Recoveries	**6**	**—**	**—**	**—**	**—**	**—**	**—**	**107**	**—**	**—**	**—**	**113**
Provision for credit losses on loans (credit loss reversal)	**1,829**	**4,647**	**17,445**	**270**	**(868)**	**(1)**	**177**	**(107)**	**—**	**—**	**—**	**23,392**
Balance at December 31, 2024	**$ 3,835**	**$ 11,022**	**$ 14,588**	**$ 1,633**	**$ 3,272**	**$ 2**	**$ 239**	**$ 6**	**$ —**	**$ —**	**$ —**	**$ 34,597**
Allowance for credit losses on unfunded commitments:												
Balance at December 31, 2023	**$ 193**	**$ 257**	**$ 3,743**	**$ 128**	**$ 690**	**$ —**	**$ —**	**$ 34**	**$ —**	**$ —**	**$ —**	**$ 5,045**
Provision for credit losses on loans (credit loss reversal)	**584**	**251**	**(760)**	**29**	**128**	**—**	**27**	**(34)**	**—**	**—**	**—**	**225**
Balance at December 31, 2024	**$ 777**	**$ 508**	**$ 2,983**	**$ 157**	**$ 818**	**$ —**	**$ 27**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 5,270**

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Home	International	Mission-Related	Lease Receivables	Direct Notes to District Associations	Loans to OFIs	Total
Allowance for credit losses on loans:												
Balance at December 31, 2022	$ 447	$ 1,411	$ 11,283	$ 521	$ 1,951	$ —	$ 31	$ 59	$ 3	$ —	$ —	$ 15,706
Adjustment in beginning balance due to change in accounting for credit losses	724	(285)	3,700	202	518	1	21	(17)	(1)	—	—	4,863
Balance at January 1, 2023	1,171	1,126	14,983	723	2,469	1	52	42	2	—	—	20,569
Charge-offs	(28)	(9,247)	(11,121)	—	(701)	—	—	—	—	—	—	(21,097)
Recoveries	—	—	1	—	7	—	—	27	—	—	—	35
Provision for credit losses on loans (credit loss reversal)	857	19,017	15,540	640	2,365	2	10	(63)	(2)	—	—	38,366
Balance at December 31, 2023	$ 2,000	$ 10,896	$ 19,403	$ 1,363	$ 4,140	$ 3	$ 62	$ 6	$ —	$ —	$ —	$ 37,873
Allowance for credit losses on unfunded commitments:												
Balance at December 31, 2022	$ 83	$ 196	$ 1,430	$ 45	$ 287	$ —	$ —	$ 11	$ —	$ —	$ —	$ 2,052
Adjustment in beginning balance due to change in accounting for credit losses	232	107	2,580	77	484	—	—	25	—	—	—	3,505
Balance at January 1, 2023	315	303	4,010	122	771	—	—	36	—	—	—	5,557
(Credit loss reversal) provision for credit losses on loans	(122)	(46)	(267)	6	(81)	—	—	(2)	—	—	—	(512)
Balance at December 31, 2023	$ 193	$ 257	$ 3,743	$ 128	$ 690	$ —	$ —	$ 34	$ —	$ —	$ —	$ 5,045

The ACLL as of December 31, 2024, was $34.6 million, reflecting a decrease of $3.3 million from December 31, 2023. The decrease was driven by lower specific reserves due to charge-offs of loans in the agribusiness and production and intermediate-term loan sectors as well as the transfer of an agribusiness loan to other property owned.

The Bank's macroeconomic forecast includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the December 31, 2024, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

Prior to the adoption of CECL, a summary of changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2022 is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Comm-unications	Energy and Water/Waste Disposal	Rural Home	Inter-national	Mission-Related	Lease Receivables	Direct Notes to District Associations	Loans to OFIs	Total
Allowance for credit losses on loans[1]:												
Balance at December 31, 2021	$ 466	$ 1,316	$ 5,952	$ 409	$ 3,606	$ —	$ 27	$ 58	$ 35	$ —	$ —	$ 11,869
Charge-offs	—	—	—	—	(155)	—	—	—	—	—	—	(155)
Recoveries	25	—	2	—	—	—	—	8	—	—	—	35
Provision for credit losses (loan loss reversal)	13	57	5,973	125	(1,550)	—	1	(7)	(32)	—	—	4,580
Other[2]	(57)	38	(644)	(13)	50	—	3	—	—			(623)
Balance at December 31, 2022	$ 447	$ 1,411	$ 11,283	$ 521	$ 1,951	$ —	$ 31	$ 59	$ 3	$ —	$ —	$ 15,706

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

[2] Allowance for credit losses on letters of credit and unfunded commitments is recorded in other liabilities.

Credit Quality — Prior to CECL Adoption

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) 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 have included 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 TDR, the loan was included within our impaired loans under nonaccrual or accruing restructured loans.

The predominant form of concession granted for loans that received the TDR designation in 2022 was forgiveness of principal and interest. The following table presents information regarding loans that received the TDR designation during the year ended December 31, 2022:

Loan Types	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Energy	$ 696	$ 540
Total	$ 696	$ 540

* The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table provides information on outstanding loans restructured in TDRs at December 31, 2022:

Loan Types	Total Loans Modified as TDRs	TDRs in Nonaccrual Status
Energy	$ 540	$ 540
Mission-related	2,195	—
Total	$ 2,735	$ 540

There were no payment defaults on loans that were restructured during the previous 12 months. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional impaired loan information at December 31, 2022, is as follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Processing and marketing	$ 26,540	$ 26,682	$ 3,977	$ 6,907	$ —
Energy & water/waste disposal	3,435	3,592	1,110	5,416	—
Mission-related	154	154	60	154	12
Total	$ 30,129	$ 30,428	$ 5,147	$ 12,477	$ 12
Impaired loans with no related allowance for credit losses:					
Production and intermediate-term	$ —	$ 91	$ —	$ —	$ —
Processing and marketing	19	1,352	—	2	—
Energy & water/waste disposal	—	2,098	—	—	—
Mission-related	2,041	2,041	—	2,048	124
Total	$ 2,060	$ 5,582	$ —	$ 2,050	$ 124
Total impaired loans:					
Production and intermediate-term	$ —	$ 91	$ —	$ —	$ —
Processing and marketing	26,559	28,034	3,977	6,909	—
Energy & water/waste disposal	3,435	5,690	1,110	5,416	—
Mission-related	2,195	2,195	60	2,202	136
Total	$ 32,189	$ 36,010	$ 5,147	$ 14,527	$ 136

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans were as follows at December 31:

	2022
Interest income which would have been recognized under the original loan terms	$ 1,384
Less: interest income recognized	136
Foregone interest income	$ 1,248

Note 5 — Leases

The Bank maintains a lease for its headquarters facility in Austin, Texas, which expires in December 2034. This lease is for approximately 111,500 square feet of office space ranging from $18 to $38 per square foot during the term of the lease. Lease expense for the headquarters facility includes certain operating expenses passed through from the landlord.

The Bank entered into a desk sharing agreement in Washington, D.C., as of January 1, 2025, with the National Council of Farmer Cooperatives for legislative affairs purposes. The lease will expire in December 2025.

The Bank currently holds leases for postage machines, copiers and ice machines. The postage machines lease expired in September 2023 and was renewed with an expiration date of April 2027. A lease for copiers expired in March 2023 and was replaced with a new copier lease which expires in August 2026. The lease for the ice machines expired in October 2022 and is currently a month-to-month lease.

Amounts of lease assets and liabilities as presented below are included under Other Assets and Other Liabilities on the balance sheet:

	As of December 31,		
	2024	2023	2022
Operating lease right-of-use asset building	**$ 31,721**	$ 33,730	$ 35,432
Operating lease right-of-use asset other	**124**	157	49
Total lease assets	**$ 31,845**	$ 33,887	$ 35,481
Operating lease right-of-use liabilities building	**$ 37,989**	$ 39,864	$ 41,174
Operating lease right-of-use liabilities other	**124**	157	49
Total lease liabilities	**$ 38,113**	$ 40,021	$ 41,223

Lease expenses, which are included as a component of occupancy and equipment expense in the statement of comprehensive income, totaled $4.8 million for the year ended December 31, 2024, and $5.3 million each for the years ended December 31, 2023 and December 31, 2022.

Other information related to leases includes:

	Year Ended December 31,		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	**$ 3,157**	$ 2,874	$ 2,897
Right-of-use assets obtained in exchange for new lease obligations:			
Operating leases	**$ —**	$ —	$ —

The weighted-average remaining lease term for the building, copier and postage machine leases was 10.06 years and the weighted-average discount rate was 2.42 percent as of December 31, 2024. The discount rates were determined using the Bank's incremental borrowing rate for bonds for terms relative to the lease terms. The following are the undiscounted cash flows for the operating leases at December 31, 2024:

	Maturities of Lease Liabilities
2025	$ 3,555
2026	3,603
2027	3,625
2028	3,694
2029	3,768
Thereafter	20,001
Total undiscounted cash flows	38,246
Less interest expense	133
Lease liability	$ 38,113

The lease expense for leases with terms of 12 months or less was $36 thousand, $21 thousand and $39 thousand for the twelve months ended December 31, 2024, 2023 and 2022, respectively.

Note 6 — Premises and Equipment

Premises and equipment comprised the following at:

	December 31,		
	2024	2023	2022
Leasehold improvements	**$ 3,044**	$ 3,044	$ 3,044
Computer equipment and software	**213,883**	209,936	208,532
Furniture and equipment	**3,072**	3,028	3,105
	219,999	216,008	214,681
Accumulated depreciation	**(114,537)**	(97,885)	(79,927)
Total	**$ 105,462**	$ 118,123	$ 134,754

Note 7 — Asset/Liability Offsetting

Most derivative transactions with swap dealers are cleared through a Futures Commission Merchant (FCM). Cleared derivative contracts are required to be 100 percent collateralized and the Derivatives Clearing Organization (DCO) takes on the obligation of both sides of the transaction. The Bank's interest rate cap derivatives are under bilateral collateral and netting agreements that require the net settlement of covered contracts.

Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset on the accompanying balance sheet. The amount of collateral received or pledged is calculated on a net basis by counterparty.

The following tables summarize overnight investments, derivative assets and liabilities and amounts of collateral exchanged pursuant to our agreements.

		Amounts Not Offset on the Balance Sheet		
December 31, 2024	**Gross Amounts of Assets/Liabilities Presented on the Balance Sheet**	**Cash Collateral Received/ (Pledged)**	**Investment Securities Received/Pledged as Collateral**	**Net Amount**
Assets:				
Interest rate swaps and other derivatives	**$ 65,454**	**$ 67,020**	**$ —**	**$ (1,566)**
Federal funds sold and overnight investments	**455,323**	**—**	**(110,000)**	**345,323**
Liabilities:				
Interest rate swaps and other derivatives	**—**	**(32,810)**	**—**	**(32,810)**

		Amounts Not Offset on the Balance Sheet		
December 31, 2023	Gross Amounts of Assets/Liabilities Presented on the Balance Sheet	Cash Collateral Received/ (Pledged)	Investment Securities Received/Pledged as Collateral	Net Amount
Assets:				
Interest rate swaps and other derivatives	$ 45,486	$ 43,157	$ —	$ 2,329
Federal funds sold and overnight investments	312,399	—	—	312,399
Liabilities:				
Interest rate swaps and other derivatives	—	(41,010)	—	(41,010)

December 31, 2022	Gross Amounts of Assets/Liabilities Presented on the Balance Sheet	Amounts Not Offset on the Balance Sheet: Cash Collateral Received/ (Pledged)	Amounts Not Offset on the Balance Sheet: Investment Securities Received/Pledged as Collateral	Net Amount
Assets:				
Interest rate swaps and other derivatives	$ 64,692	$ 62,480	$ —	$ 2,212
Federal funds sold and overnight investments	301,678	—	—	301,678
Liabilities:				
Interest rate swaps and other derivatives	—	(42,749)	—	(42,749)

Note 8 — Other Property Owned

OPO, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value, based on appraisal, less estimated selling costs upon acquisition. At December 31, 2024, the Bank had OPO of $4.9 million. There was no OPO at December 31, 2023 or December 31, 2022.

Note 9 — Other Assets and Other Liabilities

Other assets comprised the following at December 31:

	2024	2023	2022
Investment in another System bank	**$ 135,533**	$ 131,942	$ 157,380
Other accounts receivable	**65,198**	78,794	107,272
RBIC investments	**19,900**	25,985	24,930
Fair value of derivatives	**31,244**	43,339	44,961
Operating lease right-of-use asset	**31,845**	33,887	35,481
Other property owned	**4,854**	—	—
Loans held for sale	**7,981**	—	—
Other	**14,916**	15,761	16,264
Total	**$ 311,471**	$ 329,708	$ 386,288

Other liabilities comprised the following at December 31:

	2024	2023	2022
Payable to Associations for cash management services	**$ 32,148**	$ 43,673	$ 36,747
Accounts payable – other	**41,300**	54,086	69,344
Operating lease liabilities	**38,113**	40,021	41,223
Obligation for nonpension postretirement benefits	**10,856**	9,919	9,718
Mortgage life additional reserve	**4,727**	4,653	4,653
FCBT FCSIC premium payable	**12,121**	22,084	22,414
Other	**15,562**	14,138	15,537
Total	**$ 154,827**	$ 188,574	$ 199,636

Note 10 — Bonds and Notes

Systemwide Debt Securities

The System, unlike commercial banks and other depository institutions, obtains funds for its lending operations primarily from the sale of Systemwide debt securities issued by the banks through the Funding Corporation. Systemwide bonds and discount notes (Systemwide debt securities) are the joint and several liability of the System banks. Certain conditions must be met before the Bank can participate in the issuance of Systemwide debt securities. As one condition of participation, the Bank is required by the Farm Credit Act and FCA regulations to maintain specified eligible assets at least equal in value to the total amount of debt obligations outstanding for which it is primarily liable. This requirement does not provide holders of Systemwide debt securities with a security interest in any assets of the banks. In general, each bank determines its participation in each issue of Systemwide debt securities based on its funding and operating requirements, subject to the availability of eligible assets as described above and subject to Funding Corporation determinations and FCA approval. At December 31, 2024, the Bank had such specified eligible assets totaling $39.08 billion and obligations and accrued interest payable totaling $37.40 billion, resulting in excess eligible assets of $1.68 billion.

The System banks and the Funding Corporation have entered into the Market Access Agreement (MAA), which establishes criteria and procedures for the banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual bank's participation in Systemwide debt issuances, thereby reducing other System banks' exposure to statutory joint and several liability. At December 31, 2024, the Bank was and currently remains in compliance with the conditions and requirements of the System banks' and the Funding Corporation's MAA.

Each issuance of Systemwide debt securities ranks equally, in accordance with the FCA regulations, with other unsecured Systemwide debt securities. Systemwide debt securities are not issued under an indenture, and no trustee is provided with respect to these securities. Systemwide debt securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event.

The Bank's participation in Systemwide debt securities at December 31, 2024, is as follows (dollars in thousands):

	Systemwide					
	Bonds		Discount Notes		Total	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
2025	$ 10,419,936	3.70%	$ 1,600,308	4.73%	$ 12,020,244	3.84%
2026	10,235,091	3.84	—	—	10,235,091	3.84
2027	3,489,949	2.78	—	—	3,489,949	2.78
2028	2,118,380	2.91	—	—	2,118,380	2.91
2029	2,330,076	3.44	—	—	2,330,076	3.44
Subsequent years	6,965,030	3.36	—	—	6,965,030	3.36
Total	$ 35,558,462	3.52%	$ 1,600,308	4.73%	$ 37,158,770	3.57%

In the preceding table, the weighted average interest rate reflects the effects of interest rate caps and interest rate swaps used to manage the interest rate risk on the bonds and notes issued by the Bank. The Bank's interest rate swap strategy is discussed more fully in Note 2, "Summary of Significant Accounting Policies," and Note 17, "Derivative Instruments and Hedging Activity."

Discount notes are issued with maturities ranging from 1 to 365 days. The average maturity of discount notes at December 31, 2024, was 98 days.

The Bank's Systemwide callable debt consisted of the following as of December 31, 2024 (dollars in thousands):

Year of Maturity	Amount	Range of Call Dates
2025	$ 2,139,633	01/01/2025 - 06/11/2025
2026	2,932,758	01/01/2025 - 06/04/2026
2027	1,773,383	01/01/2025 - 03/20/2025
2028	1,158,561	01/01/2025 - 08/14/2025
2029	1,485,597	01/01/2025 - 08/25/2025
Subsequent years	6,365,578	01/01/2025 - 04/22/2025
Total	$ 15,855,510	01/01/2025 - 06/04/2026

Callable debt may be called on the first call date and, generally, every day thereafter with seven days' notice. Expenses associated with the exercise of call options on debt issuances are included in interest expense.

As described in Note 1, "Organization and Operations," the Insurance Fund is available to insure the timely payment of principal and interest on Systemwide debt securities (insured debt) of System banks to the extent net assets are available in the Insurance Fund and not designated for specific use. All other liabilities in the financial statements are uninsured. At December 31, 2024, the assets of the Insurance Fund aggregated $7.96 billion; however, due to the other authorized uses of the Insurance Fund, there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal or interest on an insured debt obligation in the event of a default by any System bank having primary liability thereon.

FCSIC has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to FCSIC under certain limited circumstances. Under its existing statutory authority, FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances that threaten the System banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and will remain in full force and effect until terminated by either the Federal Financing Bank or FCSIC. The decision whether to seek funds from the Federal Financing Bank is at the discretion of FCSIC, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

While the Bank's primary source of liquidity is the ability to access the capital markets to issue Systemwide debt, the Bank also maintains other contingency funding sources including repurchase agreements with several commercial banks, a $75.0 million uncommitted federal funds line of credit and reciprocal emergency lending agreements with other System entities. These alternative funding sources are subject to various terms and conditions, and as a result, there can be no assurance that funding will be available if needed by the Bank. In addition, the Funding Corporation provides contingency financing mechanisms which include emergency and non-emergency purchases of federal funds from counterparties and direct issuance of Systemwide debt securities to institutional investors.

Note 11 — Shareholders' Equity

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

A. Description of Bank Equities:

Class B Series 2 Noncumulative Subordinated Perpetual Preferred Stock (Class B-2 preferred stock) — On July 23, 2013, the Bank issued $300.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 2, representing 3,000,000 shares at $100 per share par value, for net proceeds of $296.0 million. Dividends on the Class B-2 preferred stock, if declared by the board of directors at its sole discretion, were noncumulative and were payable quarterly in arrears on the fifteenth day of March, June, September and December. Prior to September 15, 2023, dividends were paid at an annual fixed rate of 6.75 percent of par value of $100 per share. Commencing on September 15, 2023, dividends were paid at a rate of 3-Month CME Term SOFR plus a "Tenor Spread Adjustment" of 0.26161 percent, plus 4.01 percent. The Class B-2 preferred stock was not mandatorily redeemable at any time, but could be redeemed in whole or in part at the option of the Bank on any dividend payment date on or after September 15, 2023. The Class B-2 preferred stock ranked, both as to dividends and upon liquidation, pari passu with respect to the existing Class B-3 and Class B-4 preferred stock, and senior to all other classes of the Bank's outstanding capital stock. Class B-2 preferred stock dividends were required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-2 preferred stock was included in permanent capital, total capital and tier 1 capital within certain limitations. On August 12, 2024, the Bank notified holders of the Bank's Fixed to Floating Rate Class B-2 preferred stock, of its right to redeem all of the outstanding Class B-2 preferred stock at a total price of $100 per share, together with an amount equal to all dividends accrued and unpaid up to, but not including, the redemption date. On September 16, 2024, the Bank redeemed Class B-2 preferred stock at $100 per share or $300.0 million in the aggregate. In 2024, 2023 and 2022, Class B-2 preferred stock dividends totaling $22.2 million, $22.4 million and $20.2 million, respectively, were declared and paid.

Class B Series 3 Noncumulative Subordinated Perpetual Preferred Stock (Class B-3 preferred stock) — On June 25, 2018, the Bank issued $100.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 3 (Class B-3 preferred stock), representing 100,000 shares at $1,000 per share par value, for net proceeds of $98.7 million. Dividends on the Class B-3 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2018, at an annual fixed rate of 6.20 percent of par value of $1,000 per share up to, but excluding June 15, 2028, from and after which date will be paid at an annual rate of the 3-Month USD LIBOR plus 3.223 percent or the Alternative Rate determined at that time. The Class B-3 preferred stock is not mandatorily redeemable at any time, but may be redeemed in whole or in part at the option of the Bank on any dividend payment date on or after June 15, 2028. The Class B-3 preferred stock ranks pari passu with respect to the existing Class B-4 and Class B-5 preferred stock, and senior to all of the Bank's outstanding capital stock. Class B-3 preferred stock dividends are required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-3 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations. In 2024, 2023 and 2022, Class B-3 preferred stock dividends totaling $6.2 million were declared and paid in each respective year. At December 31, 2024, dividends payable on Class B-3 preferred stock totaled $1.6 million.

Class B Series 4 Noncumulative Subordinated Perpetual Preferred Stock (Class B-4 preferred stock) — On July 15, 2020, the bank issued $350.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 4 (Class B-4 preferred stock), representing 350,000 shares at $1,000 per share par value, for net proceeds of $346.1 million. Dividends on the Class B-4, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2020, at an annual fixed rate of 5.70 percent of par value of $1,000 per share up to, but excluding, September 15, 2025, from and after which date will be paid at an annual rate of the 5-year Treasury rate as of the most recent five-year reset dividend determination date plus 5.415 percent. The Class B-4 is not mandatorily redeemable at any time, but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after September 15, 2025. The Class B-4 ranks pari passu with respect to the existing Class B-3 and Class B-4 preferred stock and senior to all of the Bank's other outstanding capital stock. Class B-4 preferred stock dividends are required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-4 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations. In 2024, 2023 and 2022, Class B-4 preferred stock dividends totaling $20.0 million were declared and paid in each respective year. At December 31, 2024, dividends payable on Class B-4 preferred stock totaled $5.0 million.

Class B Series 5 Noncumulative Subordinated Perpetual Preferred Stock (Class B-5 preferred stock) On May 20, 2024, the Bank issued $300.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 5, representing three million shares at $1,000 per share par value, for net proceeds of $296.7 million. Dividends on the Class B-5, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2024, at an annual fixed rate of 7.75 percent of par value of $1,000 per share up to, but excluding June 15, 2029, from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 3.291 percent. The Class B-5 is not mandatorily redeemable at any time, but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after June 15, 2029. The Class B-5 ranked pari passu with respect to the existing Class B-3 and Class B-4 preferred stock, and senior to all of the Bank's other outstanding capital stock. Class B-5 preferred stock dividends are required by "dividend/ patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-5 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations. In 2024, Class B-5 preferred stock dividends totaling $13.0 million were declared and paid. At December 31, 2024, dividends payable on Class B-5 preferred stock totaled $5.8 million.

Class A Voting Common Stock — According to the Bank's bylaws, the minimum and maximum stock investments that the Bank may require of the ACAs and FLCA are 2.00 percent (or $1 thousand, whichever is greater) and 5.00 percent, respectively. The investments in the Bank are required to be in the form of Class A voting common stock (with a par value of $5 per share). For 2024, the investment required of the Associations was 2.00 percent of their average borrowings from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Associations will increase to 2.50 percent of their average borrowings from the Bank, equalized semi-annually.

Under the CPP program, the stock investment that the Bank requires is 1.60 percent of each Farmer Mac AMBS pool and 8.00 percent of each loan pool. Under the NCPP program, the Bank redeems stock in the amount of 2.00 percent of the par value of the loans purchased. No Class A voting common stock may be retired except at the sole discretion of the Bank's board of directors, and provided that after such retirement, the Bank shall meet minimum capital adequacy standards as may from time to time be promulgated by the FCA or such higher level as the board may from time to time establish in the Bank's Capital Plan. There were 104.4 million shares, 98.9 million shares and 94.0 million shares of Class A voting common stock issued and outstanding at December 31, 2024, 2023 and 2022, respectively.

Class A Nonvoting Common Stock — The Bank requires OFIs to make cash purchases of Class A nonvoting common stock (with a par value of $5 per share) in the Bank based on a minimum stock investment of 2.00 percent (or $1 thousand whichever is greater) and on a maximum of 5.00 percent. For 2024, the investment required of the OFIs was 2.00 percent of their average borrowings from the Bank, equalized annually. Beginning in 2025, the investment requirement of the OFIs will increase to 2.50 percent of their average borrowings from the Bank, equalized semi-annually. No Class A nonvoting common stock may be retired except at the sole discretion of the Bank's board of directors, and provided that after such retirement, the Bank shall meet minimum capital adequacy standards as may from time to time be promulgated by the FCA or such higher level as the board may from time to time establish in the Bank's Capital Plan. The Bank has a first lien on these equities for the repayment of any indebtedness to the Bank. There were 207 thousand shares, 220 thousand shares and 174 thousand shares of Class A nonvoting common stock issued and outstanding at December 31, 2024, 2023 and 2022, respectively.

Allocated retained earnings of $109.0 million, $101.8 million and $74.0 million at December 31, 2024, 2023 and 2022, respectively, reflects the payment of patronage on loans participated with another System bank for all three years presented, and for 2023, the payment of patronage on direct loans to the affiliated Associations and OFIs.

At December 31, the Bank's equities included the following:

	2024	2023	2022
Class A voting common stock – Associations	**$ 521,882**	$ 494,744	$ 470,160
Class A nonvoting common stock – other financing institutions	**1,036**	1,100	869
Total common stock	**522,918**	495,844	471,029
Preferred stock	**750,000**	750,000	750,000
Allocated retained earnings – Associations and OFIs	**19,886**	19,886	—
Allocated retained earnings – other entities	**89,141**	81,903	74,043
Total allocated retained earnings	**109,027**	101,789	74,043
Total capital stock and allocated retained earnings	**$ 1,381,945**	$ 1,347,633	$ 1,295,072

Patronage may be paid to the holders of Class A voting common stock, Class A nonvoting common stock and allocated retained earnings of the Bank, as the board of directors may determine by resolution, subject to the capitalization requirements defined by the FCA. During 2024, $147.8 million in cash patronage was declared to Associations, OFIs and other entities, compared to $121.1 million in 2023 and $215.6 million in 2022. Cash patronage in 2024 consisted of direct loan patronage of $88.5 million, patronage on certain participations of $53.4 million, and capitalized and noncapitalized participation pool patronage of $5.8 million. During 2024, the Bank paid allocated retained earnings of patronage on certain participations of $7.2 million.

B. Regulatory Capitalization Requirements and Restrictions:

The FCA sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk-adjusted ratios. The risk-adjusted ratios include common equity tier 1, tier 1 capital and total capital and permanent capital risk-based ratios. The non-risk-adjusted ratios include a tier 1 leverage ratio and an unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio that are applicable to both the banks and associations.

The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder's loan or otherwise at the option of the holder, or is otherwise not at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance sheet commitments adjusted by various percentages ranging from 0 to 1,250 percent, depending on the level of risk inherent in the various types of assets.

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

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

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

The following table reflects the Bank's capital ratios at December 31:

	2024	2023	2022	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	**13.07 %**	13.16 %	13.43 %	7.00 %
Common equity tier 1 ratio	**8.58**	8.50	8.66	7.00
Tier 1 capital ratio	**13.04**	13.12	13.42	8.50
Total capital ratio	**13.30**	13.41	13.50	10.50
Tier 1 leverage ratio	**5.64**	5.79	5.94	5.00
UREE leverage ratio	**2.18**	2.26	2.50	1.50

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

	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	$ 994,512	$ 994,512	$ 994,512	994,512
Adjustments for patronage or dividend accrued receivables or payables	(9,233)	(9,233)	(9,233)	(9,233)
Common Cooperative Equities:				
Purchased other required stock ≥ 7 years	457,904	457,904	457,904	457,904
Allocated stock ≥ 7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥ 7 years	101,904	101,904	101,904	101,904
Noncumulative perpetual preferred stock	—	750,000	750,000	750,000
Allowance for credit losses on loans and allowance for credit losses on unfunded commitments subject to certain limitations	—	—	43,688	—
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(135,769)	(135,769)	(135,769)	(135,769)
Other regulatory required deductions	(174)	(174)	(174)	(174)
Total	$ 1,445,186	$ 2,195,186	$ 2,238,874	$ 2,195,186
Denominator:				
Risk-adjusted assets excluding allowance	$ 16,838,969	$ 16,838,969	$ 16,838,969	$ 16,838,969
Regulatory Adjustments and Deductions:				
Allowance for credit losses on loans	—	—	—	(38,997)
Total	$ 16,838,969	$ 16,838,969	$ 16,838,969	$ 16,799,972

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

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	$ 994,512	$ 994,512
Adjustments for patronage or dividend accrued receivables or payables	(9,233)	(9,233)
Common Cooperative Equities:		
Purchased other required stock ≥ 7 years	457,904	—
Allocated stock ≥ 7 years	36,042	—
Allocated equities:		
Allocated equities held ≥ 7 years	101,904	—
Noncumulative perpetual preferred stock	750,000	—
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(135,769)	(135,769)
Other regulatory required deductions	(174)	(174)
Total	$ 2,195,186	$ 849,336
Denominator:		
Total Assets	$ 39,077,800	$ 39,077,800
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(147,457)	(147,457)
Total	$ 38,930,343	$ 38,930,343

The components of the Bank's risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2023:

	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Ratio
Numerator:				
Unallocated retained earnings	$ 970,464	$ 970,464	$ 970,464	$ 970,464
Adjustments for patronage or dividend accrued receivables or payables	(4,899)	(4,899)	(4,899)	(4,899)
Common Cooperative Equities:				
Purchased other required stock ≥ 7 years	434,244	434,244	434,244	434,244
Allocated stock ≥ 7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥ 7 years	74,952	74,952	74,952	74,952
Noncumulative perpetual preferred stock	—	750,000	750,000	750,000
Allowance for credit losses on loans and allowance for credit losses on unfunded commitments subject to certain limitations	—	—	46,530	—
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(132,178)	(132,178)	(132,178)	(132,178)
Other regulatory required deductions	(217)	(217)	(217)	(217)
Total	$ 1,378,408	$ 2,128,408	$ 2,174,938	$ 2,128,408
Denominator:				
Risk-adjusted assets excluding allowance	$ 16,217,012	$ 16,217,012	$ 16,217,012	$ 16,217,012
Regulatory Adjustments and Deductions:				
Allowance for credit losses on loans	—	—	—	(41,288)
Total	$ 16,217,012	$ 16,217,012	$ 16,217,012	$ 16,175,724

The components of the Bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2023:

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	$ 970,464	$ 970,464
Adjustments for patronage or dividend accrued receivables or payables	(4,899)	(4,899)
Common Cooperative Equities:		
Purchased other required stock ≥ 7 years	434,244	—
Allocated stock ≥ 7 years	36,042	—
Allocated equities:		
Allocated equities held ≥ 7 years	74,952	—
Noncumulative perpetual preferred stock	750,000	—
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(132,178)	(132,178)
Other regulatory required deductions	(217)	(217)
Total	$ 2,128,408	$ 833,170
Denominator:		
Total Assets	$ 36,932,792	$ 36,932,792
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(144,343)	(144,343)
Total	$ 36,788,449	$ 36,788,449

C. Accumulated Other Comprehensive Loss:

Following is a summary of the components of accumulated other comprehensive loss and the changes occurring during the year ended December 31, 2024:

	Total	Unrealized Loss on Investments	Postretirement Benefit Plans	Unrealized Gain (Loss) on Cash Flow Derivative Instruments
Balance, January 1, 2024	**$ (521,511)**	**$ (568,329)**	**$ 1,926**	**$ 44,892**
Change in net unrealized gains (losses) on available-for-sale (AFS) securities:				
Net change in unrealized losses on AFS securities	**36,076**	**36,076**		
Change in postretirement benefit plans:				
Actuarial losses	**(691)**		**(691)**	
Amounts amortized into net periodic expense:				
Amortization of prior service credits	**(216)**		**(216)**	
Net change in postretirement benefit plans	**(907)**		**(907)**	
Change in cash flow derivative instruments:				
Net unrealized gains on cash flow derivative instruments	**19,972**			**19,972**
Reclassification of gains recognized in interest expense	**223**			**223**
Net change in cash flow derivative instruments	**20,195**			**20,195**
Total other comprehensive income (loss)	**55,364**	**36,076**	**(907)**	**20,195**
Balance, December 31, 2024	**$ (466,147)**	**$ (532,253)**	**$ 1,019**	**$ 65,087**

Following is a summary of the components of accumulated other comprehensive loss and the changes occurring during the year ended December 31, 2023:

	Total	Unrealized Loss on Investments	Postretirement Benefit Plans	**Unrealized Gain Cash Flow Derivative Instruments**
Balance, January 1, 2023	$ (540,359)	$ (606,405)	$ 2,146	$ 63,900
Change in net unrealized gains (losses) on available-for-sale (AFS) securities:				
Net change in unrealized losses on AFS securities	38,076	38,076		
Change in postretirement benefit plans:				
Actuarial gains	7		7	
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(227)		(227)	
Net change in postretirement benefit plans	(220)		(220)	
Change in cash flow derivative instruments:				
Net unrealized losses on cash flow derivative instruments	(17,967)			(17,967)
Reclassification of gains recognized in interest expense	(1,041)			(1,041)
Net change in cash flow derivative instruments	(19,008)			(19,008)
Total other comprehensive (loss) income	18,848	38,076	(220)	(19,008)
Balance, December 31, 2023	$ (521,511)	$ (568,329)	$ 1,926	$ 44,892

Following is a summary of the components of accumulated other comprehensive loss and the changes occurring during the year ended December 31, 2022:

	Total	Unrealized Loss on Investments	Postretirement Benefit Plans	Unrealized Gain (Loss) on Cash Flow Derivative Instruments
Balance, January 1, 2022	$ (96,836)	$ (29,865)	$ (773)	$ (66,198)
Change in net unrealized gains (losses) on available-for-sale (AFS) securities:				
Net change in unrealized losses on AFS securities	(576,540)	(576,540)		
Change in postretirement benefit plans:				
Actuarial gains	2,998		2,998	
Amounts amortized into net periodic expense:				
Amortization of prior service credits	(79)		(79)	
Net change in postretirement benefit plans	2,919		2,919	
Change in cash flow derivative instruments:				
Net unrealized gains on cash flow derivatives instruments	206			206
Reclassification of losses recognized in interest expense	129,892			129,892
Net change in cash flow derivative instruments	130,098			130,098
Total other comprehensive (loss) income	(443,523)	(576,540)	2,919	130,098
Balance, December 31, 2022	$ (540,359)	$ (606,405)	$ 2,146	$ 63,900

The following table summarizes amounts reclassified out of accumulated other comprehensive (loss) income to current earnings:

Description	Amount Reclassified From Accumulated Other Comprehensive Loss			Location of Gain (Loss) Recognized in Statements of Comprehensive Income
	2024	2023	2022	
Amortization of net credits on postretirement benefit plan	**$ (216)**	$ 227	$ 79	Salaries and employee benefits
Reclassification of cash flow hedges	**—**	(1,242)	—	Other income, net
Amortization of cash flow hedges	**223**	201	(129,892)	Interest expense
	$ 7	$ (814)	$ (129,813)	

Note 12 — Employee Benefit Plans

Employees of the Bank participate in either the Farm Credit Bank of Texas Pension Plan (DB Plan) or in a nonelective defined contribution feature (DC Plan) within the Farm Credit Benefits Alliance 401(k) plan. In addition, all benefits-eligible employees are qualified to participate in the Farm Credit Benefits Alliance 401(k) plan.

The structure of the DB Plan is characterized as multiemployer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and Associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB Plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon Texas District combination only. The Bank records current contributions to the DB Plan as an expense in the current year.

The DB Plan is noncontributory, and benefits are based on salary and years of service. As of January 1, 1996, the Bank and Associations froze participation in the DB Plan and offered defined contribution retirement plans to all employees hired subsequent to the freeze.

Effective January 1, 2025, the FCBT Pension Plan was amended to change the interest rates that are used to calculate lump sum payments. Prior to the amendment, lump sums were calculated using the IRS published §417(e) segment rates for November of the year proceeding the distribution year. For lump sum payments made on or after January 1, 2025, the amendment adds 300 basis points to the rates published by the IRS for November of each year.

The legal name of the DB Plan is Farm Credit Bank of Texas (FCBT) Pension Plan. Its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund additional benefits that are expected to be earned by employees during the current year, the service cost plus 20 percent of the accumulated benefit obligation (ABO) shortfall based on a targeted funding status of ABO of 80 percent. The DB Plan sponsor is the board of directors of the Bank. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. Texas District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB Plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB Plan accumulated benefit obligation and DB Plan asset is calculated for the Texas District as a whole and is presented in the Texas District's unaudited 2024 Annual Report. The actuarial present value of vested and non-vested accumulated benefit obligation exceeded the net assets of the DB Plan as of December 31, 2024.

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

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the participating employer chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan for projected benefit obligation in excess of DB Plan assets, the Bank's contributions, and the percent of the Bank's contributions to total plan contributions for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
Projected benefit obligation	**$ 221,126**	$ 256,687	$ 260,042
Fair value of plan assets	**167,368**	188,081	184,418
Funded status of plan	**75.7 %**	73.3 %	70.9 %
Bank's contribution	**$ 650**	$ 866	$ 1,427
Percent of Bank's contribution to total contributions	**17.5 %**	13.3 %	13.7 %

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

Generally, DB Plan trustees use historical return information to establish a best-estimate range for each asset class in which the DB Plan is invested. DB Plan trustees select the most appropriate rate for the DB Plan from the best-estimate range, taking into consideration the duration of the benefit liabilities and DB Plan sponsor investment policies.

Participants in the non-elective pension feature of the DC Plan direct the placement of their employers' contributions (5 percent of eligible compensation during 2024) made on their behalf into various investment alternatives.

The Texas District also participates in the Farm Credit Benefits Alliance 401(k) plan (the 401(k) Plan), which offers a pre-tax and after-tax Roth compensation deferral feature. Employers match 100 percent of employee contributions for the first 3 percent of eligible compensation and then match 50 percent of employee contributions on the next 2 percent of eligible compensation, for a maximum employer contribution of 4 percent of eligible compensation.

Certain executive or highly compensated employees in the Bank are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows Texas District employers to elect to participate in any or all of the following benefits:

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

Contributions of $458 thousand, $485 thousand and $94 thousand were made to the Supplemental 401(k) Plan for the years ended December 31, 2024, 2023 and 2022. There were no distributions from the Supplemental 401(k) Plan in 2024, 2023 and 2022. The fair value of accumulated benefits and funded balance in the Supplemental 401(k) Plan totaled $2.2 million at December 31, 2024.

The following table presents the Bank's retirement benefit expenses for the years ended:

	2024	2023	2022
Texas District DB Plan	**$ 650**	$ 866	$ 1,427
DC Plan	**2,362**	2,092	2,071
401(k) Plan	**1,766**	1,539	1,530
Supplemental 401(k) Plan	**458**	485	94
Total	**$ 5,236**	$ 4,982	$ 5,122

The Bank provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities on the balance sheet. Bank employees hired on or after January 1, 2004, may be eligible for retiree medical benefits for themselves and their spouses at their expense and will be responsible for 100 percent of the related premiums.

The following tables reflect the benefit obligation, cost, funded status and actuarial assumptions for the Bank's other postretirement benefits, and additional information for accumulated benefits in excess of plan assets for the years ended December 31, 2024, 2023 and 2022:

	Other Postretirement Benefits		
	2024	2023	2022
Change in projected benefit obligation			
Projected benefit obligation, beginning of year	**$ 9,919**	$ 9,718	$ 12,513
Service cost	**112**	104	194
Interest cost	**534**	494	388
Plan participants' contributions	**77**	91	94
Actuarial loss (gain)	**691**	(8)	(2,998)
Benefits paid	**(477)**	(480)	(473)
Projected benefit obligation, end of year	**10,856**	9,919	9,718
Change in plan assets			
Plan assets at fair value, beginning of year	**—**	—	—
Actual return on plan assets	**—**	—	—
Company contributions	**400**	389	379
Plan participants' contributions	**77**	91	94
Benefits paid	**(477)**	(480)	(473)
Plan assets at fair value, end of year	**—**	—	—
Unfunded status at end of year	**$ (10,856)**	$ (9,919)	$ (9,718)

	Other Postretirement Benefits		
	2024	2023	2022
Amounts recognized on the balance sheet consist of:			
Other postretirement liabilities	**$ (10,856)**	$ (9,919)	$ (9,718)
Accumulated other comprehensive (gain) loss	**(1,019)**	(1,926)	(2,146)
Amounts recognized in accumulated other comprehensive loss:			
Net actuarial (gain) loss	**$ (1,018)**	$ (1,848)	$ (1,990)
Prior service credit	**(1)**	(78)	(156)
Total accumulated other comprehensive (gain) loss	**$ (1,019)**	$ (1,926)	$ (2,146)
Net periodic benefit cost			
Service cost	**$ 112**	$ 104	$ 194
Interest cost	**534**	494	388
Amortization of:			
Prior service credit	**(77)**	(77)	(79)
Net actuarial gain	**(139)**	(150)	—
Total periodic benefit cost	**$ 430**	$ 371	$ 503
Other changes to plan assets and projected benefit obligations recognized in other comprehensive (income) loss:			
Net actuarial loss (gain)	**$ 691**	$ (7)	$ (2,998)
Amortization of:			
Prior service credit	**77**	77	79
Net actuarial gain	**139**	150	—
Net change	**$ 907**	$ 220	$ (2,919)
Additional details regarding plans with accumulated (post-retirement) benefit obligations in excess of plan assets:			
Accumulated (post-retirement) benefit obligation	**$ 10,856**	$ 9,919	$ 9,718
Fair value of plan assets	**—**	—	—

	Other Postretirement Benefits		
	2024	2023	2022
Weighted-average assumptions used to determine benefit obligation at year end			
Measurement date	**12/31/2024**	12/31/2023	12/31/202
Discount rate	**5.35 %**	5.50 %	5.20 %
Health care cost trend rate assumed for next year (pre/post-65)	**9.20%/10.80%**	7.50%/8.40%	7.20%/7.70%
Ultimate health care cost trend rate	**4.50 %**	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	**2034**	2033	2030
Weighted-average assumptions used to determine net periodic cost for the year			
Measurement date	**12/31/2023**	12/31/2022	12/31/2021
Discount rate	**5.50 %**	5.20 %	3.15 %
Health care cost trend rate assumed for next year (pre/post-65)	**7.50%/8.40%**	7.20%/7.70%	6.80%/6.00%
Ultimate health care cost trend rate	**4.50 %**	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	**2033**	2030	2030

Expected Future Cash Flow Information

Expected Benefit Payments	
Fiscal 2025	**$ 434**
Fiscal 2026	**494**
Fiscal 2027	**544**
Fiscal 2028	**605**
Fiscal 2029	**650**
Fiscal 2030 - 2034	**3,612**
Expected Contributions	
Fiscal 2025	**$ 434**

The Bank's plan for other postretirement benefits does not have plan assets.

Note 13 — Related Party Transactions

As discussed in Note 1, "Organization and Operations," the Bank lends funds to the Texas District Associations to fund their loan portfolios. Interest income recognized on direct notes receivable from Texas District Associations was $791.8 million, $615.7 million and $455.2 million for 2024, 2023 and 2022, respectively. Further disclosure regarding these related party transactions is found in Note 4, "Loans and Allowance for Credit Losses on Loans," and Note 11, "Shareholders' Equity."

In addition to providing loan funds to Texas District Associations, the Bank also provides banking and support services to them, such as accounting, information systems and other services. Income derived by the Bank from these activities was $6.3 million, $6.3 million and $4.5 million for 2024, 2023 and 2022, respectively, and was included in the Bank's noninterest income.

The Bank had no transactions with nor loans to directors or senior officers, their immediate family members, or any organizations with which such senior officers or directors are affiliated, during 2024, 2023 and 2022.

Note 14 — Commitments and Contingencies

The Bank has various outstanding commitments and contingent liabilities as discussed elsewhere in these notes.

The Bank is primarily liable for its portion of Systemwide debt obligations. Additionally, the Bank is jointly and severally liable for the consolidated Systemwide bonds and notes of other System banks. The total Bank and consolidated Systemwide debt obligations of the System at December 31, 2024, were approximately $447.86 billion.

In the normal course of business, the Bank incurs a certain amount of claims, litigation, and other legal and administrative proceedings, all of which are considered incidental to the normal conduct of business. The Bank believes it has meritorious defenses to the claims currently asserted against it, and, with respect to such legal proceedings, intends to defend itself vigorously, litigating or settling cases according to management's judgment as to what is in the best interest of the Bank and its shareholders.

On at least a quarterly basis, the Bank assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that the Bank would incur a loss and the amount of the loss could be reasonably estimated, the Bank would record a liability in its financial statements. These liabilities would be increased or decreased to reflect any relevant developments on a quarterly basis. For other matters, where a loss is not probable or the amount of the loss is not estimable, the Bank does not record a liability.

Currently, other actions are pending against the Bank. Upon the basis of current information, management and legal counsel are of the opinion that any resulting losses are not probable, and that the ultimate liability, if any, resulting from a lawsuit and other pending actions will not be material in relation to the financial position, results of operations or cash flows of the Bank.

Note 15 — Financial Instruments With Off-Balance Sheet Risk

The Bank may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage its 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 financial statements. Commitments to extend credit are agreements to lend to a borrower or participate in a future lending arrangement in accordance with established contracts as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2024, the Bank had $10.75 billion of commitments to extend credit, of which $6.17 billion was related to the direct notes to Associations and $4.58 billion was related to the participations purchased portfolio. The Bank had $3.4 million of equity investment commitments for RBICs at December 31, 2024. At December 31, 2024, the Bank had $230.9 million of letters of credit outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon.

The Bank provides letters of credit, which are irrevocable agreements to guarantee payments of specified financial obligations. As a guarantor, the Bank recognizes a liability for the fair value of the obligation undertaken in issuing the guarantee. The Bank's liability for the fair value of these obligations is determined by applying a risk-adjusted spread percentage to these obligations. As of December 31, 2024, the maximum potential amount of future payments that the Bank may be required to make under the Bank's outstanding letters of credit was $230.9 million, with a fair value of $3.6 million, which is included in other liabilities on the balance sheet. These outstanding letters of credit have expiration dates ranging from 2025 to 2044.

The credit risk involved in issuing commitments and letters of credit is essentially the same as that involved in extending loans to customers, and the same credit policies are applied by management. In the event of funding, the credit risk amounts are equal to the contract amounts, assuming that counterparties 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 counterparty.

Note 16 — Fair Value Measurements

Authoritative accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information and "Valuation Techniques" at the end of this note.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds and other overnight funds	$ 455,323	$ —	$ 455,323	$ —
Available-for-sale investments				
Certificates of deposit	250,084	—	250,084	—
Corporate debt	59,528	—	59,528	—
U.S. Treasury securities	824,223	—	824,223	—
Agency-guaranteed debt	9,608	—	9,608	—
Mortgage-backed securities	5,383,451	—	5,383,451	—
Asset-backed securities	109,037	—	109,037	—
Agricultural mortgaged-backed securities	6,553	—	—	6,553
Loans held for sale	7,981	—	—	7,981
Derivative assets	(1,566)	—	(1,566)	—
Assets held in nonqualified benefit trusts	2,237	2,237	—	—
Total assets	$ 7,106,459	$ 2,237	$ 7,089,688	$ 14,534
Liabilities:				
Derivative liabilities	$ (32,810)	$ —	$ (32,810)	$ —
Letters of credit	3,563	—	—	3,563
Total liabilities	$ (29,247)	$ —	$ (32,810)	$ 3,563

At December 31, 2024, the Bank had a derivative asset position of $65.5 million and received $67.0 million in cash collateral against this position which resulted in a net contra-liability of $1.6 million. At December 31, 2024, the Bank had no derivative liability position and posted $32.8 million of initial margin in cash collateral which resulted in a net contra-liability of $32.8 million.

The table below represents a reconciliation of all Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2024:

	Assets				Liabilities	
	Certificates of Deposit	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit	Total
Balance at January 1, 2024	$ 100,007	$ —	$ 8,499	$ —	$ 1,830	$ 106,676
Net losses included in earnings	—	—	—	(335)	—	(335)
Net gains (losses) included in other comprehensive income	34	9	252	—	—	295
Purchases, issuances and settlements, sales	50,000	161,085	(2,198)	(9,081)	1,733	198,073
Transfers into Level 3	—	—	—	17,397	—	17,397
Transfers out of Level 3	(150,041)	(161,094)	—	—	—	(311,135)
Balance at December 31, 2024	$ —	$ —	$ 6,553	$ 7,981	$ 3,563	$ 10,971
The amount of gains/losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held at December 31, 2024	$ —	$ —	$ —	$ (335)	$ —	$ (335)
The amount of gains/losses for the period included in other comprehensive income attributing to the change in unrealized gains or losses relating to assets or liabilities still held at December 31, 2024	$ 34	$ 9	$ 252	$ —	$ —	$ 295

There were transfers of assets or liabilities into or out of Level 3 from other levels during the year ended December 31, 2024. Certificates of deposit, MBS and loans held for sale were included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes). Agricultural mortgage-backed securities (AMBS) were included in Level 3 due to limited activity or less transparency around inputs to their valuation. The liability for letters of credit was included in Level 3 because the valuation, based on fees charged for similar agreements, may not closely correlate to a fair value for instruments not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2024, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	**$ 30,029**	**$ —**	**$ —**	**$ 30,029**
Other property owned	**4,854**	**—**	**—**	**4,854**
Total assets	**$ 34,883**	**$ —**	**$ —**	**$ 34,883**

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds and other overnight funds	$ 312,399	$ —	$ 312,399	$ —
Available-for-sale investments:				
Certificates of deposit	250,245	—	150,238	100,007
Corporate debt	195,032	—	195,032	—
U.S. Treasury securities	887,919	—	887,919	—
Agency-guaranteed debt	28,171	—	28,171	—
Mortgage-backed securities	5,046,453	—	5,046,453	—
Asset-backed securities	194,110	—	194,110	—
Agricultural mortgaged-backed securities	8,499	—	—	8,499
Derivative assets	2,329	—	2,329	—
Assets held in nonqualified benefit trusts	1,652	1,652	—	—
Total assets	$ 6,926,809	$ 1,652	$ 6,816,651	$ 108,506
Liabilities:				
Derivative liabilities	$ (41,010)	$ —	$ (41,010)	$ —
Letters of credit	1,830	—	—	1,830
Total liabilities	$ (39,180)	$ —	$ (41,010)	$ 1,830

At December 31, 2023, the Bank had a derivative asset position of $45.5 million and received $43.2 million in cash collateral against this position, which resulted in a net derivative asset of $2.3 million. At December 31, 2023, the Bank had no derivative liability position and posted $41.0 million of initial margin in cash collateral which resulted in a net contra-liability of $41.0 million.

The table below represents a reconciliation of all Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2023:

	Assets				Liabilities	
	Certificates of Deposit	Asset-Backed Securities	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Letters of Credit	Total
Balance at January 1, 2023	$ —	$ —	$ —	$ 10,270	$ 2,223	$ 8,047
Net losses included in other comprehensive losses	7	(38)	424	383	—	776
Purchases, issuances and settlements	100,000	15,300	178,595	(2,154)	(393)	292,134
Transfers out of Level 3	—	(15,262)	(179,019)	—	—	(194,281)
Balance at December 31, 2023	$ 100,007	$ —	$ —	$ 8,499	$ 1,830	$ 106,676
The amount of gains/losses for the period included in other comprehensive income attributing to the change in unrealized gains or losses relating to assets or liabilities still held at December 31, 2023	$ 7	$ (38)	$ 424	$ 383	$ —	$ 776

There were transfers of assets or liabilities into or out of Level 3 from other levels during the year ended December 31, 2023. Certificates of deposit were included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes). AMBS were included in Level 3 due to limited activity or less transparency around inputs to their valuation. The liability for letters of credit was included in Level 3 because their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2023, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	$ 25,269	$ —	$ —	$ 25,269
Total assets	$ 25,269	$ —	$ —	$ 25,269

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Federal funds and other overnight funds	$ 301,678	$ —	$ 301,678	$ —
Available-for-sale investments:				
Certificates of deposit	199,009	—	199,009	—
Corporate debt	234,778	—	234,778	—
U.S. Treasury securities	818,844	—	818,844	—
Agency-guaranteed debt	53,301	—	53,301	—
Mortgage-backed securities	5,152,229	—	5,152,229	—
Asset-backed securities	186,521	—	186,521	—
Agricultural mortgaged-backed securities	10,270	—	—	10,270
Derivative assets	2,212	—	2,212	—
Assets held in nonqualified benefit trusts	1,183	1,183	—	—
Total assets	$ 6,960,025	$ 1,183	$ 6,948,572	$ 10,270
Liabilities:				
Derivative liabilities	$ (42,749)	$ —	$ (42,749)	$ —
Letters of credit	2,223	—	—	2,223
Total liabilities	$ (40,526)	$ —	$ (42,749)	$ 2,223

At December 31, 2022, there was no posted variation margin on derivatives. At December 31, 2022, the Bank had a derivative asset position of $64.7 million and received $62.5 million in cash collateral against this position, which resulted in a net derivative asset of $2.2 million. At December 31, 2022, the Bank posted $42.7 million of initial margin in cash collateral with no related liability exposure.

The table below represents a reconciliation of all Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2022:

	Assets		Liabilities	
	Mortgage-Backed Securities	Agricultural Mortgage-Backed Securities	Letters of Credit	Total
Balance at January 1, 2022	$ 58,959	$ 14,209	$ 3,306	$ 69,862
Net losses included in other comprehensive losses	(1,910)	(918)	—	(2,828)
Purchases, issuances and settlements	133,821	(3,021)	(1,083)	131,883
Transfers out of Level 3	(190,870)	—	—	(190,870)
Balance at December 31, 2022	$ —	$ 10,270	$ 2,223	$ 8,047
The amount of gains/losses for the period included in other comprehensive income attributing to the change in unrealized gains or losses relating to assets or liabilities still held at December 31, 2022	$ (1,910)	$ (918)	$ —	$ (2,828)

There were transfers of assets or liabilities into or out of Level 3 from other levels during the year ended December 31, 2022. Transfers of MBS from Level 3 to Level 2 were the result of marketing pricing becoming subsequently available. AMBS were included in Level 3 due to limited activity or less transparency around inputs to their valuation. MBS were included in Level 3 since their valuation was based on Level 3 criteria (broker quotes). The liability for letters of credit was included in Level 3 because their valuation, based on fees currently charged for similar agreements, may not closely correlate to a fair value for instruments that are not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2022, for each of the fair value hierarchy values are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	$ 24,981	$ —	$ —	$ 24,981
Total assets	$ 24,981	$ —	$ —	$ 24,981

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

	December 31, 2024				
	Total Carrying Amount	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets:					
Cash	**$ 39,640**	**$ 39,640**	**$ —**	**$ —**	**$ 39,640**
Net loans	**31,786,349**	**—**	**—**	**30,302,430**	**30,302,430**
Total assets	**$ 31,825,989**	**$ 39,640**	**$ —**	**$ 30,302,430**	**$ 30,342,070**
Liabilities:					
Systemwide debt securities	**$ 37,158,770**	**$ —**	**$ —**	**$ 36,015,036**	**$ 36,015,036**
Total liabilities	**$ 37,158,770**	**$ —**	**$ —**	**$ 36,015,036**	**$ 36,015,036**

	December 31, 2023				
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Cash	$ 78,170	$ 78,170	$ —	$ —	$ 78,170
Net loans	29,687,603	—	—	28,077,479	28,077,479
Total assets	$ 29,765,773	$ 78,170	$ —	$ 28,077,479	$ 28,155,649
Liabilities:					
Systemwide debt securities	$ 35,133,324	$ —	$ —	$ 33,848,708	$ 33,848,708
Total liabilities	$ 35,133,324	$ —	$ —	$ 33,848,708	$ 33,848,708

	December 31, 2022				
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Cash	$ 141,487	$ 141,487	$ —	$ —	$ 141,487
Net loans	28,248,516	—	—	26,378,160	26,378,160
Total assets	$ 28,390,003	$ 141,487	$ —	$ 26,378,160	$ 26,519,647
Liabilities:					
Systemwide debt securities	$ 33,971,742	$ —	$ —	$ 31,873,887	$ 31,873,887
Total liabilities	$ 33,971,742	$ —	$ —	$ 31,873,887	$ 31,873,887

VALUATION TECHNIQUES

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

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include U.S. Treasury, U.S. agency and certain mortgage-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Level 3 assets at December 31, 2024, included the Bank's certificates of deposits and the MBS and AMBS portfolios.

To estimate the fair value of the majority of the investments held, including certain non-agency securities, the Bank obtains prices from third-party pricing services.

Assets Held in Nonqualified Benefits Trusts

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

Derivatives

Derivative positions are valued using internally developed models that use as their basis quoted prices and would be classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include interest rate caps and interest rate swaps.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including SOFR and Overnight Index Swap curves and volatility assumptions about future interest rate movements.

Cash Collateral Posted with/by Counterparties

Derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to post collateral in the event certain dollar thresholds of credit exposure are reached or in the case of cleared derivatives, the posting of initial and variation margin. The market value of collateral posted or received is the face value plus accrued interest that approximates fair value.

Letters of Credit

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

Loans and Loans Held for Sale

Fair value for loans is estimated by discounting the expected future cash flows using the Bank's and/or the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Bank's and/or the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Fair value for loans held for sale is estimated on an individual loan basis based on broker pricing that takes into consideration the underlying characteristics of the loan.

Loans Individually Evaluated for Impairment

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

Bonds and Notes

Systemwide debt securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between System debt instruments and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the AMBS are prepayment rates, probability of default and loss given default in the event of default inclusive of some uncertainty at the reporting date. For MBS, certificates of deposit and loans held for sale, the significant unobservable inputs used in the fair value measurement are broker quotes.

Quoted market prices may not be available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss given default and a directionally opposite change in the assumption used for prepayment rates. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value at December 31,		
	2024	2023	2022
Certificates of deposit	**$ —**	$ 100,007	$ —
Agricultural mortgage-backed securities	**6,553**	8,499	10,270
Loans held for sale	**7,981**	—	—

	Valuation Technique(s)	Unobservable Input	Range of Inputs / Weighted Average at December 31,		
			2024	2023	2022
Certificates of deposit	Broker quotes	—	—	—	—
Agricultural mortgage-backed securities	Discounted cash flow	Prepayment rates	**3.49%-31.17%/ 8.07%**	3.0%-32.13%/ 8.10%	3.0%-32.13%/ 9.56%
Loans held for sale	Broker quotes	—	—	—	—

In regard to nonperforming loans and OPO, it is not practicable to provide specific information on inputs as each collateral property is unique. The Bank utilizes appraisals to value these loans and OPO and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information About Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	Input
Federal funds sold	Carrying value	Par/principal
Available-for-sale investment securities	Quoted prices Discounted cash flow	Price for similar security Constant prepayment rate Appropriate interest rate yield curve
Interest rate caps	Discounted cash flow	Appropriate interest rate yield curve Annualized volatility
Interest rate swaps	Discounted cash flow	Benchmark yield curve Counterparty credit risk Volatility

Information About Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Actual balance
Loans	Discounted cash flow	Prepayment forecasts Appropriate interest rate yield curve Probability of default Loss given default
Systemwide debt securities	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Note 17 — Derivative Instruments and Hedging Activity

The Bank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet liabilities so that movements in interest rates do not adversely affect the net interest margin. The Bank considers the strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The Bank may enter into derivative transactions to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Interest rate swaps allow the Bank to raise borrowings in the government-sponsored entities market and modify the repricing characteristics of that debt to better match those of the earning assets. Under interest rate swap arrangements, the Bank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating-rate index. The Bank may purchase interest rate options, such as caps and floors, in order to reduce the impact of rising interest rates on its floating-rate debt.

At December 31, 2024, the Bank held interest rate caps with a notional amount of $95.0 million and a net fair value asset of $101 thousand, and pay-fixed interest rate swaps with a notional amount of $1.40 billion and net fair value asset of $65.4 million. At December 31, 2024, there was $1.7 million of excess variation margin on the pay-fixed interest rate swaps. The primary types of derivative instruments used and the amount of activity (notional amount of derivatives) during the year ended December 31, 2024, is summarized in the following table:

	Pay-Fixed Swaps	Interest Rate Caps	Total
Balance at January 1, 2024	$1,400,000	$ 115,000	$1,515,000
Additions	—	—	—
Maturities/Terminations	—	(20,000)	(20,000)
Balance at December 31, 2024	$1,400,000	$ 95,000	$1,495,000

By using derivative instruments, the Bank exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain of the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Bank, thus creating a repayment risk for the Bank. When the fair value of the derivative contract is negative, the Bank owes the counterparty and, therefore, assumes no repayment risk.

To minimize the risk of credit losses from derivatives, all interest rate swap derivative contracts have been moved to clearing and are cleared through a FCM. Cleared derivative contracts are required to be 100 percent collateralized and the DCO takes on the obligation of both sides of the transaction. Interest rate cap derivatives are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to the other are reached; thresholds may vary depending on the counterparty's credit rating from a major rating agency. The Bank also monitors the credit standing of, and levels of exposure to, individual counterparties. Interest rate caps are under master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. At December 31, 2024, the Bank had posted $32.8 million of cash as collateral as initial margin as compared to $41.0 million and $42.7 million at December 31, 2023 and December 31, 2022, respectively. At December 31, 2024, the Bank had a derivative asset value of $65.5 million and received $67.0 million in cash collateral against that position from a counterparty. At December 31, 2023, the Bank had a derivative asset value of $45.5 million and received $43.2 million in cash collateral against that position. At December 31, 2022, the Bank had a derivative asset value of $64.7 million and received $62.5 million in cash collateral against that position.

The credit exposure represents the exposure to credit loss on derivative instruments, which is estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts in a gain position.

Derivative — Counterparty Exposure

The table below presents the credit ratings of counterparties to whom the Bank had credit exposure at December 31, 2024:

	Remaining Years to Maturity					
	Less than One to Five Years	More than Five Years	Total Gains (Losses)*	Exposure	Collateral (Posted) Received **	Exposure Net of Collateral
Moody's Credit Rating						
Aa1	$ 101	$ —	$ 101	$ 101	$ —	$ 101
Aa3	37,780	30,781	68,561	68,561	34,210	34,351
Total	$ 37,881	$ 30,781	$ 68,662	$ 68,662	$ 34,210	$ 34,452

*Represents gain or loss positions on derivative instruments with individual counterparties. Net gains or losses represent the exposure to credit losses estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts within a maturity category. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty.

**Represents the netting of cash collateral posted of and received by counterparties under enforceable agreements. At December 31, 2024, the Bank had posted $32.8 million of initial margin in cash as collateral and received variation margin in cash collateral of $67.0 million.

The Bank's derivative activities are monitored by its Asset-Liability Management Committee (ALCO) as part of the ALCO's Bank asset/liability and treasury functions. The ALCO is responsible for approving hedging strategies that are developed through its analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the Bank's overall interest rate risk management strategies.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item (principally, debt securities) attributable to the hedge risk are recognized in current earnings. The Bank includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related receive-fixed interest rate swaps. Recorded in the Bank's balance sheet are cumulative basis adjustments for fair value hedges for Systemwide debt securities (bonds and notes). At December 31, 2024, December 31, 2023 and December 31, 2022, the Bank did not have any fair value hedged items.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Fair Values of Cash Flow Derivative Instruments

All cash flow swaps hedges clear through a FCM, with a clearinghouse or central counterparty (CCP). At December 31, 2024, the notional amount of cleared cash flow hedges was $1.40 billion with associated initial margin of $32.8 million. At December 31, 2024, the Bank received cash collateral from the counterparty of $67.0 million. At December 31, 2023, and December 31, 2022, the notional amount of cleared cash flow hedges was $1.40 billion and $1.43 billion, respectively, with associated posted initial margin of $41.0 million and $42.7 million, respectively.

The Bank's derivative instruments at December 31, 2024, 2023 and 2022, which are designated and qualify as cash flow hedges, met the standards for accounting treatment. Thus, the effective portion of the gain or loss on the derivative was reported as a component of other comprehensive income. In the next 12 months, we expect to reclassify to earnings losses of $163 thousand recorded in accumulated other comprehensive loss (AOCL) as of December 31, 2024. These amounts will offset the cash flows associated with the hedged forecasted transactions. For cash flow hedges with any ineffectiveness, the ineffectiveness is recognized as interest expense into current period earnings. For the years ended December 31, 2024 and December 31, 2023, ineffectiveness for cash flow hedges totaled $3 thousand and $3 thousand, respectively. There was no ineffectiveness for cash flow hedges recorded during the year ended December 31, 2022

The following table represents the fair values of cash flow derivative instruments, inclusive of posted or received variation margin for cleared pay-fixed swap activity as of December 31, 2024, 2023 and 2022:

	Balance Sheet Location	Fair Value 2024	Fair Value 2023	Fair Value 2022	Balance Sheet Location	Fair Value 2024	Fair Value 2023	Fair Value 2022
Interest rate caps	Other assets	$ 101	$ 217	$ 878	Other liabilities	$ —	$ —	$ —
Pay-fixed swaps	Other assets	(1,667)	2,112	1,334	Other liabilities	—	—	—
		$ (1,566)	$ 2,329	$ 2,212		$ —	$ —	$ —

The following table sets forth the effect of derivative (loss) gain recognized in AOCL for the years ended December 31, 2024, 2023 and 2022:

	Gain (Loss) Recognized in AOCI on Derivatives at December 31,		
	2024	2023	2022
Interest rate caps	**$ (115)**	$ (661)	$ 540
Pay-fixed swaps	**20,087**	(17,306)	129,352
	$ 19,972	$ (17,967)	$ 129,892

	Gain (Loss) Reclassified from AOCI into Income during		
	2024	2023	2022
Interest expense	**$ (223)**	$ (201)	$ (206)
Other income, net	**—**	1,242	—
	$ (223)	$ 1,041	$ (206)

The table below provides information about derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. The debt information below presents the principal cash flows and related weighted average interest rates by expected maturity dates. The derivative information below represents the notional amounts and weighted average interest rates by expected maturity dates.

December 31, 2024 *(dollars in thousands)*	Maturities of 2024 Derivative Products and Other Financial Instruments 2025	2026	2027	2028	2029	Subsequent Years	Total	Fair Value
Total Systemwide debt obligations:								
Fixed rate	$ 5,670,553	$ 4,116,978	$ 3,489,949	$ 2,118,380	$ 2,330,076	$ 6,965,030	$ 24,690,966	$ 23,542,397
Weighted average interest rate	3.10%	2.86%	2.78%	2.91%	3.44%	3.36%	3.10%	
Variable rate	$ 6,349,691	$ 6,118,113	$ —	$ —	$ —	$ —	$ 12,467,804	$ 12,472,639
Weighted average interest rate	4.49%	4.50%	—%	—%	—%	—%	4.49%	
Total Systemwide debt obligations:	$12,020,244	$10,235,091	$ 3,489,949	$2,118,380	$ 2,330,076	$ 6,965,030	$37,158,770	$ 36,015,036
Weighted average interest rate	3.84%	3.84%	2.78%	2.91%	3.44%	3.36%	3.57%	
Derivative instruments:								
Interest rate caps								
Notional value	$ 20,000	$ —	$ 75,000	$ —	$ —	$ —	$ 95,000	$ 101
Weighted average receive rate	—%	—%	—%	—%	—%	—%	—%	
Weighted average pay rate	—%	—%	—%	—%	—%	—%	—%	
Pay-fixed swaps								
Notional value	$ —	$ 25,000	$ 125,000	$ 700,000	$ 150,000	$ 400,000	$ 1,400,000	$ (1,667)
Weighted average receive rate	—%	4.86%	4.79%	4.66%	4.60%	4.79%	4.71%	
Weighted average pay rate	—%	3.24%	2.86%	3.02%	2.71%	2.82%	2.92%	

Note 18 — Segment Reporting

The Bank's operations fall under one reportable segment. As per regulation and as discussed in Note 1, "Organization and Operations," our business activities are primarily focused on providing financial services and credit to borrowers in the farming, ranching, agribusiness and rural community sectors. The Bank provides funding either by directly financing the eligible borrowers through affiliated Associations or indirectly financing through the purchase of participation loans in collaboration with Associations, other Farm Credit entities and financial institutions. The Bank also provides other services to its affiliated Associations in credit, accounting, technology, compliance, risk management, human resources and other areas. For the years ended December 31, 2024, 2023 and 2022, the Bank's major customer includes an Association with revenues in excess of 10 percent of the Bank's total revenues. Total revenues are comprised of interest income and non-interest income.

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

Note 19 — Selected Quarterly Financial Information (unaudited)

Quarterly results of operations are shown below for the years ended December 31:

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 85,604**	**$ 87,571**	**$ 92,857**	**$ 98,220**	**$ 364,252**
Provision for credit losses	**3,997**	**3,116**	**4,907**	**11,597**	**23,617**
Noninterest expense (income), net	**32,664**	**34,684**	**35,256**	**16,083**	**118,687**
Net income	**$ 48,943**	**$ 49,771**	**$ 52,694**	**$ 70,540**	**$ 221,948**

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 86,448	$ 85,351	$ 89,549	$ 88,669	$ 350,017
Provision for credit losses	22,377	9,749	629	5,099	37,854
Noninterest expense (income), net	29,692	31,602	33,185	17,776	112,255
Net income	$ 34,379	$ 44,000	$ 55,735	$ 65,794	$ 199,908

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 97,036	$ 96,299	$ 97,672	$ 95,155	$ 386,162
Provision for credit losses (loan loss reversal)	(865)	905	1,270	3,270	4,580
Noninterest expense (income), net	30,317	32,159	30,074	19,146	111,696
Net income	$ 67,584	$ 63,235	$ 66,328	$ 72,739	$ 269,886

Note 20 — Combined Districtwide Financial Statements

The accompanying financial statements exclude financial information of the Bank's affiliated Associations. The Bank and its Associations are collectively referred to as the "Texas District." The Bank separately publishes certain unaudited combined financial information of the Texas District, including combined balance sheets and statements of income, which can be found on the Bank's website at *www.farmcreditbank.com.*

Note 21 — Subsequent Events

The Bank has evaluated subsequent events through February 28, 2025, which is the date the financial statements were issued. There are no significant subsequent events requiring disclosure as of February 28, 2025.

Disclosure Information and Index (unaudited)

DISCLOSURES REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

DESCRIPTION OF BUSINESS

A description of territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations required to be disclosed in this section are incorporated herein by reference to Note 1, "Organization and Operations," to the accompanying financial statements.

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

Board of Directors and Bank Senior Officers

The Bank is governed by a seven-member board of directors. Five directors are farmers or ranchers, who are elected by the customers of the 12 Associations that own the Bank. Two directors, who are not stockholders of any of the Associations, are appointed by the elected board members. The board of directors is responsible for directing the operations of the Bank. The Bank's senior officers report to the Bank's Chief Executive Officer (CEO) and are collectively accountable to the board of directors and work with the board of directors to set the Bank's direction, goals and strategies.

In November 2024, the Class A common stockholders approved amendments to the Bank's bylaws. The amendments included updating and simplifying regulatory citations and obsolete language and increasing the number of directors on the board by one, resulting in an eight-member board of directors, six elected by the 12 Associations and two appointed by the elected board members. The additional board member will be elected in 2025 to fill the latter two years of a three-year term that began on January 1, 2025 and expires at the end of 2027.

The following represents certain information regarding the board of directors and senior officers of the Bank as of December 31, 2024, including business experience during the past five years:

DIRECTORS

James F. "Jimmy" Dodson, 71, chair of the board of directors, is from Robstown, Texas. He grows cotton, corn and milo on three family farm operations. Mr. Dodson serves on the Bank's audit and compensation committees and is a member of the Tenth District Farm Credit Council. He is one of the board's designated financial experts on the Bank's audit committee. He is president of Dodson Farms Inc. and Dodson Ag Inc., and is a partner in Dodson Family Farms. He is manager of Weber Station LLC, which is the managing partner of Weber Greene Ltd., both of which are family farm real estate management firms. He is a member of the Federal Farm Credit Banks Funding Corporation board of directors. He is also a past chair of the national Farm Credit Council (FCC) board of directors and a former director of FCC Services. He also serves on the boards of Gulf Coast Cooperative, an agricultural retail cooperative, and the Texas Agricultural Cooperative Council, an industry trade association. He is past chair of the National Cotton Council of America, the American Cotton Producers and the Cotton foundation, and formerly served as a director of Cotton Incorporated. He is past chair of the Texas AgFinance, FCS board of directors and a former member of the Texas District's Stockholders Advisory Committee. Mr. Dodson became a director of the Bank in 2003, and his term expires at the end of 2026.

Linda C. Floerke, 63, vice chair of the board of directors, is from near Lampasas, Texas. She serves on the Bank's audit and compensation committees and is also chair of the Tenth District Farm Credit Council. Ms. Floerke is co-owner and general partner of Buena Vista Ranch FLP, which is a hay and cattle operation. She is past co-owner and manager of Agro-Tech Services Inc., an agricultural services and consultation business. She co-owns and manages rental property in Uvalde and Real counties and is a co-owner of Casa Floerke LLC, a rental property business. Ms. Floerke is also past lay leader and served on various committees for the Lampasas Methodist Church and serves on the Texas A&M AgriLife Extension Leadership Advisory Board for Lampasas County, which provides oversight of agricultural extension services. She is a member of the Texas Agricultural Cooperative Council board of directors and a member of the Lampasas County Farm Bureau, industry trade associations. She previously served as a trustee of the Lampasas Independent School District. Ms. Floerke was a director of Lone Star Ag Credit, formerly Texas Land Bank, from 2012 through the end of 2016. She became a director in 2017, and her term expires at the end of 2025.

Dennis Anthony, 71, is from Friona, Texas. He owns and operates Anthony Farm & Cattle, which produces stocker cattle, milo, wheat and corn in Parmer and Deaf Smith counties. Mr. Anthony serves on the Bank's audit and compensation committees and is a member of the Tenth District Farm Credit Council. He also serves on the boards of the Parmer County Hospital District and Parmer Medical Center. Prior to his election to the Bank's board, he was board chair of AgTexas Farm Credit Services and former chair of the Texas District's Stockholders Advisory Committee. He became a director in 2023, and his term expires at the end of 2025.

Dr. Larry L. Boleman, 79, is from College Station, Texas. He is owner and manager of Boleman Cattle Company, consisting of raising registered and composite breeding cow-calf herds and the daily management of pasture and hay fields in Brazos and Burnet counties. Dr. Boleman is vice chair of the Bank's audit committee and a member of the Bank's compensation committee. He also is a member of the Tenth District Farm Credit Council. Dr. Boleman is a retired Texas A&M University associate executive vice president, associate vice chancellor, animal science professor and Extension beef cattle specialist. He serves on the Texas 4-H Youth Development Foundation board of trustees, is past president of the Texas Purebred Cattle Alliance, and is a former member of the Independent Cattlemen's Association and Texas Beef Council boards. Dr. Boleman previously served on the Capital Farm Credit board of directors and as governance committee chair. He became a director in 2021, and his term expires at the end of 2026.

John L. “Jack” Dailey, 69, is from Extension, Louisiana. He is an owner and operator of Boeuf Prairie Farm, which produces cotton, corn, soybeans and beef cattle, and is a partner and serves as president of Franklin Farmers Alliance LLC, a farmer-owned agricultural retail store. Mr. Dailey is chair of the Bank’s compensation committee and serves on the Bank's audit committee. He also is a member of the Tenth District Farm Credit Council. Effective January 1, 2024, Mr. Dailey became a board member of the national Farm Credit Council. He chairs the Louisiana Boll Weevil Eradication Commission and the Princess Theatre Foundation Board, and is treasurer of the Franklin Parish Farm Bureau, an agricultural trade organization. He also serves on the executive committee of the Louisiana Cotton and Grain Association, a trade organization, and the water management task force of the Louisiana Department of Natural Resources. Prior to joining the Bank board, he was vice chair of the Louisiana Land Bank board of directors. Mr. Dailey became a director in 2019, and his term expires at the end of 2027.

M. Philip Guthrie, 79, is one of two appointed members on the board. He is chair of the Bank’s audit committee and serves on the Bank’s compensation committee. He is also a member of the Tenth District Farm Credit Council. He is one of the board’s designated financial experts on the Bank’s audit committee. Mr. Guthrie is the chief executive officer of Denham Partners LLC, a Dallas-based private investment firm. Early in his career, he was chief financial officer of Southwest Airlines, and later served as chief financial officer of Braniff International during that airline’s reorganization. Mr. Guthrie was also the managing director of Mason Best Co., a Dallas-based investment firm that managed operations in over $2 billion in equity investments in a broad spectrum of industries, for 10 years. He has served as chair, director or chief executive officer of numerous private and public financial service companies, both in banking and insurance. He is also currently the board chair of Africa Specialty Risks, a reinsurance firm based in London, Bermuda, Mauritius, Dubai and Morocco, and an advisor to several large private equity firms focusing on the financial services industry worldwide. He serves as general partner of Ke’e Associates, a private investment company. A Certified Public Accountant and a Chartered Global Management Accountant, Mr. Guthrie is audit committee-qualified under the guidelines of the Securities and Exchange Commission, the New York Stock Exchange and Nasdaq. He is a stockholder of his family-managed 125-year-old livestock and crop operation in northern Louisiana. Mr. Guthrie became a director in 2015, and his term expires at the end of 2026.

Dorothy Nichols, 73, is one of two appointed members on the board. She is vice chair of the Bank’s compensation committee and serves on the Bank’s audit committee. Ms. Nichols is one of the board’s designated financial experts on the Bank’s audit committee. She is also a member of the Tenth District Farm Credit Council. Ms. Nichols had a 23-year career with the Farm Credit System Insurance Corporation (FCSIC), the government insurer for Farm Credit System debt obligations. She joined the FCSIC in 1995 as its first in-house general counsel, and from 2006 to 2018 served as its chief operating officer. Previously, she was the first chief operating officer of the Farm Credit Administration, the independent federal agency that regulates and examines Farm Credit institutions and related entities. Prior to that position, Ms. Nichols was associate general counsel at the Federal Deposit Insurance Corporation. She began her government career in 1982 as a trial attorney with the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation. She holds a bachelor’s degree in history from the University of Maryland and a doctorate in law from George Washington University. Ms. Nichols became a director in 2019, and her term expires at the end of 2027.

Committees

The board of directors has established an audit committee and a compensation committee. All members of the board serve on both the audit committee and the compensation committee. As the need arises, a member of the board of directors will also participate in the functions of the Bank’s credit review committee. The responsibilities of each board committee are set forth in its respective approved charter.

The disclosure of director and senior officer information included in this disclosure information and index was reviewed by the compensation committee prior to the annual report’s issuance (including the disclosure information and index).

Compensation of Directors

Directors of the Bank are compensated in cash for service on the Bank’s board. The board of directors has adopted a compensation philosophy under which it will evaluate Bank director compensation based on competitive market factors, aligning with the methodology utilized for the Bank’s employee compensation program. An annual compensation amount is considered as a retainer for all services performed by the director in an official capacity during the year and is approved by the board no less than every other year. In addition, directors may receive additional compensation in the amount approved by the board for certain leadership positions to which the director has been elected or assigned. The annual retainer fee is to be paid in equal monthly installments, including any additional compensation. Compensation for 2024 was paid at the rate of $130,000 per year, payable at $10,833 per month. Additional compensation was paid for leadership positions on the board and committees as follows: the chair of the board of directors in the amount of $65,000 and vice chair of the board of directors in the amount of $15,000, audit committee chair in the amount of $15,000 and compensation committee chair in the amount of $15,000. No director received non-cash compensation exceeding $5,000 in 2024. Total cash compensation paid to all directors as a group during 2024 was $1.02 million.

Information for each director for the year ended December 31, 2024 is provided below:

Board Member	Days Served at Board Meetings*	Days Served on Other Official Assignments**	Total Compensation Paid***
James F. Dodson	30.25	32.50	$ 195,000
Linda C. Floerke	30.75	31.00	145,000
Dennis Anthony	30.75	30.25	130,000
Dr. Larry L. Boleman	30.75	13.75	130,000
John L. Dailey	30.75	30.25	145,000
M. Philip Guthrie	30.75	15.75	145,000
Dorothy Nichols	30.75	27.25	130,000
			$ 1,020,000

*Includes travel time and time required to prepare for board meetings. Also includes attendance via teleconference.

**Includes audit committee meetings, compensation committee meetings, credit review committee meetings, special assignments, training and travel time.

***Reflects regular compensation and additional compensation for the year presented.

Directors incur costs for reasonable travel, subsistence and other related expenses while conducting Bank business, including being reimbursed for such expenses. The aggregate amount of expenses incurred and reimbursed to directors in 2024, 2023 and 2022 totaled $202,525, $146,507 and $147,480, respectively. A copy of the Bank's travel policy is available to shareholders upon request.

BANK SENIOR OFFICERS

Name and Title	Time in Position	Experience – Past Five Years	Other Business Interests – Past Five Years
Amie Pala, Chief Executive Officer	4 years	Senior Vice President, Chief Financial Officer, FCBT	She is chair of the Bank's executive committee and serves on the Federal Farm Credit Banks Funding Corporation board of directors and audit committee. She is vice chair of the Farm Credit System Presidents Planning committee and a member of its business practices and finance committees. She serves on the AgFirst/FCBT Plan Sponsor committee and as the chair of the Texas District Defined Benefits Administration committee. She is president of the Tenth District Farm Credit Council.
Isaac Bennett*, Executive Vice President, Chief Credit Officer	3.5 years	Vice President and Unit Manager Capital Markets, FCBT	He was a member of the Bank's executive committee and a former member of the MANRRS (Minorities in Agriculture, Natural Resources and Related Sciences) Advisory Board. He also served on the board of the University of Tennessee Foundation.
Brandon Blaut, Executive Vice President, Chief Operating Officer	1.25 years	Executive Vice President, Chief Financial Officer, January 2021 through October 2023, Vice President of Finance and Loan Operations, May 2019 through December 2020, FCBT	He is a member of the Bank's executive committee.
Scott Erlichman, Executive Vice President, Chief Information Officer	3.5 years	Chief Technology Officer, Hancock Whitney Bank	He is a member of the Bank's executive committee.
Brian O'Keane**, Executive Vice President, Chief Financial Officer	1.25 years	Global Chief Financial Officer, Marex Capital Markets	He was a member of the Bank's executive committee and was a member of the Farm Credit System disclosure committee.
Thomas Ringler, Executive Vice President, Enterprise Risk Officer	2 years	Vice President, FarmView relationship management and internal controls compliance, FCBT	His certifications include a Certified Public Accountant and a Certified Information Systems Auditor. He is a member of the Bank's executive committee. He serves as a member of Farm Credit System workgroups, including the Fraud Response Workgroup, the Internal Controls over Financial Reporting Workgroup, and the Reputation Risk Workgroup.
Nisha Rocap, Executive Vice President, Chief Audit Executive	7 years		Her certifications include a Certified Public Accountant, a Certified Information Systems Auditor and a Certified Internal Auditor. She serves as a member of the Bank's executive committee, is a member of the Audit and Risk Advisory Group for the Farm Credit Council Services Director Leadership Conference, and also serves as a member of the board and chair of the audit committee for the Farm Credit Captive Insurance Company.
Nanci Tucker, Executive Vice President, Chief Administrative Officer and General Counsel	4 years	Senior Vice President, General Counsel, FCBT	She is a member of the Bank's executive committee and the Bank's Corporate Secretary. She is chair of the Bank's Election Committee and secretary of the Tenth District Farm Credit Council.

*Isaac Bennett served as Executive Vice President, Chief Credit Officer until his retirement effective December 31, 2024.

**Brian O'Keane served as Executive Vice President, Chief Financial Officer until his departure from the Bank effective January 3, 2025.

Compensation Discussion and Analysis – Senior Officers

Overview

The board of directors of the Farm Credit Bank of Texas (Bank), through its compensation committee, has pursued a compensation philosophy for the Bank that promotes leadership in the adoption and administration of a comprehensive compensation program.

A description of the Bank's compensation plans is as follows.

Base Pay

Market-based salaries along with the other incentive and benefits described below are critical to attracting and retaining needed talent in a highly competitive job market.

Defined Benefit Pension Plan

The Defined Benefit Pension Plan (Pension Plan) is a final average pay plan which was closed to new participants in 1996, and later fully closed to all participants, including rehires who had formerly participated in the plan. The Pension Plan benefits are based on the average monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 (FAC60). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation times (ii) "Years of Benefit Service" (not to exceed 35).

The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the employee's retirement age is 65, that the employee is married on the date the annuity begins, that the spouse is exactly two years younger than the employee and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit. The Pension Plan benefit is offset by the pension benefits any employee may have from another Farm Credit System institution.

The Pension Plan was amended in 2013 to allow those retiring after September 1, 2013, to elect a lump-sum distribution option. The Pension Plan was also amended to allow participating employers to exclude from pension compensation new long-term incentive plans which began after January 1, 2014.

In 2014, the Pension Plan was amended to allow terminated employees with a vested benefit to also elect a lump-sum distribution beginning January 1, 2015.

In 2020, the Pension Plan was amended to allow in-service distributions. The earliest age at which the distribution can be taken (age 59½) was made available to defined benefit plans with legislative changes made in late December 2019.

Effective January 1, 2025, the Pension Plan was amended to change the interest rates that are used to calculate lump sum payments. Prior to the amendment, lump sums were calculated using the IRS published §417(e) segment rates for November of the year proceeding the distribution year. For lump sum payments made on or after January 1, 2025, the amendment adds 300 basis points to the rates published by the IRS for November of the year proceeding the distribution year.

401(k) Plan – Elective

The Farm Credit Benefits Alliance (FCBA) 401(k) Plan is open to all Bank employees and includes up to a 4 percent employer match on employee deferrals up to Internal Revenue Service (IRS) directed limits. Employees become fully vested in the plan upon participation. The plan allows for self-directed investment choices by participants.

401(k) Plan – Non-Elective Defined Contribution Plan

The FCBA 401(k) Plan's Defined Contribution component is open to employees not participating in the Defined Benefit Pension Plan. Employees become fully vested in the plan upon participation and receive a 5 percent employer contribution each pay period up to IRS-directed limits to the participant's account which is invested in the self-directed investment choices available.

Nonqualified Supplemental 401(k) Plan

This plan is open to all employees who meet the minimum salary requirements set by the IRS. It has three features: elective deferral of employee compensation; discretionary employer contributions; and restored employer contributions that make an employee "whole" when 401(k) IRS limitations are met. Deferred money is invested with similar investment fund choices as the qualified 401(k) Plan at the participant's direction.

Success Sharing Plan

The purpose of the Farm Credit Bank of Texas Success Sharing Plan (SSP) is to advance the mission of the Bank by recognizing employees with variable pay through a discretionary bonus. The SSP (also categorized as a bonus or profit-sharing plan) rewards employees as the overall organization experiences success and performs within the realities of the current market environment and in accordance with business planning goals and objectives. Additionally, it is expected to help to attract, motivate and retain Bank staff.

The SSP provides an annual award that is paid after the Bank's operational results and strategic objectives are reported and assessed by the compensation committee of the board. The compensation committee has the final authority to determine if a success sharing award is to be paid and what percentage of the award target will be funded. The CEO does not participate in this plan; otherwise, all employees are eligible to participate in the SSP for that year. This program applies the concept of differential factors for all eligible Bank participants and is tiered into four groups according to employee job grades and their accountability level inside the entire organization. Each employee group has its own Success Sharing Award Factor for this plan. This factor is multiplied by the employee's base salary paid for the calendar year as of December 31 to arrive at the Success Sharing Plan award target for the year.

When a promotion or salary adjustment occurs during the year that elevates an employee's job grade into a higher employee group in the plan, the plan's award calculation may be prorated and paid at the separate employee group percentages for the periods the employee was in each of the employee groups. Additionally, when a salary adjustment occurs, the plan's award calculation may be prorated and paid at the separate employee salaries for the periods the employee was at each salary.

FCBT Retention Plan

This is a nonqualified plan for certain Bank employees that provides dollar incentives to remain employed for specific time periods to accomplish important Bank initiatives or to aid in leadership succession. It is paid according to the agreement arranged for each participant. The CEO approves participants, plan provisions and participant agreements.

Long-Term Incentive Program

This plan provides for annual cash bonus and deferred incentive bonus payments with eligibility for the CEO and senior leadership members. The annual long-term incentive amount reflects long-term incentives earned in the applicable year with payment to occur based on an estimate of the total incentive over a three-year period.

Spot Awards Program

This Bank program allows for discretionary awards to be paid to employees throughout the year in recognition of outstanding performance events or service provided to the Bank's customers. Senior officers do not participate in this program.

Bank-Owned Vehicles and Vehicle Allowance Programs

Use of Bank-owned vehicles is provided to three groups within the Bank: the executive group, which is comprised of the Bank's executive committee; the senior management group, which includes members defined by the CEO exclusive of the executive committee; and the other group consisting of employees who have been identified by executive committee members as requiring a vehicle for job performance. Employees assigned use of a Bank-owned vehicle are required to maintain written records of their business and personal use. This data is used to annually impute to the employee's taxable wages the personal use value of the vehicle following the IRS lease value rule.

A vehicle allowance program is provided as an alternative to the bank-owned vehicle program. For employees eligible and receiving this allowance, the employee would receive a monthly determined amount of which the annual amount is included in the employee's taxable wages.

Educational and Training Program

This program was established in recognition that ongoing enrichment of employees' skills, knowledge and expertise is essential not only for the success of the Bank and the retention of key employees, but for the realization of employees' personal growth and achievement.

This program is directed to employees at all levels and includes formal orientation of new hires, a continuing education and degree program, and a licensing and certification program. The degree program reimbursement is open to eligible, approved full-time employees who have been with the Bank at least one year. This program covers tuition, lab fees, books and registration fees if the employee receives a grade of C or better in undergraduate courses and B or better in graduate-level courses and expenses are in excess of those reimbursable by a scholarship or other sources.

Tuition reimbursement, capped at $5,250, will not normally exceed the cost per semester hour charged at state-supported universities. Expenses incurred above the state-supported university baseline are the responsibility of the employee. Certain positions in the Bank must be staffed by employees who hold professional licenses and/or certifications. In these instances, the membership and license fees, training and educational expenses for obtaining and maintaining professional status, licenses and certifications are reimbursable.

Compensation, Risk and Performance

One of the critical strategic goals of the Bank is to provide market-driven financial products and support services to add value to our Association customers. The Bank succeeds at this through robust customer communications and relationships to stay aware of their business needs. Our staff provides technical, credit and operational support, and offers leadership in talent acquisition, retention and development. Our ability to succeed in these areas is dependent upon having a knowledgeable and experienced customer-service-focused workforce that is responsive, but also proactive in meeting our district's business challenges and recognizing and taking advantage of opportunities, including promoting the Bank's mission as a government-sponsored enterprise.

While external factors impact compensation programs, internal measures are in place to make certain there is alignment with the Bank's performance. Market-driven base salaries are combined with a bonus program that is at risk each year. The compensation committee of the board annually determines the structure and the award for the Success Sharing Plan, a short-term bonus plan. This gives them the agility to modify or discontinue the plan in response to changing circumstances. The Bank is not locked into an incentive program for any extended period of time.

The SSP in regard to the total compensation mix is not overly significant or significantly larger than the market practice. Multiple performance measures are considered, which include financial and operational metrics. Although awards are based on a single year's performance, because the Bank's customers are its cooperative Associations, performance in the time period measured is less uncertain than in businesses with larger and lesser-known customer bases. The board and compensation committee review the Bank's financial and operational performance at each meeting, so SSP decisions are reviewed by the same centralized group who hear those reports all year. Additionally, the compensation committee has external resources to support its oversight and uses that independent compensation consultant to review the SSP with its annual executive compensation update.

In making its decision on the SSP award at year end, the compensation committee analyzes the Bank's performance against the business plan for the year. The business plan is approved by the full composition of the board at the beginning of the year and is monitored all year as the CEO and senior team members deliver management and other reporting on Bank performance and respond to director questions. Financial metrics include net income, the Associations' direct note volume, allowance for credit losses on loans, nonaccrual loans, capital market and investment income, total asset growth, credit quality, permanent capital ratio, and at year end, the Association patronage. Operational accomplishments considered vary but typically include staff outreach to Associations, participation and leadership in System workgroups and initiatives, debt issuances, credit and technology products and services delivered, talent acquisition and talent management support.

Chief Executive Officer (CEO) Compensation Table and Policy for Bank

An employment agreement with an effective date of January 1, 2021, was executed in late 2020 between the Bank and the CEO. The term of the agreement covered a three-year period with a base salary for the CEO of $943,000. The compensation committee approved a salary of $1,050,000 effective January 1, 2023, and a salary of $1,000,000 effective January 1, 2022. A new employment agreement with an effective date of January 1, 2024, was executed in late 2023 between the Bank and the CEO. The term of the agreement covers a multi-year period with a 2024 base salary for the CEO of $1,208,000. An annual bonus and a long-term incentive award are payable at the sole discretion of the compensation committee. Base salary is adjusted at the beginning of each calendar year. The employment relationship between the Bank and CEO remains at will, meaning the Bank could terminate the CEO's employment at any time, and the CEO could choose to leave at any time subject to notice and severance provisions.

As previously mentioned, the CEO bonus is discretionary and subject to the approval of the Bank's compensation committee. The compensation committee reviews the same Bank financial performance and operational metrics that the committee evaluates for purposes of the SSP. Additionally, for both the CEO and senior officer group, the compensation committee reviews peer market data with its third-party consultant before making CEO base, bonus pay and long-term incentive decisions. The compensation committee also reviews seven dimensions of CEO performance and has discussions about goals set for the current year and successes in meeting those goals. The seven dimensions of CEO performance are: strategy and vision; leadership; innovation/technology; operating metrics; risk management; people management; and external relationships.

The following table summarizes the compensation paid to the CEO of the Bank during 2024, 2023 and 2022.

		Summary Compensation Table for the Bank's CEO						
Name of Chief Executive Officer	**Year**	**Salary (a)**	**Bonus (b)**	**Long-Term Incentives (c)**	**Change in Pension Value (d)**	**Deferred/Perquisites (e)**	**Other (f)**	**Total**
Amie Pala	2024	$ 1,208,000	$ 604,000	$ 737,705	$ —	$ 269,657	$ —	$ 2,819,362
Amie Pala	2023	1,050,000	1,050,000	538,905	—	220,000	—	2,858,905
Amie Pala	2022	1,000,000	1,000,000	258,808	—	123,642	—	2,382,450

(a) Gross salary for year presented.

(b) Bonus compensation is presented in the year earned. For 2024, 2023 and 2022, bonus compensation was paid in January of the following year based on the performance of the Bank for the previous year.

(c) Cash payment of long-term incentives.

(d) No values to disclose.

(e) Deferred/Perquisites for 2024, 2023 and 2022 included contributions to a 401(k) plan and defined contribution plans, supplemental 401(k) discretionary contributions and employer match, automobile benefits, and premiums paid for life insurance.

(f) No values to disclose.

Compensation of Senior Officers of the Bank

The following table summarizes the compensation paid to the aggregate number of senior officers, plus two highly compensated individuals that were not senior officers of the Bank, during 2024. Amounts reflected in the table are presented in the year the compensation is earned.

		Summary Compensation Table for Other Officers						
Aggregate Number in Group (excludes CEO)	Year	Salary (a)	Bonus (b)	Long-Term Incentives (c)	Change in Pension Value (d)	Deferred/ Perquisites (e)	Other (f)	Total
9 Officers	2024	$ 3,701,727	$ 928,414	$ 743,735	$ (14,878)	$ 468,991	$ 486,677	$ 6,314,666
8 Officers	2023	3,008,362	567,177	328,290	232,005	444,946	377,723	4,958,503
7 Officers	2022	2,792,717	1,179,963	—	(735,740)	331,113	500,000	4,068,053

(a) Gross salary for year presented.

(b) Bonuses paid within the first 31 days of the subsequent calendar year.

(c) Cash payment of long-term incentives.

(d) Disclosure of the change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the pension measurement date used for financial statement reporting purposes with respect to the audited financial statements for the prior completed fiscal year to the pension measurement date used for financial statement reporting purposes with respect to the audited financial statements for the covered fiscal year. For 2024 and 2022, the decrease in pension values were primarily due to an increase in the discount rate. For 2023, the increase in pension value was primarily due to a decrease in the discount rate.

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

(f) Other includes retention, discretionary bonuses paid and severance.

Disclosure of the compensation paid during 2024 to any senior officer or officer included in the table is available and will be disclosed to shareholders of the Bank upon written request.

Neither the CEO nor any other senior officer received non-cash compensation exceeding $5,000 in 2024.

Senior officers, including the CEO, incur costs for reasonable travel, subsistence and other related expenses while conducting Bank business, including being reimbursed for such expenses.

Pension Benefits Table for Senior Officer of the Bank

The following table presents the total annual benefit provided from the Defined Benefit Pension Plan applicable to one senior officer for the year ended December 31, 2024. Neither the CEO nor any other senior officers were eligible for the Defined Benefit Pension Plan.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2024
Senior Officer	Farm Credit Bank of Texas Pension Plan	39.076	$ 3,037,399	$ —

Description of Property

On September 30, 2003, the Bank entered into a lease for approximately 102,500 square feet of office space to house its headquarters facility located at 4801 Plaza on the Lake Drive, Austin, Texas. The lease was effective September 30, 2003, and its term was from September 1, 2003, to August 31, 2013. On November 16, 2010, the Bank entered into a lease amendment which extended the term of the lease to August 31, 2024. In addition, the lease amendment included expansion of the leased space to approximately 111,500 square feet of office space and an "early out" option to terminate the lease in 2020. On August 6, 2019, the Bank entered into a lease amendment which extended the term of the lease to December 31, 2034. The Bank entered into a desk sharing agreement in Washington, D.C., as of January 1, 2024, with the National Council of Farmer Cooperatives for legislative affairs purposes. The lease will expire on December 31, 2025.

Legal Proceedings

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

Description of Capital Structure

The Bank is authorized to issue and retire certain classes of capital stock and retained earnings in the management of its capital structure. Details of the capital structure are described in Note 11, "Shareholders' Equity," to the accompanying financial statements.

Description of Liabilities

The Bank's debt outstanding is described in Note 10, "Bonds and Notes," to the accompanying financial statements. The Bank's contingent liabilities are described in Note 14, "Commitments and Contingencies," to the accompanying financial statements. See also Note 12, "Employee Benefit Plans," with regard to obligations related to employee retirement plans.

Selected Financial Data

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Transactions With Senior Officers and Directors

The policies on loans to and transactions with the Bank's officers and directors, required to be disclosed in this section, are incorporated herein by reference to Note 13, "Related Party Transactions," to the accompanying financial statements.

Related Party Transactions

The Bank had no transactions with nor loans to directors or senior officers, their immediate family members, or any organizations with which such senior officers or directors are affiliated, during 2024, 2023 and 2022.

Relationship With Public Accountants

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

Fees for professional services paid by the Bank during 2024 to PricewaterhouseCoopers LLP, the Bank's independent qualified public accountants, were as follows.

- Audit services of $729,100 and of $378,000 related to the integrated audit for the Bank for 2024 and 2023, respectively. Engagement letter for audit services for 2024 for the integrated audit for the Bank reflects an estimated fee of $1,172,500 plus reasonable out-of-pocket expenses.
- No audit-related services were provided during 2024.
- Non-audit services of $112,000, associated with the preferred stock offering and a disclosure tool of $2,000 during 2024.
- No tax services were provided during 2024.

The non-audit service for the Bank listed above required pre-approval of the Bank's audit committee, which was obtained.

Information regarding the fees for services rendered by the qualified public accountants for the Associations is disclosed in the individual Associations' annual reports.

Relationships With Unincorporated Business Entities (UBEs)

The Bank and one of our Associations are among the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC), Advantage Capital Agribusiness Partners, LP (ACAP), established on October 3, 2014. Additionally, the Bank is among the forming limited partners for a $31.3 million RBIC, Innova Ag Innovation Fund IV, LP (Innova), established on December 12, 2016. The Bank and Farm Credit System partners are among the forming limited partners for a $113.5 million third RBIC investment, Midwest Growth Partners II Fund (Midwest), established on November 14, 2018. The Bank and one of its Associations entered into an RBIC fourth investment on September 30, 2019. The Bank committed to invest $10.0 million alongside Farm Credit System partners in Pharos Capital Partners IV Fund. The RBICs will facilitate private equity investments in agriculture-related businesses that will create growth and job opportunities in rural America. Each limited partner has a commitment to contribute up to $20.0 million, $5.0 million, $5.0 million and $10.0 million to ACAP, Innova, Midwest and Pharos, respectively, over a 10-year period and, as of December 31, 2024, FCBT has invested $19.9 million in the RBICs, included in other assets on the balance sheet.

The Bank also holds a UBE, as defined by FCA regulation. The Bank holds this investment to manage an unusual and complex collateral associated with a loan workout. The balance of this UBE was $4.9 million at December 31, 2024 and is included in other assets on the balance sheet.

Information regarding UBEs for the Associations is disclosed in the individual Association annual reports.

Financial Statements

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 28, 2025, and the report of management in this annual report to shareholders, are incorporated herein by reference.

The Farm Credit Bank of Texas' and its affiliated Associations' annual and quarterly reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Strategic Communications, P.O. Box 202590, Austin, Texas 78720 or by calling (512) 465-0738. Copies of the Bank's quarterly and annual stockholder reports can be requested by sending an email to *fcb@farmcreditbank.com*. The Bank's quarterly report is available approximately 40 days after the end of each fiscal quarter. The Bank's annual report will be posted on the Bank's website (*www.farmcreditbank.com*) within 75 calendar days of the end of the Bank's fiscal year. This posting coincides with an electronic version of the report being provided to its regulator, the Farm Credit Administration (FCA). Within 90 calendar days of the end of the Bank's fiscal year, a copy of the Bank's annual report will be provided to its stockholders.

Borrower Information Regulations

FCA regulations require that borrower information be held in strict confidence by Farm Credit institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA board adopted a policy that requires Farm Credit institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the annual report to shareholders. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System (System) institution efforts.

Credit and Services to Young, Beginning and Small (YBS) Farmers, Ranchers, and Producers and Harvesters of Aquatic Products

In line with their mission, the Associations have policies and programs for making credit available to young, beginning and small farmers, ranchers and producers and harvesters of aquatic products. In 2024, new rules became effective with the objective of expanding the YBS activities of direct-lender associations to a diverse population of borrowers, to reinforce the supervisory responsibility of the System banks to annually review and approve the associations' YBS programs and to require each direct-lender association to enhance the strategic plan for its YBS program.

The definitions for YBS, as prescribed by FCA regulations, are provided below.

Young Farmer or Rancher — 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 or Rancher — A farmer, rancher or producer or harvester of aquatic products who had 10 years or less of experience at farming, ranching or producing or harvesting aquatic products as of the date the loan was originally made.

Small Farmer or Rancher — A farmer, rancher or producer or harvester of aquatic products who normally generated less than $350,000 in annual gross sales of agricultural or aquatic products at the date the loan was originally made. The threshold was $250,000 in annual gross sales for the new lending that occurred prior to 2024.

For the purposes of YBS, the term "loan volume" means an extension of, or a commitment to extend, credit authorized under the Farm Credit Act, whether it results from direct negotiations between a lender and a borrower or is purchased from, or discounted for, another lender, including participation interests. The "loan count" is defined as total number of outstanding and paid-off loans at year-end. The loan counts and volume are for loans in the agribusiness, production and intermediate-term and rural home loan sectors.

The following table summarizes information regarding loan counts and current commitment volume outstanding to YBS farmers, ranchers and producers and harvesters of aquatic products for the Texas District:

	At December 31, 2024			
	Loan Counts	Loan Volume	Percent of Total Loan Counts	Percent of Total Loan Volume
(dollars in thousands)				
Young only	1,020	$ 487,882	1.20 %	1.20 %
Young & beginning	2,465	1,127,243	2.89	2.76
Young & small	1,271	203,530	1.49	0.50
Beginning only	1,922	1,153,614	2.25	2.83
Beginning & small	35,585	9,308,203	41.74	22.83
Small only	18,089	4,784,087	21.22	11.73
Young, beginning, & small (YBS)	12,704	2,174,219	14.90	5.33
Non-YBS	12,207	21,530,213	14.31	52.82
Total	85,263	$ 40,768,991	100.00 %	100.00 %

The following table summarizes information regarding new loans to YBS farmers, ranchers and producers and harvesters of aquatic products for the Texas District:

	At December 31, 2024			
	Loan Counts	Loan Volume	Percent of Total Loan Counts	Percent of Total Loan Volume
(dollars in thousands)				
Young only	178	$ 164,884	1.45 %	1.58 %
Young & beginning	509	336,479	4.14	3.23
Young & small	180	40,790	1.46	0.39
Beginning only	358	279,633	2.91	2.69
Beginning & small	3,935	1,321,647	32.01	12.70
Small only	2,737	1,059,226	22.26	10.18
Young, beginning, & small (YBS)	1,712	346,989	13.93	3.33
Non-YBS	2,685	6,860,034	21.84	65.90
Total	12,294	$ 10,409,682	100.00 %	100.00 %

Additional Regulatory Information — Farm Credit Bank of Texas

(unaudited)

Overview

The following disclosures contain regulatory disclosures as required under Farm Credit Administration (FCA) Regulation 628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total capital. Refer to Note 11 of the accompanying financial statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years and can be accessed at Farm Credit Bank of Texas' website at *www.farmcreditbank.com*.

Disclosure Map

The following table summarizes the annual disclosure requirements and indicates where each matter is disclosed in this annual report.

Disclosure Requirement	Description	2024 Annual Report Reference
Scope of Application	Corporate entity and structure	Page 15, Page 46, Page 97
	Restrictions on transfers of funds or capital	Page 103
Capital Structure	Terms and conditions of capital instruments	Note 11 – Pages 73 to 79; Pages 103 to 110
	Regulatory capital components	Pages 74-77, Page 106
Capital Adequacy	Capital adequacy assessment	Page 29, Page 107
	Risk-weighted assets	Page 107
	Regulatory capital ratios	Page 14, Page 30; Note 11 – Page 73
Capital Buffers	Quantitative disclosures	Page 107
Credit Risk	Credit risk management and policies	Page 22 to 23, Page 108
	Summary of exposures	Page 110
	Geographic distribution	Page 110
	Industry distribution	Page 110
	Contractual maturity	Page 110
	Nonperforming loans and allowance for credit losses	Note 4 – Pages 56 to 69; Pages 108 to 109
Counterparty Credit Risk-Related Exposures	General description	Pages 110 to 111
	Counterparty exposures	Note 15 – Page 82; Note 17 – Pages 88 to 91
Credit Risk Mitigation	General description	Pages 109 to 110
	Exposures with reduced capital requirements	Page 111
Securitization	General description	Note 3 – Pages 54 to 56; Page 111
	Securitization exposures	Note 3 – Pages 54 to 56
	Fair value measurements	Note 16 – Pages 83 to 88; Page 112
Equities	General description	Page 112
Interest Rate Risk for Non-Trading Activities	General description	Pages 25 to 27; Pages 112 to 113
	Interest rate sensitivity	Page 26

Scope of Application

The Farm Credit Bank of Texas (FCBT or Bank) is one of the banks of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations established by acts of Congress. The System is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The accounting and reporting policies of the Bank conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry.

The Bank and its related Associations collectively are referred to as the Farm Credit Bank of Texas and affiliated Associations (collectively, the Texas District). The Texas District's one Federal Land Credit Association (FLCA), 11 Agricultural Credit Associations (ACAs), certain Other Financing Institutions (OFIs) and preferred stockholders jointly owned the Bank at December 31, 2024. The FLCA and ACAs collectively are referred to as Associations. The Bank is the primary funding source for the Associations. FCBT has no subsidiaries; therefore, the financial statements are only those of the Bank and are not consolidated with any other entity. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the Farm Credit System Building Association (FCSBA), and the Farm Credit System Association Captive Insurance Company. Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution who issued the equities may count the amount as capital. The Bank's unincorporated business entities (UBEs), including its investment in Rural Business Investment Companies (RBICs), and its investment in the Farm Credit System Association Captive Insurance Company are included in risk-weighted assets and are not deducted from any capital component in accordance with FCA regulations. The Bank has no consolidated subsidiaries; therefore, there are no consolidated entities for which the total capital requirement is deducted; there are no restrictions on transfer of funds or total capital with other consolidated entities; and no subsidiary exists that is below the minimum total capital requirement.

Capital Structure

The par value of the Bank's common stock is $5 and the par value of the Class B Series 3, 4 and 5 Noncumulative Perpetual Preferred Stock is $100, $1,000 and $1,000 per share, respectively. Through

2024, the minimum initial borrower investment was equal to the greater of $1 thousand or 2.00 percent of the Associations' and OFIs' average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement will increase to 2.50 percent of their average borrowings from the Bank, equalized semi-annually. Our bylaws permit the Bank's board of directors to set the required level of Association and OFI investment in the Bank within a range of 2 percent to 5 percent of the average Association and OFI borrowings. There are no capital sharing agreements between the Bank and its Associations.

Description of Bank Equities

Descriptions of the Bank's equities, capitalization requirements and restrictions are provided as follows:

Class B Series 2 Noncumulative Subordinated Perpetual Preferred Stock (Class B-2 preferred stock) — On July 23, 2013, the Bank issued $300.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 2, representing three million shares at $100 per share par value, for net proceeds of $296.0 million. Dividends on the Class B-2 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and were payable quarterly in arrears on the fifteenth day of March, June, September and December in each year. Prior to September 15, 2013, dividends were paid at an annual fixed rate of 6.75 percent of par value of $100 per share. Commencing on September 15, 2023, dividends were paid at a rate of the 3-Month CME Term SOFR plus a "Tenor Spread Adjustment" of 0.26161 percent, plus 4.01 percent. The Class B-2 preferred stock was not mandatorily redeemable at any time, but could be redeemed in whole or in part at the option of the Bank on any dividend payment date on or after September 15, 2023. The Class B-2 preferred stock ranked, both as to dividends and upon liquidation, pari passu with respect to the existing Class B-3 and Class B-4 preferred stock, and senior to all other classes of the Bank's outstanding capital stock. Class B-2 preferred stock dividends were required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-2 preferred stock was included in permanent capital, total capital and tier 1 capital within certain limitations. On August 12, 2024, the Bank notified holders of the Bank's Fixed to Floating Rate Class B-2 preferred stock, of its right to redeem all of the outstanding Class B-2 preferred stock at a total price of $100 per share, together with an amount equal to all dividends accrued and unpaid up to, but not including, the redemption date. On September 16, 2024, the Bank redeemed Class B-2 preferred stock at $100 per share or $300.0 million in the aggregate.

Class B Series 3 Noncumulative Subordinated Perpetual Preferred Stock (Class B-3 preferred stock) — On June 25, 2018, the Bank issued $100.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 3, representing one hundred thousand shares at $1,000 per share par value, for net proceeds of $98.7 million. Dividends on the Class B-3 preferred stock, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2018, at an annual fixed rate of 6.20 percent of par value of $1,000 per share up to, but excluding June 15, 2028, from and after which date will be paid at an annual rate of the 3-Month USD LIBOR plus 3.223 percent or the Alternative Rate determined at that time. The Class B-3 preferred stock is not mandatorily redeemable at any time, but may be redeemed in whole or in part at the option of the Bank on any dividend payment date on or after June 15, 2028. The Class B-3 preferred stock ranks pari passu with respect to the existing Class B-4 and Class B-5 preferred stock, and senior to all of the Bank's outstanding capital stock. Class B-3 preferred stock dividends are required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-3 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations.

Class B Series 4 Noncumulative Subordinated Perpetual Preferred Stock (Class B-4 preferred stock) — On July 15, 2020, the Bank issued $350.0 million of Class B noncumulative subordinated perpetual preferred stock, Series 4 (Class B-4 preferred stock), representing three hundred fifty thousand shares at $1,000 per share par value, for net proceeds of $346.1 million. Dividends on the Class B-4, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2020, at an annual fixed rate of 5.70 percent of par value of $1,000 per share up to, but excluding, September 15, 2025, from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 5.415 percent. The Class B-4 is not mandatorily redeemable at any time, but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after September 15, 2025. The Class B-4 ranks pari passu with respect to the existing Class B-3 and Class B-4 preferred stock and senior to all of the Bank's other outstanding capital stock. Class B-4 preferred stock dividends are required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-4 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations.

Class B Series 5 Noncumulative Subordinated Perpetual Preferred Stock (Class B-5 preferred stock) On May 20, 2024, the Bank issued $300.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 5, representing three million shares at $1,000 per share par value, for net proceeds of $296.7 million. Dividends on the Class B-5, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December in each year, commencing September 15, 2024, at an annual fixed rate of 7.75 percent of par value of $1,000 per share up to, but excluding June 15, 2029, from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 3.291 percent. The Class B-5 is not mandatorily redeemable at any time, but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after June 15, 2029. The Class B-5 ranked pari passu with respect to the existing Class B-3 and Class B-4 preferred stock, and senior to all of the Bank's other outstanding capital stock. Class B-5 preferred stock dividends are required by "dividend/patronage stopper" clauses to be declared and accrued before the declaration of patronages to Associations and OFIs. For regulatory purposes, the Class B-5 preferred stock is included in permanent capital, total capital and tier 1 capital within certain limitations.

Class A Voting Common Stock — According to the Bank's bylaws, the minimum and maximum stock investments that the Bank may require of the ACAs and FLCA are 2.00 percent (or $1 thousand, whichever is greater) and 5.00 percent, respectively. The investments in the Bank are required to be in the form of Class A voting common stock (with a par value of $5 per share). For 2024, the investment required of the Associations was 2.00 percent of their average borrowings from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Associations will increase to 2.50 percent of their average borrowings from the Bank, equalized semi-annually.

Under the Capitalized Participation Pool (CPP) program, the stock investment that the Bank requires is 1.60 percent of each Farmer Mac AMBS pool and 8.00 percent of each loan pool. Under the Capitalized and Non-Capitalized Participation Pool (NCPP) program, the Bank redeems stock in the amount of 2.00 percent of the par value of the loans purchased. No Class A voting common stock may be retired except at the sole discretion of the Bank's board of directors, and provided that after such retirement, the Bank shall meet minimum capital adequacy standards as may from time to time be promulgated by the FCA or such higher level as the board may from time to time establish in the Bank's Capital Plan. There were 104.4 million shares, 98.9 million shares and 94.0 million shares of Class A voting common stock issued and outstanding at December 31, 2024, 2023 and 2022, respectively.

Class A Nonvoting Common Stock — The Bank requires OFIs to make cash purchases of Class A nonvoting common stock (with a par value of $5 per share) in the Bank based on a minimum stock investment of 2.00 percent (or $1 thousand, whichever is greater) and on a maximum of 5.00 percent. For 2024, the investment required of the OFIs was 2.00 percent of their average borrowings from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the OFIs will increase to 2.50 percent of their average borrowings from the Bank, equalized semi-annually. No Class A nonvoting common stock may be retired except at the sole discretion of the Bank's board of directors, and provided that after such retirement, the Bank shall meet minimum capital adequacy standards as may from time to time be promulgated by the FCA or such higher level as the board may from time to time establish in the Bank's Capital Plan. The Bank has a first lien on these equities for the repayment of any indebtedness to the Bank. There were 207 thousand shares, 220 thousand shares and 174 thousand shares of Class A nonvoting common stock issued and outstanding at December 31, 2024, 2023 and 2022, respectively.

Allocated retained earnings of $109.0 million, $101.8 million and $74.0 million at December 31, 2024, 2023 and 2022, respectively, consisted of allocated equity for the payment of patronage on loans participated with another System bank, and as of December 31, 2023, allocated equity for the payment of direct note patronage to the Associations and OFIs.

The following table provides a summary of the Bank's capital structure at December 31, 2024:

(dollars in thousands)		Three-Month Average Daily Balance
Common equity tier 1 capital (CET1)		
Common cooperative equities:		
Purchased other required stock ≥ 7 years	**$**	**457,904**
Allocated stock ≥ 7 years		**36,042**
Allocated equities:		
Qualified allocated equities subject to retirement		**101,904**
Nonqualified allocated equities subject to retirement		—
Nonqualified allocated equities not subject to retirement		—
Unallocated retained earnings		**994,512**
Adjustments for patronage or dividend accrued receivables and payables		**(9,233)**
Paid-in capital		—
Regulatory adjustments and deductions made to CET1		**(135,943)**
Total CET1	**$**	**1,445,186**
Additional tier 1 capital (AT1)		
Noncumulative perpetual preferred stock	**$**	**750,000**
Regulatory adjustments and deductions made to AT1 capital		—
Total AT1 capital		**750,000**
Total tier 1 capital	**$**	**2,195,186**
Tier 2 capital (T2)		
Common cooperative equities not included in CET1	**$**	**—**
T2 capital elements (allowance for credit losses on loans)		**43,688**
Regulatory adjustments and deductions made to T2 capital		—
Total T2 Capital		**43,688**
Total capital	**$**	**2,238,874**
		Balances as of December 31, 2024
Reconciliation to statement of condition:		
Total capital	**$**	**2,128,743**
Additions:		
Regulatory adjustments and deductions		**169,613**
Subtractions:		
Accumulated other comprehensive loss		**(466,147)**
Tier 2 allowance and reserve		**(39,868)**
Regulatory deductions		**(12,350)**
Total shareholders' equity	**$**	**1,779,991**

Capital Adequacy and Capital Buffers

In conjunction with the annual business and financial planning process, the board of directors reviews and approves a capital adequacy plan. As part of our business planning process, we perform stress tests to examine the Bank's financial condition and performance, including capital levels, under a variety of market and economic environments, including unanticipated loan growth and prolonged periods of financial and loan quality stress. These stress tests illustrate the Bank's ability to continue to maintain compliance with regulatory requirements through severe market conditions while continuing to fulfill our mission. Results of these stress tests are reviewed with the board of directors and the FCA. The Bank regularly assesses the adequacy of our capital to support current and future activities. This assessment includes maintaining a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and growth. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. The Bank periodically reviews and modifies these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of the Bank's board of directors.

Risk-Weighted Assets at December 31, 2024:

(dollars in thousands)	Three-Month Average Daily Balance
On-Balance Sheet Assets:	
Exposures to sovereign entities	$ —
Exposures to supranational entities and Multilateral Development Banks	—
Exposures to government-sponsored entities (direct notes to Associations)	4,451,645
Exposures to depository institutions, foreign banks and credit unions	3,003
Exposures to public sector entities	—
Corporate exposures, including borrower loans and exposures to other financing institutions	8,988,258
Residential mortgage exposures	—
Past due and nonaccrual exposures	59,201
Securitization exposures	85,948
Exposures to other assets	696,256
Total Risk-Weighted Assets, On-Balance Sheet	14,284,311
Off-Balance Sheet:	
Letters of credit	133,358
Commitments	2,405,779
Repo-styled transactions	141
Over-the-counter derivatives	13,476
Unsettled transactions	—
Cleared transactions	—
All other off-balance sheet exposures	1,904
Total Risk-Weighted Assets, Off-Balance Sheet	2,554,658
Total Risk-Weighted Assets Before Adjustments	**16,838,969**
Additions:	
Intra-System equity investments	135,943
Deductions:	
Regulatory capital deductions	(135,943)
Total Standardized Risk-Weighted Assets	**$ 16,838,969**

Capital Conservation and Leverage Buffers

As of December 31, 2024, the Bank was well-capitalized and exceeded all capital requirements. Because the Bank's capital and leverage ratios exceeded the minimum regulatory requirements of 8.00 percent and 4.00 percent, respectively, the Bank currently has no limitations on its distributions and discretionary bonus payments.

	Regulatory Minimums	Capital Conservation Buffers	Ratios as of December 31, 2024	Calculated Buffer
Common equity tier 1 capital ratio	4.50%	2.50%	8.58%	4.08%
Tier 1 capital ratio	6.00%	2.50%	13.04%	7.04%
Total capital ratio	8.00%	2.50%	13.30%	5.30%
Tier 1 leverage ratio	4.00%	1.00%	5.64%	1.64%

Credit Risk

System entities have specific lending authorities within their chartered territories. The Bank is chartered to serve its Associations in Alabama, Mississippi, New Mexico, Louisiana and Texas. Our chartered territory is referred to as the Texas District. FCBT serves its chartered territory by lending to the Texas District's FLCA and ACAs. The allowance for credit losses on loans (ACLL) is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD) as is further discussed in the section "Allowance for Credit Losses on Loans and Allowance for Credit Losses on Unfunded Commitments." Allowance needs by geographic region are only considered in circumstances that may not otherwise be reflected in the PD and LGD, such as flooding or drought. There was no allowance attributed to a geographic area as of December 31, 2024.

Nonperforming Loans

Nonperforming loans include nonaccrual loans and loans 90 days past due still accruing interest. Nonperforming loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the risk rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status is collected or otherwise discharged in full, scheduled loan payments have not been received in full on or before the contractual due date and remain due.

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 either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are 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 repayment terms and after remaining current as to principal and interest for a sustained period or having 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.

Allowance for Credit Losses on Loans and Allowance for Credit Losses on Unfunded Commitments

The Bank uses a two-dimensional risk rating model based on internally generated combined System risk-rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is management's assumption of the probability that a borrower will experience a default during the life of the loan. A default is considered to have occurred if the Bank believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's assumption as to the anticipated principal loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point probability of default rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a 9 to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk rating methodology is a key component of the Bank's ACLL evaluation, and is generally incorporated into the Bank's loan underwriting standards and internal lending limit. As discussed more fully in Note 2, "Summary of Significant Accounting Policies," beginning January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The ACL includes the allowance for credit losses on loans, the allowance for credit losses on unfunded commitments and the allowance for credit losses on investment securities. Determining the appropriate ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain.

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

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

In estimating the pooled component of the ACLL, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The ACLL is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the loss given default, based on the aggregate net lifetime losses incurred per loan pool. The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss given default rates and expected macroeconomic forecasts in future periods.

The ACLL encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the reasonable and supportable macroeconomic forecasts of future conditions and the agricultural economy and the impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Bank's expectations and predictions of those circumstances. The allowance is increased through provisions for credit losses and loan recoveries and is decreased through reversals of provisions for credit losses and loan charge-offs.

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

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

Credit Risk Management

Credit Risk Mitigation Related to Loans

Credit risk arises from the potential inability of an obligor to meet its repayment obligation and exists in our outstanding loans, letters of credit, unfunded loan commitments, investment portfolio and derivative counterparty credit exposures. The Bank manages credit risk associated with our lending activities through an assessment of the credit risk profile of an individual borrower.

The Bank sets its own underwriting standards and lending policies, approved by the board of directors that provide direction to loan officers. 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* — protects the lender in the event of default and represents a potential secondary source of loan repayment;
- *capital* — ability of the operation to survive unanticipated risks; and
- *conditions* — requirements that govern intended use of loan funds.

The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including non-farm income. Real estate loans with terms greater than 10 years must be secured by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate loans with terms greater than 10 years may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Appraisals are required for loans of more than $250,000. This risk rating process incorporates objective and subjective criteria to identify inherent strengths and weaknesses and risks in a particular relationship.

This credit risk probability of default rating process uses a two dimensional loan rating structure, incorporating a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 4-point scale addressing loss given default. The 14-point probability of default rating scale provides for nine "acceptable" categories, one "other assets especially mentioned" category, two "substandard" categories, one "doubtful" category and one "loss" category. The loss given default scale establishes ranges of anticipated principal loss if the loan defaults.

By buying and selling loans or interests in loans to or from other institutions within the System or outside the System, the Bank limits our exposure to either a borrower or commodity concentration. This also allows us to manage growth and capital, and to improve geographic diversification. Portfolio credit risk is also evaluated with the goal of managing the concentration of credit risk. Concentration risk is reviewed and measured by industry, commodity, geography and customer limits.

Refer to the Risk-Weighted Asset table on page 107 for the Bank's total and average loans, investment securities, off-balance sheet commitments and over-the-counter (OTC) derivatives. The following table illustrates the Bank's total exposure (including commitments) by loan type as of December 31, 2024.

	Total Exposure
Direct notes receivable from District Associations	$ 28,751,823
Real estate mortgage	1,415,482
Production and intermediate-term	1,828,108
Agribusiness	
Loans to cooperatives	1,001,298
Processing and marketing	4,994,903
Farm-related business	424,134
Communications	891,636
Energy (rural utilities)	2,547,047
Water and waste disposal	408,285
Mission-related	1,986
Rural home	1,087
International	348,781
Leases	4,055
Loans to other financing institutions	179,654
Total	$ 42,798,279

The following table provides an overview of the remaining contractual maturity of the Bank's credit risk portfolio categorized by exposure at December 31, 2024. The remaining contractual maturity for the direct notes receivable from the District Associations is included in the loans line item based on the contractual terms of the underlying Association retail loans. Unfunded commitments for direct notes from District Associations reflects the aggregate remaining amount that the District Associations can borrow from the Bank and is included in the unfunded commitments line item within the due in one year or less column.

(dollars in thousands)	Due in one year or less	Due after one year through five years	Due after five years	Total
Loans	$ 5,682,369	$ 10,410,900	$ 15,727,677	$ 31,820,946
Off-balance sheet commitments:				
Financial letters of credit	163,722	49,309	—	213,031
Performance letters of credit	9,078	1,217	—	10,295
Commercial letters of credit	3,168	2,842	1,577	7,587
Unfunded commitments	6,876,970	3,685,098	184,352	10,746,420
Investments	767,403	982,421	4,892,660	6,642,484
Derivatives (notional)	20,000	1,075,000	400,000	1,495,000
Total	$ 13,522,710	$ 16,206,787	$ 21,206,266	$ 50,935,763

The following table illustrates the Bank's total exposure (including commitments) by geographic distribution as of December 31, 2024.

State**	Percentage
Texas	61%
Mississippi	6
Alabama	6
Louisiana	4
California	2
All other states	21
	100%

** The geographic distribution is based on the state in which the borrower is headquartered and may not be representative of their operations or business activities.

Refer to Note 4 of the accompanying financial statements for amounts of loans in nonaccrual status and greater than 90 days past due and still accruing, nonaccrual loans with or without a related allowance for credit losses, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses.

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives

By using derivative instruments, the Bank exposes itself to credit and market risk. The Bank's derivative activities are monitored by its Asset-Liability Management Committee (ALCO) as part of the Bank's asset/liability and treasury functions. ALCO is responsible for approving hedging strategies that are developed through its analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the Bank's overall interest rate risk-management strategies.

If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain of the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Bank, thus creating a repayment risk for the Bank. When the fair value of the derivative contract is negative, the Bank owes the counterparty and, therefore, assumes no repayment risk. To minimize the risk of credit losses, the Bank maintains collateral agreements to limit exposure to agreed-upon thresholds. The Bank deals with counterparties that have an investment grade or better credit rating from a major rating agency, and also monitors the credit standing of, and levels of exposure to, individual counterparties. When certain thresholds are met, the Bank's OTC derivative contracts require the Bank or its counterparties to post cash or securities as collateral when the fair values of the derivatives change based on changes in interest rates.

To minimize the risk of credit losses from derivatives, all interest rate swap derivative contracts are cleared through a Futures Commission Merchant (FCM). Cleared derivative contracts are required to be 100 percent collateralized and the Derivatives Clearing Organization (DCO) takes on the obligation of both sides of the transaction.

The Bank has exposure to interest rate cap derivatives that are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to the other are reached; thresholds may vary depending on the counterparty's credit rating from a major rating agency. The Bank also monitors the credit standing of, and levels of exposure to, individual counterparties. Interest rate caps derivatives are under master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. The amount of collateral the Bank would have to provide if the Bank's own creditworthiness deteriorated would be dependent upon the terms of the contract with the counterparty, including agreed-upon thresholds to limit exposure, and changes in interest rates.

At December 31, 2024, the Bank had posted cash collateral of $32.8 million and received cash collateral of $67.0 million from counterparties for cleared derivative contracts. Refer to Note 17 of the accompanying financial statements for details on the notional, fair value, collateral held and credit ratings of the Bank's derivative contracts. The Bank did not hold any purchased credit derivatives for its own credit portfolio as of December 31, 2024.

The table below shows the notional value of derivatives, segregated by interest rate caps and pay-fixed swaps which are traded in over-the-counter markets as of December 31, 2024 and the fair value of these derivatives with excess variation margin for cleared activities.

	Notional Amount	Gross Fair Value
Interest rate caps	$ 95,000	$ 101
Pay-fixed swaps	1,400,000	(1,667)
Total Derivatives	**$ 1,495,000**	**$ (1,566)**

Credit Risk Mitigation Related to Investments

Credit risk in our investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. At December 31, 2024, 55.52 percent of our $6.64 billion investment portfolio consisted of securities that carry a full faith and credit guarantee of the U.S. government. Such securities include mortgage-backed securities (MBS) issued by the Government National Mortgage Association (Ginnie Mae), Export-Import Bank of the United States and U.S. Treasury. The Bank's investment portfolio consisted of 38.18 percent of securities issued by government agencies that carry the implicit backing of the U.S. government, including MBS issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and Farmer Mac. Another 6.30 percent of our investment portfolio is made up of asset-backed investments, certificates of deposit and corporate debt which primarily represents the credit risk in the Bank's investment portfolio.

Credit risk in our investment portfolio also arises from the inability of guarantors and third-party providers of other credit enhancements, such as bond insurers or Farmer Mac, to meet their contractual obligations to us.

For each separately disclosed credit risk portfolio, see the following table for the total exposure that is covered by guarantees/credit derivatives, and the risk-weighted asset amount associated with that exposure. The Bank did not hold eligible financial collateral for its loan and investment portfolios at December 31, 2024.

(dollars in thousands) Government-Guaranteed Asset Type	90-Day Average	Risk Weighting	Risk-Weighted Amount
Investments	$ 4,931,727	0%	$ —
Loans	1,872	0%	—
Total	$ 4,933,599		$ —

Securitization

Securitizations are transactions in which:

- The credit risk of the underlying exposure is transferred to third parties, and has been separated into two or more tranches;
- The performance of the securitization depends upon the performance of the underlying exposures or reference assets; and
- All or substantially all of the underlying exposures or reference assets are financial exposures.

Securitizations include on- or off-balance sheet exposures (including credit enhancements) that arise from a securitization or resecuritization transaction, or an exposure that directly or indirectly references a securitization (e.g., credit derivative). A resecuritization is a securitization transaction in which one or more of the underlying exposures that have been securitized is itself a securitization. The Bank does not currently hold any credit-related resecuritization investments.

The Bank currently only participates in credit-related securitizations as investors through the purchase of highly rated asset-backed securities (ABS) as included in its investment portfolio. The Bank also holds securitization exposures through the purchase of U.S. government and agency guaranteed securities. The Bank has not transferred any exposures that it has originated or purchased from a third party in connection with a securitization of assets as of December 31, 2024, nor does it have any outstanding exposures that it intends to be securitized as of December 31, 2024. The Bank did not recognize any gain or loss on securitized assets for the year ended December 31, 2024.

We are subject to liquidity risk with respect to our purchased securitization exposures. In volatile market conditions, it could be difficult to sell such investments, if the need arises, and the discounts from face value could likely be significant. In addition, because of the inherent uncertainty of determining the fair value of such investments that do not have a readily available market value during volatile market conditions, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for the investments. The Bank monitors its purchased ABS holdings on an ongoing basis, reviewing monthly credit performance metrics against outstanding credit enhancements, monitoring issuer and servicer performance, and tracking relevant ABS market conditions and credit spreads.

Below is an overview of our purchased securitization exposures held as of December 31, 2024, by exposure type and categorized by risk weighting band and risk-based capital approach. Refer to Note 3 of the accompanying financial statements.

Description of Securitization	Risk-Based Capital Approach	Exposure Amount (dollars in thousands)	Risk Weighted
Agency MBS:			
GNMA	Standardized Risk Weight	$ 3,265,069	0%
FNMA and FHLMC	Standardized Risk Weight	2,649,128	0%-20%
Total Agency MBS		$ 5,914,197	
Asset-backed securities:			
Small Business Administration	Standardized Risk Weight	$ 39,008	0%
Asset-backed securities	Gross-up	70,497	20%-100%
Total Asset-backed securities		$ 109,505	

Equities

The Bank has certain exposure to equity instruments. The Bank is a limited partner in certain RBICs for various relationship and strategic reasons. These RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. There have been no sales or liquidations of these investments during the period.

(dollars in thousands)	Disclosed in Other Assets	Life-to-Date (Losses) Gains Recognized in Retained Earnings*
RBICs	$19,900	$(13,534)

*Retained earnings is included in common equity tier 1 and total capital ratios.

The Bank also holds an investment in an unincorporated business entity (UBE), as defined by FCA regulation. The Bank holds this investment to manage an unusual and complex collateral associated with a loan workout.

The investments in the RBIC and URE are not publicly traded and are accounted for under the equity method. The book value approximates fair value. The Bank had no unrealized gains or losses either carried on the Balance Sheet or recognized through earnings.

Interest Rate Risk

Asset/liability management is the Bank's process for directing and controlling the composition, level and flow of funds related to the Bank's and Texas District's interest-rate-sensitive assets and liabilities. The Bank is able to manage the balance sheet composition by using various debt issuance strategies and hedging transactions to match its asset cash flows. Management's objective is to generate adequate and stable net interest income in a changing interest rate environment.

The Bank uses a variety of techniques to manage its financial exposure to changes in market interest rates. These include monitoring the difference in the maturities or repricing cycles of interest-rate-sensitive assets and liabilities; simulating changes in net interest income under various interest rate scenarios; and monitoring the change in the market value of interest-rate-sensitive assets and liabilities under various interest rate scenarios. The Bank measures interest rate risk on a quarterly basis.

The interest rate risk inherent in a Texas District Association's loan portfolio is substantially mitigated through its funding relationship with the Bank. The Bank manages the Texas District interest rate risk through its direct loan pricing and funding processes. Under the Farm Credit Act, an Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. An Association's indebtedness to the Bank, under a general financing agreement between the Bank and the Association, represents demand borrowings by the Association to fund the majority of its loan advances to Association members and is secured by the total assets of the Association.

The Bank's net interest income is determined by the difference between income earned on loans and investments and the interest expense paid on funding sources, typically Systemwide bonds and discount notes. The Bank's level of net interest income is affected by both changes in market interest rates and timing differences in the maturities or repricing cycles of interest-rate-sensitive assets and liabilities.

Depending upon the direction and magnitude of changes in market interest rates, the Bank's net interest income may be affected either positively or negatively by the mismatch in the maturity or the repricing cycle of interest-rate-sensitive assets and liabilities.

The Bank maintains a loan pricing philosophy that loan rates should be based on competitive market rates of interest. The Associations offer a wide variety of products, including SOFR- and prime-indexed variable-rate loans and loans with fixed-rate terms ranging from under one year to 30 years. The interest rates on these loans are directly related to the Bank's cost to issue debt in the capital markets and a credit spread added for borrower risk.

The Bank offers an array of loan programs to Associations that are designed to meet the needs of the Associations' borrowers. These loan programs have varying repayment terms, including fixed and level principal payments, and a choice of payment frequencies, such as monthly, quarterly, semiannual and annual payments. Additionally, the Bank offers a choice of prepayment options to meet customer needs.

Refer to the net interest income and market value of equity table in the Management's Discussion and Analysis on pages 25-27, which sets forth the Bank's projected sensitivity to interest rate movements as prescribed by policy as of December 31, 2024, based on the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2024.

OUR MISSION is to serve as a dependable provider of credit and other financial services to agriculture and rural communities.

FARM CREDIT
BANK OF TEXAS

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