

TEXAS FARM CREDIT SERVICES

2025 Quarterly Report



For the Quarter Ended September 30, 2025

REPORT OF MANAGEMENT

The consolidated financial statements of Texas Farm Credit Services (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

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

/s/ Mark Miller
Mark Miller, Chief Executive Officer
November 6, 2025

/s/ Jerry Chappell
Jerry Chappell, Chairman, Board of Directors
November 6, 2025

/s/ Heath Gattis
Heath Gattis, Chief Financial Officer
November 6, 2025

TEXAS FARM CREDIT SERVICES MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Texas Farm Credit Services (ACA), referred to as the Association, for the quarter ended September 30, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial associations established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

Effective December 1, 2024, Heritage Land Bank, ACA and its PCA and FLCA subsidiaries merged with and into Texas Farm Credit Services, ACA and its PCA and FLCA subsidiaries. The resulting effect on the September 30, 2025, financials will be most visible in prior period comparisons with September 30, 2024. While historical growth continued in the Texas Farm Credit Services premerger balance sheet and income statement through the date of the merger, the significant increases from September 30, 2024, to September 30, 2025, were primarily related to the merger.

The Association distributed patronage of approximately \$3,373,000 during the first quarter of 2025 as declared and approved premerger by the Heritage Land Bank (HLB) Board for former HLB stockholders based on 2024 results. The Association also distributed patronage of approximately \$23,558,000 in the second quarter of 2025 as declared based on 2024 results.

Loan Portfolio

Total loans outstanding at September 30, 2025, including nonaccrual loans and sales contracts, were \$3,126,609,253 compared to \$3,031,732,620 at December 31, 2024, reflecting an increase of 3.1 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.8 percent at September 30, 2025, compared to 0.8 percent at December 31, 2024.

The Association recorded \$3,305 in recoveries and \$0 in charge-offs for the three months ended September 30, 2025, and \$0 in recoveries and \$0 in charge-offs for the three months ended September 30, 2024. The Association recorded \$13,682 in recoveries and \$0 in charge-offs for the nine months ended September 30, 2025, and \$41,428 in recoveries and \$0 in charge-offs for the nine months ended September 30, 2024. The Association's allowance for loan losses was 0.2 percent and 0.3 percent of total loans outstanding as of September 30, 2025, and December 31, 2024, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	High-Risk Assets			
	September 30, 2025		December 31, 2024	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 25,415,552	94.1%	\$ 24,172,739	98.6%
90 days past due and still accruing interest	<u>1,493,347</u>	<u>5.5%</u>	<u>242,197</u>	<u>1.0%</u>
Nonperforming loans	<u>26,908,899</u>	<u>99.6%</u>	24,414,936	99.6%
Other property owned, net	<u>98,000</u>	<u>0.4%</u>	98,000	0.4%
Nonperforming assets	<u><u>\$ 27,006,899</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 24,512,936</u></u>	<u><u>100.0%</u></u>

Results of Operations

The Association had net income of \$14,992,521 and \$45,655,119 for the three and nine months ended September 30, 2025, as compared to net income of \$11,853,405 and \$36,662,474 for the same period in 2024, reflecting an increase of 26.5 and 24.5 percent. Net interest income was \$22,061,108 and \$65,589,991 for the three and nine months ended September 30, 2025, compared to \$16,618,141 and \$50,946,045 for the same period in 2024.

	Nine Months Ended			
	September 30, 2025		September 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 3,089,028,011	\$ 154,296,653	\$ 2,393,115,753	\$ 114,039,873
Investments	156,713	9,435	246,912	14,768
Total interest-earning assets	3,089,184,724	154,306,088	2,393,362,665	114,054,641
Interest-bearing liabilities	2,805,755,105	88,716,097	2,156,168,843	63,108,596
Impact of capital	\$ 283,429,619		\$ 237,193,822	
Net interest income		\$ 65,589,991		\$ 50,946,045

	2025	2024
	Average Yield	Average Yield
Yield on loans	6.68%	6.37%
Yield on investments	8.05%	7.99%
Total yield on interest-earning assets	6.68%	6.37%
Cost of interest-bearing liabilities	4.23%	3.91%
Interest rate spread	2.45%	2.46%
Net interest income as a percentage of average earning assets	2.84%	2.84%

	Nine Months Ended		
	September 30, 2025 vs. September 30, 2024		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 33,132,177	\$ 7,124,603	\$ 40,256,780
Interest income - investments	(5,390)	57	(5,333)
Total interest income	33,126,787	7,124,660	40,251,447
Interest expense	18,994,984	6,612,517	25,607,501
Net interest income	\$ 14,131,803	\$ 512,143	\$ 14,643,946

Interest income for the three and nine months ended September 30, 2025, increased by \$14,444,904 and \$40,251,447, or 37.8 percent and 35.3 percent, respectively, from the same periods of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2025, increased by \$9,001,937 and \$25,607,501, or 41.6 percent and 40.6 percent, from the same periods of 2024 due to an increase in the cost of funding as well as an increase in average debt volume. Average loan volume for the third quarter of 2025 was \$3,089,028,011, compared to \$2,393,115,753 in the third quarter of 2024. The average net interest rate spread on the loan portfolio for the third quarter of 2025 was 2.45 percent, compared to 2.46 percent in the third quarter of 2024.

The Association's return on average assets for the nine months ended September 30, 2025, was 1.90 percent compared to 1.97 percent for the same period in 2024. The Association's return on average equity for the nine months ended September 30, 2025, was 14.35 percent, compared to 16.19 percent for the same period in 2024.

Noninterest income for the nine months ended September 30, 2025, increased by \$1,434,955, or 9.7 percent, compared to the same period of 2024, primarily due to an increase in direct note patronage accrual, loan fees and gain on sale of premises and equipment. Noninterest expense for the nine months ended September 30, 2025, increased by \$8,730,146, or 31.1 percent, compared to the same period of 2024, primarily due to an increase in salaries and employee benefits, occupancy expense, public and member relations and insurance fund premiums.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Note payable to the Bank	\$ 2,800,246,534	\$ 2,692,694,529
Accrued interest on note payable	9,502,173	8,824,440
Total	<u>\$ 2,809,748,707</u>	<u>\$ 2,701,518,969</u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$2,800,246,534 as of September 30, 2025, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.23 percent at September 30, 2025. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to the Association's increased debt on match-funded loan assets. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$328,927,305 at September 30, 2025. The maximum amount the Association may borrow from the Bank as of September 30, 2025, was \$3,146,635,017 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The Association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the Association was 2.00 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Association increased to 2.50 percent of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase investment in the Bank of \$13,397,260 and was recorded in the first quarter of 2025.

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

Capital Resources

The Association's capital position increased by \$45,270,794 at September 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 6.31:1 as of September 30, 2025, compared to 6.83:1 as of December 31, 2024.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 30, 2025, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2024 Annual Report of Association more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box.202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at www.farmcreditbank.com.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Texas Farm Credit Services, 545 South Hwy. 77, Robstown, Texas, 78380 or calling (361) 387-8563. The annual and quarterly stockholder reports for the Association are also available on its website at www.texasfarmcredit.com. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing hgattis@texasfarmcredit.com.

TEXAS FARM CREDIT SERVICES
CONSOLIDATED BALANCE SHEETS

	September 30, 2025	December 31, 2024
<u>ASSETS</u>	(unaudited)	
Cash	\$ 18,297	\$ 25,385
Investments	179,274	175,600
Loans	3,126,609,253	3,031,732,620
Less: allowance for credit losses on loans	7,431,183	7,883,370
Net loans	3,119,178,070	3,023,849,250
Accrued interest receivable	35,528,108	28,089,835
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	70,622,827	57,247,217
Other	13,430,612	12,410,850
Investment in other Farm Credit Institutions	2,494,262	-
Deferred taxes, net	262,228	150,827
Other property owned, net	98,000	98,000
Premises and equipment, net	28,654,752	26,617,755
Other assets	7,995,195	6,730,800
Total assets	\$ 3,278,461,625	\$ 3,155,395,519
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 2,800,246,534	\$ 2,692,694,529
Advance conditional payments	342,316	921,903
Accrued interest payable	9,502,173	8,824,440
Drafts outstanding	209,645	(569)
Patronage distributions payable	-	26,340,395
Other liabilities	19,815,465	23,540,123
Total liabilities	2,830,116,133	2,752,320,821
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	6,142,020	6,545,990
Additional paid-in capital	141,026,305	141,026,305
Allocated retained earnings	51,168,036	51,168,036
Unallocated retained earnings	249,829,635	204,140,048
Accumulated other comprehensive income	179,496	194,319
Total members' equity	448,345,492	403,074,698
Total liabilities and members' equity	\$ 3,278,461,625	\$ 3,155,395,519

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
<u>INTEREST INCOME</u>				
Loans	\$ 52,677,578	\$ 38,231,043	\$ 154,296,653	\$ 114,039,873
Investments	2,712	4,343	9,435	14,768
Total interest income	<u>52,680,290</u>	<u>38,235,386</u>	<u>154,306,088</u>	<u>114,054,641</u>
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	30,616,614	21,604,813	88,706,947	63,083,456
Advance conditional payments	2,568	12,432	9,150	25,140
Total interest expense	<u>30,619,182</u>	<u>21,617,245</u>	<u>88,716,097</u>	<u>63,108,596</u>
Net interest income	<u>22,061,108</u>	<u>16,618,141</u>	<u>65,589,991</u>	<u>50,946,045</u>
<u>PROVISION FOR LOAN LOSSES</u>				
Net interest income after provision for credit losses on loans	<u>(673,623)</u>	<u>458,048</u>	<u>(496,784)</u>	<u>1,183,489</u>
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	1,815,905	2,074,588	6,954,042	6,254,673
Loan fees	1,586,752	1,595,045	4,666,554	4,051,631
Refunds from Farm Credit System Insurance Corporation	-	-	539,160	685,571
Financially related services income	575,870	858,043	3,234,663	3,354,435
Gain (loss) on other property owned, net	(4,809)	-	(4,293)	-
Gain (loss) on sale of premises and equipment, net	192,203	92,819	535,086	328,051
Other noninterest income	141,022	56,119	371,752	187,648
Total noninterest income	<u>4,306,943</u>	<u>4,676,614</u>	<u>16,296,964</u>	<u>14,862,009</u>
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	7,116,174	5,340,673	21,680,222	16,003,702
Directors' expense	256,766	195,446	631,333	410,450
Purchased services	257,552	257,924	708,072	696,450
Travel	589,196	452,447	1,467,517	1,264,332
Occupancy and equipment	1,005,326	585,057	3,538,793	2,835,510
Communications	122,367	86,962	396,932	277,196
Advertising	122,496	130,407	414,344	324,050
Public and member relations	482,613	283,221	1,415,839	993,447
Supervisory and exam expense	203,809	163,529	714,476	636,270
Insurance fund premiums	682,728	520,444	2,011,623	1,546,420
Merger-implementation and restructuring costs	57	80,868	(25,496)	182,028
Other noninterest expense	991,158	847,724	3,819,465	2,873,119
Total noninterest expenses	<u>11,830,242</u>	<u>8,944,702</u>	<u>36,773,120</u>	<u>28,042,974</u>
Income before income taxes	<u>15,211,432</u>	<u>11,892,005</u>	<u>45,610,619</u>	<u>36,581,591</u>
Provision for (benefit from) income taxes	<u>218,911</u>	<u>38,600</u>	<u>(44,500)</u>	<u>(80,883)</u>
NET INCOME	<u>14,992,521</u>	<u>11,853,405</u>	<u>45,655,119</u>	<u>36,662,474</u>
Other comprehensive income:				
Change in postretirement benefit plans	<u>(4,941)</u>	<u>(19,722)</u>	<u>(14,823)</u>	<u>(59,166)</u>
COMPREHENSIVE INCOME	<u>\$ 14,987,580</u>	<u>\$ 11,833,683</u>	<u>\$ 45,640,296</u>	<u>\$ 36,603,308</u>

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Additional Paid-in-Capital</u>	<u>Retained Earnings</u>		<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
			<u>Allocated</u>	<u>Unallocated</u>		
Balance at December 31, 2023	\$ 4,623,975	\$ 47,596,495	\$ 52,244,352	\$ 179,106,436	\$ 822,824	\$ 284,394,082
Comprehensive income	-	-	-	36,662,474	(59,166)	36,603,308
Capital stock/participation certificates and allocated retained earnings issued	227,380	-	-	-	-	227,380
Capital stock/participation certificates and allocated retained earnings retired	(788,105)	-	-	-	-	(788,105)
Patronage refunds:						
Cash	-	-	-	64,323	-	64,323
Balance at September 30, 2024	<u>\$ 4,063,250</u>	<u>\$ 47,596,495</u>	<u>\$ 52,244,352</u>	<u>\$ 215,833,233</u>	<u>\$ 763,658</u>	<u>\$ 320,500,988</u>
Balance at December 31, 2024	\$ 6,545,990	\$ 141,026,305	\$ 51,168,036	\$ 204,140,048	\$ 194,319	\$ 403,074,698
Comprehensive income	-	-	-	45,655,119	(14,823)	45,640,296
Capital stock/participation certificates and allocated retained earnings issued	379,740	-	-	-	-	379,740
Capital stock/participation certificates	(783,710)	-	-	-	-	(783,710)
Patronage refunds:						
Cash	-	-	-	(606,083)	-	(606,083)
Prior Period Adjustment	-	-	-	640,551	-	640,551
Balance at September 30, 2025	<u>\$ 6,142,020</u>	<u>\$ 141,026,305</u>	<u>\$ 51,168,036</u>	<u>\$ 249,829,635</u>	<u>\$ 179,496</u>	<u>\$ 448,345,492</u>

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

TEXAS FARM CREDIT SERVICES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

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

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In September 2025, the FASB issued ASU 2025-07 Derivatives and Hedging and Revenue from Contracts with Customers. The amendment updates (1) the accounting rules for businesses by providing a scope exception for certain derivative contracts that are based on operations or activities specific to one of the parties, and it (2) clarifies that the revenue guidance in ASC 606 applies to share-based noncash consideration received from customers. The standard is effective for annual periods starting after December 15, 2026, with early adoption permitted. The Association is currently assessing the potential impact of this amendment on its disclosures.

In September 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where capitalization occurs when management has authorized and committed to funding, and it is probable that the project will be completed and the software used as intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently assessing the potential impact of this amendment on its disclosures.

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. This update provides (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The accounting policy election allows an entity to consider collection activity after the balance sheet date when estimating expected credit losses. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently assessing the potential impact of this standard on its disclosures.

In November 2024, FASB issued ASU 2024-03 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities, and

require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity:

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

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

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

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association’s financial condition, results of operations or cash flows.]

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

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

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective 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 our financial condition or results of operations or cash flows {but impacted segment disclosures (if applicable)}.

NOTE 2 — INVESTMENTS:

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

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

September 30, 2025					
	Amortized Cost	Gross Unrealized Gains	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	\$ 179,274	\$ (1,216)	\$ 178,058	6.25%	3.20 Years

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

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

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

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

Accrued interest of \$2,533 and \$3,257 as of September 30, 2025 and December 31, 2024, has been excluded from the amortized cost basis of the total investment securities.

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

A summary of loans by type follows:

Loan Type	September 30, 2025	December 31, 2024
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 2,549,987,033	\$ 2,462,677,309
Production and intermediate-term	324,533,689	324,610,472
Agribusiness:		
Processing and marketing	127,375,420	121,817,357
Farm-related business	37,687,452	35,492,574
Loans to cooperatives	23,916,965	15,590,216
Communication	23,156,233	22,717,773
Rural residential real estate	20,216,832	22,868,382
Water and waste-water	7,448,239	12,949,148
Energy	6,059,942	6,141,874
Agricultural export finance	5,589,441	6,178,777
Mission-related investments	638,007	688,738
Total	\$ 3,126,609,253	\$ 3,031,732,620

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at September 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Real estate mortgage	\$ 75,596,301	\$ 113,652,841	\$ 6,916,618	\$ -	\$ 82,512,918
Production and intermediate-term	40,445,952	21,267,511	-	-	40,445,952	21,267,511
Agribusiness	127,738,828	4,934,551	3,977,732	-	131,716,560	4,934,551
Communication	23,156,233	-	-	-	23,156,233	-
Water and waste-water	7,258,051	-	-	-	7,258,051	-
Energy	6,059,942	-	-	-	6,059,942	-
Agricultural export finance	5,589,441	-	-	-	5,589,441	-
Total	\$ 285,844,748	\$ 139,854,903	\$ 10,894,349	\$ -	\$ 296,739,097	\$ 139,854,903

The Association 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 Association on such balances. Balances of ACPs were \$342,316 and \$921,903 at September 30, 2025, and December 31, 2024, respectively.

Credit Quality

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

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the next twelve months. The loss given default is management’s estimate as to the anticipated principal loss on a specific loan assuming default

occurs. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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

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

The following table presents credit quality indicators by loan type and the related amortized cost loan balance as of September 30, 2025:

	Term Loans							Revolving Loans Amortized Cost Basis	Total
	Amortized Cost by Origination Year								
September 30, 2025	2025	2024	2023	2022	2021	Prior			
Real estate mortgage									
Acceptable	\$ 271,840,233	\$ 299,847,878	\$ 253,565,997	\$ 369,931,688	\$ 612,968,461	\$ 701,262,778	\$ 1,166,740	\$ 2,510,583,775	
OAEM	3,884,000	-	452,061	2,815,660	2,742,621	5,628,342	-	15,522,684	
Substandard/Doubtful	259,204	276,372	11,536,820	1,680,327	1,272,069	8,855,782	-	23,880,574	
	<u>\$ 275,983,437</u>	<u>\$ 300,124,250</u>	<u>\$ 265,554,878</u>	<u>\$ 374,427,675</u>	<u>\$ 616,983,151</u>	<u>\$ 715,746,902</u>	<u>\$ 1,166,740</u>	<u>\$ 2,549,987,033</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Production and intermediate-term									
Acceptable	\$ 47,336,309	\$ 51,398,885	\$ 9,573,551	\$ 10,418,290	\$ 6,404,042	\$ 11,074,976	\$ 146,136,767	\$ 282,342,820	
OAEM	11,384,598	8,891,937	-	519,951	374,207	18,874	7,170,547	28,360,114	
Substandard/Doubtful	9,848,595	897,185	1,417,832	62,204	29,884	-	1,575,055	13,830,755	
	<u>\$ 68,569,502</u>	<u>\$ 61,188,007</u>	<u>\$ 10,991,383</u>	<u>\$ 11,000,445</u>	<u>\$ 6,808,133</u>	<u>\$ 11,093,850</u>	<u>\$ 154,882,369</u>	<u>\$ 324,533,689</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Agribusiness									
Acceptable	\$ 28,345,466	\$ 20,603,657	\$ 16,795,912	\$ 37,301,088	\$ 3,964,901	\$ 19,466,731	\$ 45,584,988	\$ 172,062,743	
OAEM	-	3,479,866	-	-	-	-	201,075	3,680,941	
Substandard/Doubtful	1,610,080	-	-	2,974,802	-	6,959,960	1,691,311	13,236,153	
	<u>\$ 29,955,546</u>	<u>\$ 24,083,523</u>	<u>\$ 16,795,912</u>	<u>\$ 40,275,890</u>	<u>\$ 3,964,901</u>	<u>\$ 26,426,691</u>	<u>\$ 47,477,374</u>	<u>\$ 188,979,837</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Communications									
Acceptable	\$ -	\$ 7,508,060	\$ 9,381,773	\$ -	\$ -	\$ 5,533,116	\$ 406,235	\$ 22,829,184	
OAEM	-	327,049	-	-	-	-	-	327,049	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ 7,835,109</u>	<u>\$ 9,381,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,533,116</u>	<u>\$ 406,235</u>	<u>\$ 23,156,233</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Energy									
Acceptable	\$ -	\$ 1,434,605	\$ 3,497,571	\$ -	\$ -	\$ 1,127,766	\$ -	\$ 6,059,942	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ 1,434,605</u>	<u>\$ 3,497,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,766</u>	<u>\$ -</u>	<u>\$ 6,059,942</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Water and waste-water									
Acceptable	\$ -	\$ 190,188	\$ 6,000,569	\$ 1,257,482	\$ -	\$ -	\$ -	\$ 7,448,239	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ 190,188</u>	<u>\$ 6,000,569</u>	<u>\$ 1,257,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,448,239</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Rural residential real estate									
Acceptable	\$ -	\$ 337,335	\$ 1,072,550	\$ 1,253,720	\$ 4,070,063	\$ 12,692,697	\$ -	\$ 19,426,365	
OAEM	-	-	-	-	-	288,975	-	288,975	
Substandard/Doubtful	-	-	-	-	-	501,492	-	501,492	
	<u>\$ -</u>	<u>\$ 337,335</u>	<u>\$ 1,072,550</u>	<u>\$ 1,253,720</u>	<u>\$ 4,070,063</u>	<u>\$ 13,483,164</u>	<u>\$ -</u>	<u>\$ 20,216,832</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
International									
Acceptable	\$ -	\$ -	\$ 5,589,441	\$ -	\$ -	\$ -	\$ -	\$ 5,589,441	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,589,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,589,441</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Mission-related									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 638,007	\$ -	\$ 638,007	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,007</u>	<u>\$ -</u>	<u>\$ 638,007</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Loans									
Acceptable	\$ 347,522,008	\$ 381,320,608	\$ 305,477,364	\$ 420,162,268	\$ 627,407,467	\$ 751,796,071	\$ 193,294,730	\$ 3,026,980,516	
OAEM	15,268,598	12,698,852	452,061	3,335,611	3,116,828	5,936,191	7,371,622	48,179,763	
Substandard/Doubtful	11,717,879	1,173,557	12,954,652	4,717,333	1,301,953	16,317,234	3,266,366	51,448,974	
	<u>\$ 374,508,485</u>	<u>\$ 395,193,017</u>	<u>\$ 318,884,077</u>	<u>\$ 428,215,212</u>	<u>\$ 631,826,248</u>	<u>\$ 774,049,496</u>	<u>\$ 203,932,718</u>	<u>\$ 3,126,609,253</u>	
Gross charge-offs for the nine months ended September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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

December 31, 2024	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost		Total
	2024	2023	2022	2021	2020	Prior	Basis		
Real estate mortgage									
Acceptable	\$ 273,153,778	\$ 295,800,814	\$ 407,496,201	\$ 658,840,321	\$ 339,359,056	\$ 454,701,036	\$ 1,318,361	\$ 2,430,669,567	
OAEM	-	-	2,889,544	1,854,394	3,242,505	2,559,917	-	10,546,360	
Substandard/Doubtful	694,829	11,349,436	96,170	2,964,238	2,689,906	3,666,803	-	21,461,382	
	<u>\$ 273,848,607</u>	<u>\$ 307,150,250</u>	<u>\$ 410,481,915</u>	<u>\$ 663,658,953</u>	<u>\$ 345,291,467</u>	<u>\$ 460,927,756</u>	<u>\$ 1,318,361</u>	<u>\$ 2,462,677,309</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Production and intermediate-term									
Acceptable	\$ 68,375,077	\$ 25,556,006	\$ 13,315,062	\$ 8,331,751	\$ 13,098,563	\$ 2,894,244	\$ 154,623,609	\$ 286,194,312	
OAEM	12,458,499	4,709,659	673,419	428,356	37,044	-	5,787,668	24,094,645	
Substandard/Doubtful	5,638,044	7,730,289	-	86,876	-	197,102	669,204	14,321,515	
	<u>\$ 86,471,620</u>	<u>\$ 37,995,954</u>	<u>\$ 13,988,481</u>	<u>\$ 8,846,983</u>	<u>\$ 13,135,607</u>	<u>\$ 3,091,346</u>	<u>\$ 161,080,481</u>	<u>\$ 324,610,472</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Agribusiness									
Acceptable	\$ 24,101,750	\$ 21,219,745	\$ 40,626,461	\$ 10,794,525	\$ 16,762,063	\$ 4,598,375	\$ 38,313,711	\$ 156,416,630	
OAEM	1,045,683	-	2,992,713	-	-	-	1,623,797	5,662,193	
Substandard/Doubtful	-	1,950,844	-	-	4,098,884	4,771,596	-	10,821,324	
	<u>\$ 25,147,433</u>	<u>\$ 23,170,589</u>	<u>\$ 43,619,174</u>	<u>\$ 10,794,525</u>	<u>\$ 20,860,947</u>	<u>\$ 9,369,971</u>	<u>\$ 39,937,508</u>	<u>\$ 172,900,147</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Communications									
Acceptable	\$ 7,086,431	\$ 9,475,271	\$ -	\$ -	\$ 5,575,380	\$ -	\$ 240,142	\$ 22,377,224	
OAEM	340,549	-	-	-	-	-	-	340,549	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ 7,426,980</u>	<u>\$ 9,475,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,575,380</u>	<u>\$ -</u>	<u>\$ 240,142</u>	<u>\$ 22,717,773</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Energy									
Acceptable	\$ 1,434,500	\$ 3,496,786	\$ -	\$ -	\$ -	\$ 1,210,588	\$ -	\$ 6,141,874	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ 1,434,500</u>	<u>\$ 3,496,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,588</u>	<u>\$ -</u>	<u>\$ 6,141,874</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Water/waste disposal									
Acceptable	\$ 266,314	\$ 7,405,215	\$ 2,749,217	\$ 2,473,083	\$ -	\$ -	\$ 55,319	\$ 12,949,148	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ 266,314</u>	<u>\$ 7,405,215</u>	<u>\$ 2,749,217</u>	<u>\$ 2,473,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,319</u>	<u>\$ 12,949,148</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Rural residential real estate									
Acceptable	\$ 362,644	\$ 1,479,859	\$ 1,264,369	\$ 4,417,688	\$ 2,817,254	\$ 11,615,145	\$ -	\$ 21,956,959	
OAEM	-	-	-	-	-	428,246	-	428,246	
Substandard/Doubtful	-	-	-	-	92,423	390,754	-	483,177	
	<u>\$ 362,644</u>	<u>\$ 1,479,859</u>	<u>\$ 1,264,369</u>	<u>\$ 4,417,688</u>	<u>\$ 2,909,677</u>	<u>\$ 12,434,145</u>	<u>\$ -</u>	<u>\$ 22,868,382</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
International									
Acceptable	\$ -	\$ 5,588,746	\$ -	\$ -	\$ -	\$ -	\$ 590,031	\$ 6,178,777	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ 5,588,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,031</u>	<u>\$ 6,178,777</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Mission-related									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 688,738	\$ -	\$ 688,738	
OAEM	-	-	-	-	-	-	-	-	
Substandard/Doubtful	-	-	-	-	-	-	-	-	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,738</u>	<u>\$ -</u>	<u>\$ 688,738</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Loans									
Acceptable	\$ 374,780,494	\$ 370,022,442	\$ 465,451,310	\$ 684,857,368	\$ 377,612,316	\$ 475,708,126	\$ 195,141,173	\$ 2,943,573,229	
OAEM	13,844,731	4,709,659	6,555,676	2,282,750	3,279,549	2,988,163	7,411,465	41,071,993	
Substandard/Doubtful	6,332,873	21,030,569	96,170	3,051,114	6,881,213	9,026,255	669,204	47,087,398	
	<u>\$ 394,958,098</u>	<u>\$ 395,762,670</u>	<u>\$ 472,103,156</u>	<u>\$ 690,191,232</u>	<u>\$ 387,773,078</u>	<u>\$ 487,722,544</u>	<u>\$ 203,221,842</u>	<u>\$ 3,031,732,620</u>	
Gross charge-offs for the year ended December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

The following table shows the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of September 30, 2025 and December 31, 2024:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage		
Acceptable	98.1 %	98.4 %
OAEM	0.9 %	0.7 %
Substandard/doubtful	1.0 %	0.9 %
	<u>100.0 %</u>	<u>100.0 %</u>
Production and intermediate-term		
Acceptable	87.0 %	88.2 %
OAEM	8.7 %	7.4 %
Substandard/doubtful	4.3 %	4.4 %
	<u>100.0 %</u>	<u>100.0 %</u>
Loans to cooperatives		
Acceptable	84.5 %	76.1 %
OAEM	- %	23.9 %
Substandard/doubtful	15.5 %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Processing and marketing		
Acceptable	92.5 %	94.4 %
OAEM	2.9 %	4.0 %
Substandard/doubtful	4.6 %	1.6 %
	<u>100.0 %</u>	<u>100.0 %</u>
Farm-related business		
Acceptable	81.5 %	73.9 %
OAEM	- %	1.1 %
Substandard/doubtful	18.5 %	25.0 %
	<u>100.0 %</u>	<u>100.0 %</u>
Communication		
Acceptable	98.6 %	98.5 %
OAEM	1.4 %	1.5 %
Substandard/doubtful	- %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Energy		
Acceptable	100.0 %	100.0 %
OAEM	- %	- %
Substandard/doubtful	- %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Water and waste disposal		
Acceptable	100.0 %	100.0 %
OAEM	- %	- %
Substandard/doubtful	- %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Rural residential real estate		
Acceptable	96.1 %	96.0 %
OAEM	1.4 %	1.9 %
Substandard/doubtful	2.5 %	2.1 %
	<u>100.0 %</u>	<u>100.0 %</u>
Agricultural export finance		
Acceptable	100.0 %	100.0 %
OAEM	- %	- %
Substandard/doubtful	- %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Mission-related investments		
Acceptable	100.0 %	100.0 %
OAEM	- %	- %
Substandard/doubtful	- %	- %
	<u>100.0 %</u>	<u>100.0 %</u>
Total loans		
Acceptable	96.4 %	96.8 %
OAEM	1.8 %	1.7 %
Substandard/doubtful	1.8 %	1.5 %
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$35,525,574 and \$28,086,578 at September 30, 2025 and December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association wrote off accrued interest receivable against interest income of \$195,847 and \$203,864 during the three and nine months ended September 30, 2025, respectively. During the three and nine months ended September 30, 2024, the Association wrote off accrued interest receivable against interest income of \$5,602 and \$16,693, respectively.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Nonaccrual loans:		
Real estate mortgage	\$ 14,305,764	\$ 13,258,992
Production and intermediate-term	2,224,150	-
Agribusiness	8,687,093	10,821,324
Rural residential real estate	198,545	92,423
Total nonaccrual loans	<u>25,415,552</u>	<u>24,172,739</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	1,493,347	123,044
Production and intermediate-term	-	5
Rural residential real estate	-	119,148
Total accruing loans 90 days or more past due	<u>1,493,347</u>	<u>242,197</u>
Other property owned	98,000	98,000
Total nonperforming assets	<u>\$ 27,006,899</u>	<u>\$ 24,512,936</u>
Nonaccrual loans as a percentage of total loans	0.81%	0.80%
Nonperforming assets as a percentage of total loans and other property owned	0.86%	0.81%
Nonperforming assets as a percentage of capital	6.02%	6.08%

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

	<u>September 30, 2025</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2025</u>	<u>For the Nine Months Ended September 30, 2025</u>
Nonaccrual loans:					
Real estate mortgage	\$ 11,099,896	\$ 3,205,868	\$ 14,305,764	\$ 506,313	\$ 525,516
Production and intermediate-term	1,223,299	1,000,851	2,224,150	2,641	16,130
Agribusiness	-	8,687,093	8,687,093	-	65,882
Rural residential real estate	-	198,545	198,545	-	-
Total nonaccrual loans	<u>\$ 12,323,195</u>	<u>\$ 13,092,357</u>	<u>\$ 25,415,552</u>	<u>\$ 508,954</u>	<u>\$ 607,528</u>
	<u>September 30, 2024</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2024</u>
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 2,213,878	\$ 2,213,878	\$ 373,572	\$ 853,601
Production and intermediate-term	-	-	-	22,024	1,226,918
Agribusiness	-	8,870,480	8,870,480	-	3,232
Energy and Water/waste disposal	250,784	-	250,784	-	-
Total nonaccrual loans	<u>\$ 250,784</u>	<u>\$ 11,084,358</u>	<u>\$ 11,335,142</u>	<u>\$ 395,596</u>	<u>\$ 2,083,751</u>

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days Past Due and Accruing
September 30, 2025						
Real estate mortgage	\$ 31,884,195	\$ 13,382,006	\$ 45,266,201	\$ 2,504,720,832	\$ 2,549,987,033	\$ 1,493,347
Production and intermediate term	428,283	1,223,299	1,651,582	322,882,107	324,533,689	-
Processing and marketing	-	1,727,133	1,727,133	125,648,287	127,375,420	-
Farm-related business	-	6,959,960	6,959,960	30,727,492	37,687,452	-
Loans to cooperatives	-	-	-	23,916,965	23,916,965	-
Communication	-	-	-	23,156,233	23,156,233	-
Rural residential real estate	-	-	-	20,216,832	20,216,832	-
Water and waste-water	-	-	-	7,448,239	7,448,239	-
Energy	-	-	-	6,059,942	6,059,942	-
Agricultural export finance	-	-	-	5,589,441	5,589,441	-
Mission-related investments	-	-	-	638,007	638,007	-
Total	\$ 32,312,478	\$ 23,292,398	\$ 55,604,876	\$ 3,071,004,377	\$ 3,126,609,253	\$ 1,493,347

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days Past Due and Accruing
December 31, 2024						
Real estate mortgage	\$ 12,981,904	\$ 11,893,171	\$ 24,875,075	\$ 2,437,802,234	\$ 2,462,677,309	\$ 123,044
Production and intermediate term	299,458	5	299,463	324,311,009	324,610,472	5
Processing and marketing	1,950,844	-	1,950,844	119,866,513	121,817,357	-
Farm-related business	-	-	-	35,492,574	35,492,574	-
Loans to cooperatives	-	-	-	15,590,216	15,590,216	-
Rural residential real estate	403,162	119,148	522,310	22,346,072	22,868,382	119,148
Communication	-	-	-	22,717,773	22,717,773	-
Water and waste-water	-	-	-	12,949,148	12,949,148	-
Agricultural export finance	-	-	-	6,178,777	6,178,777	-
Energy	-	-	-	6,141,874	6,141,874	-
Mission-related investments	-	-	-	688,738	688,738	-
Total	\$ 15,635,368	\$ 12,012,324	\$ 27,647,692	\$ 3,004,084,928	\$ 3,031,732,620	\$ 242,197

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

There were no loan modifications granted to borrowers during the three months ended September 30, 2025 and 2024.

For loan modifications granted to borrowers during the nine months ended September 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of September 30, 2025, disaggregated by loan type and type of modification granted.

	<u>Payment Deferral</u>
Loans to cooperatives	\$ 3,336,722

There were no loan modifications granted to borrowers during the nine months ended September 30, 2024.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine months ended September 30, 2025 and 2024 was \$95,597 and \$0, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the nine months ended September 30, 2025:

	<u>Financial Effect For the Nine Months Ended September 30, 2025</u>
Loans to cooperatives	<u>Payment Deferral</u> Extended the principal payment 12.7 years

There were no loans to borrowers experiencing financial difficulties that defaulted during the three and nine months ended September 30, 2025 and 2024, and received a modification in the twelve months before default.

The following table sets forth an aging analysis at September 30, 2025 of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2025:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
	Loans to cooperatives	\$ 3,336,722	\$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2025.

Allowance for Credit Losses

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

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2025 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water/Waste Disposal	Rural Residential Real Estate	International	Mission related investments	Total
Allowance for credit losses on loans:										
Balance at June 30, 2025	\$ 5,858,548	\$ 1,816,645	\$ 247,450	\$ 30,897	\$ 8,129	\$ 13,713	\$ 28,371	\$ 7,463	\$ 860	\$ 8,012,076
Recoveries	-	3,305	-	-	-	-	-	-	-	3,305
Provision for credit losses (credit loss reversal)	55,372	(638,321)	4,162	(66)	(61)	(3,797)	(1,454)	(22)	(11)	(584,198)
Balance at September 30, 2025	5,913,920	1,181,629	251,612	30,831	8,068	9,916	26,917	7,441	849	7,431,183
Allowance for credit losses on unfunded commitments:										
Balance at June 30, 2025	3,686	153,825	83,464	1,815	-	189	-	904	-	243,883
Provision for unfunded commitments	(887)	(90,517)	2,182	(33)	-	(80)	-	(90)	-	(89,425)
Balance at September 30, 2025	2,799	63,308	85,646	1,782	-	109	-	814	-	154,458
Total allowance for credit losses	\$ 5,916,719	\$ 1,244,937	\$ 337,258	\$ 32,613	\$ 8,068	\$ 10,025	\$ 26,917	\$ 8,255	\$ 849	\$ 7,585,641

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water/Waste Disposal	Rural Residential Real Estate	International	Mission related investments	Total
Allowance for credit losses on loans:										
Balance at December 31, 2024	\$ 5,662,639	\$ 633,580	\$ 1,500,223	\$ 27,602	\$ 7,463	\$ 15,733	\$ 27,786	\$ 7,507	\$ 837	\$ 7,883,370
Recoveries	2,117	11,565	-	-	-	-	-	-	-	13,682
Provision for credit losses/(credit loss reversal)	249,164	536,484	(1,248,611)	3,229	605	(5,817)	(869)	(66)	12	(465,869)
Balance at September 30, 2025	5,913,920	1,181,629	251,612	30,831	8,068	9,916	26,917	7,441	849	7,431,183
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2024	3,223	86,672	91,237	2,545	-	228	-	1,468	-	185,373
Provision for unfunded commitments	(424)	(23,364)	(5,591)	(763)	-	(119)	-	(654)	-	(89,915)
Balance at September 30, 2025	2,799	63,308	85,646	1,782	-	109	-	814	-	154,458
Total allowance for credit losses	\$ 5,916,719	\$ 1,244,937	\$ 337,258	\$ 32,613	\$ 8,068	\$ 10,025	\$ 26,917	\$ 8,255	\$ 849	\$ 7,585,641

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2024 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water/Waste Disposal	Rural Residential Real Estate	International	Mission related investments	Total
Allowance for credit losses on loans:										
Balance at June 30, 2024	\$ 2,015,529	\$ 808,832	\$ 161,318	\$ 17,009	\$ 111,238	\$ 13,847	\$ 1,042	\$ 6,245	\$ 755	\$ 3,135,815
Provision for loan losses (credit loss reversal)	555,345	(144,587)	60,565	12,479	1,870	3,679	263	2,419	199	492,232
Balance at September 30, 2024	2,570,874	664,245	221,883	29,488	113,108	17,526	1,305	8,664	954	3,628,047
Allowance for credit losses on unfunded commitments:										
Balance at June 30, 2024	3,609	90,912	69,790	1,951	-	212	-	1,801	-	168,275
Provision for unfunded commitments	(898)	(30,215)	(3,978)	1,040	-	10	-	(143)	-	(34,184)
Balance at September 30, 2024	2,711	60,697	65,812	2,991	-	222	-	1,658	-	134,091
Total allowance for credit losses	\$ 2,573,585	\$ 724,942	\$ 287,695	\$ 32,479	\$ 113,108	\$ 17,748	\$ 1,305	\$ 10,322	\$ 954	\$ 3,762,138

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water/Waste Disposal	Rural Residential Real Estate	International	Mission related investments	Total
Allowance for credit losses on loans:										
Balance at December 31, 2023	\$ 1,816,277	\$ 289,199	\$ 153,176	\$ 20,152	\$ 109,309	\$ 14,606	\$ 985	\$ 5,486	\$ 732	\$ 2,409,922
Recoveries	-	41,428	-	-	-	-	-	-	-	41,428
Provision for loan losses (credit loss reversal)	754,597	333,618	68,707	9,336	3,799	2,920	320	3,178	222	1,176,697
Balance at September 30, 2024	<u>2,570,874</u>	<u>664,245</u>	<u>221,883</u>	<u>29,488</u>	<u>113,108</u>	<u>17,526</u>	<u>1,305</u>	<u>8,664</u>	<u>954</u>	<u>3,628,047</u>
Allowance for credit losses on unfunded commitments:										
Balance at December 31, 2023	723	97,550	23,745	718	-	112	-	4,451	-	127,299
Provision for unfunded commitments	1,988	(36,853)	42,067	2,273	-	110	-	(2,793)	-	6,792
Balance at September 30, 2024	<u>2,711</u>	<u>60,697</u>	<u>65,812</u>	<u>2,991</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>1,658</u>	<u>-</u>	<u>134,091</u>
Total allowance for credit losses	<u>\$ 2,573,585</u>	<u>\$ 724,942</u>	<u>\$ 287,695</u>	<u>\$ 32,479</u>	<u>\$ 113,108</u>	<u>\$ 17,748</u>	<u>\$ 1,305</u>	<u>\$ 10,322</u>	<u>\$ 954</u>	<u>\$ 3,762,138</u>

Discussion of Changes in Allowance for Credit Losses

The ACL decreased \$452,187 to \$7,431,183 at September 30, 2025, as compared to \$7,883,370 at December 31, 2024. This is largely due to an increase in loan volume offset by a decrease in specific allowance due to nonaccrual loan payoffs.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two of years. The economic scenarios utilized in the September 30, 2025, 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 forecast incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 4 —LEASES:

The components of lease expense were as follows:

Classification	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Operating lease cost	\$ 52,747	\$ 54,602	\$ 134,997	\$ 312,276
Short-term lease cost	5,550	5,450	19,935	14,450
Finance lease cost:				
Amortization of right-of-use assets	(9,060)	2,940	9,098	(139,649)
Net lease cost	<u>\$ 49,237</u>	<u>\$ 62,992</u>	<u>\$ 164,030</u>	<u>\$ 187,077</u>

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 43,687	\$ 57,542	\$ 144,096	\$ 172,627
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ 52,747	\$ 54,602	\$ 134,997	\$ 312,276

Lease term and discount rate are as follows:

	September 30, 2025	December 31, 2024
Weighted average remaining lease term in years		
Operating leases	5.89	6.08
Weighted average discount rate		
Operating leases	5.19%	5.36%

Future minimum lease payments under non-cancellable leases as of September 30, 2025, were as follows:

	Operating Leases
2025	\$ 34,036
2026	152,900
2027	75,024
2028	96,400
2029	98,124
Thereafter	209,897
Total lease payments	\$ 666,381

NOTE 5 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an Association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2025
Common equity tier 1 ratio	7.00%	13.11%
Tier 1 capital ratio	8.50%	13.11%
Total capital ratio	10.50%	13.41%
Permanent capital ratio	7.00%	13.15%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	11.28%
UREE leverage ratio	1.50%	9.48%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 171,522,230	\$ 171,522,230	\$ 171,522,230	\$ 171,522,230
Paid-in capital	141,026,305	141,026,305	141,026,305	141,026,305
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,157,164	6,157,164	6,157,164	6,157,164
Allocated equities:				
Allocated equities held ≥ 7	51,168,036	51,168,036	51,168,036	51,168,036
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342	64,937,342	64,937,342
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	8,265,468	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(72,969,796)	(72,969,796)	(72,969,796)	(72,969,796)
Other regulatory required deductions	(2,371,808)	(2,371,808)	(2,371,808)	(2,371,808)
	<u>\$ 359,469,473</u>	<u>\$ 359,469,473</u>	<u>\$ 367,734,941</u>	<u>\$ 359,469,473</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 2,816,670,049	\$ 2,816,670,049	\$ 2,816,670,049	\$ 2,816,670,049
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(75,341,604)	(75,341,604)	(75,341,604)	(75,341,604)
Allowance for loan losses	-	-	-	(8,022,580)
	<u>\$ 2,741,328,445</u>	<u>\$ 2,741,328,445</u>	<u>\$ 2,741,328,445</u>	<u>\$ 2,733,305,865</u>
Calculated Ratio	13.11%	13.11%	13.41%	13.15%

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 171,522,230	\$ 171,522,230
Paid-in capital	141,026,305	141,026,305
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,157,164	-
Allocated equities:		
Allocated equities held ≥ 7	51,168,036	-
Nonqualified allocated equities not subject to retirement	64,937,342	64,937,342
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(72,969,796)	(72,969,796)
Other regulatory required deductions	(2,371,808)	(2,371,808)
	<u>\$ 359,469,473</u>	<u>\$ 302,144,273</u>
Denominator:		
Total Assets	\$ 3,266,517,839	\$ 3,266,517,839
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(79,800,087)	(79,800,087)
	<u>\$ 3,186,717,752</u>	<u>\$ 3,186,717,752</u>
Calculated Ratio	11.28%	9.48%

	September 30, 2025	December 31, 2024
Capital stock and participation certificates	\$ 6,142,020	\$ 6,545,990
Additional paid-in-capital	141,026,305	141,026,305
Accumulated other comprehensive loss	179,496	194,319
Retained earnings	300,997,671	255,308,084
Total Capital	<u>\$ 448,345,492</u>	<u>\$ 403,074,698</u>

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the nine months ended September 30:

	<u>2025</u>	<u>2024</u>
Accumulated other comprehensive income at January 1	\$ 194,319	\$ 822,824
Amortization of prior service credit included		
in salaries and employee benefits	(14,823)	(16,288)
Amortization of actuarial gain included		
in salaries and employee benefits	-	(42,878)
Other comprehensive loss, net of tax	(14,823)	(59,166)
Accumulated other comprehensive income at September 30	\$ 179,496	\$ 763,658

NOTE 6 — INCOME TAXES:

The Association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short and intermediate term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The Association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. The Association has no valuation allowance on its deferred tax assets because management estimates full utilization of these assets.

NOTE 7 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 in the 2024 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

September 30, 2025	<u>Fair Value Measurement Using</u>			Total Fair Value
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$ 9,546,160	\$ 9,546,160
Other property owned	-	-	87,620	87,620
 December 31, 2024				
	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$ 9,128,379	\$ 9,128,379
Other property owned	-	-	137,150	137,150

Uncertainty of Fair Value Measurements

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

Valuation Techniques

As more fully discussed in Note 15 to the 2024 Annual Report to Stockholders, authoritative 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. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2024 Annual Report to Stockholders.

Loans Evaluated for Impairment

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

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

NOTE 8 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for other postretirement benefit costs for the three and nine months ended September 30:

	Pension Benefits	
	2025	2024
Three months ended September 30:		
Service cost	\$ 10,048	\$ 6,305
Interest cost	71,163	45,612
Amortization of prior service credits	(4,941)	(5,429)
Amortization of net actuarial gain	-	(14,293)
Net periodic benefit cost	\$ 76,270	\$ 32,195
	Pension Benefits	
	2025	2024
Nine months ended September 30:		
Service cost	\$ 30,143	\$ 18,914
Interest cost	213,489	136,837
Amortization of prior service credits	(14,823)	(16,287)
Amortization of net actuarial gain	-	(42,878)
Net periodic benefit cost	\$ 228,809	\$ 96,586

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2025, was \$5,500,668 and is included in other liabilities on the Balance Sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "Salaries and employee benefits" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2024, that it expected to contribute \$239,610 to the district's defined benefit pension plan in 2025. As of September 30, 2025, \$179,708 of contributions have been expensed. The Association presently does not anticipate additional contributions over the \$239,610 will be required in 2025.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 10 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 6, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.