



2025 ANNUAL REPORT

December 31, 2025

Texas Farm Credit takes Rabb Farms to Washington D.C. for National Advocacy



Spend a day with Todd and Kayla Otahal at their farm in Robstown, Texas, and you'll walk away with more than just a dusting of cotton lint on your jeans. You'll leave with a renewed appreciation for the grit, faith, and heart it takes to keep American farming alive.

Rabb Farms is more than 4,000 acres of crops and cattle. It's a living legacy. Todd named his operation "Rabb Farms" after the community of Rabb, Texas, where his grandfather first got his start after returning from World War II. With the help of the GI Bill, his grandfather bought nearly 900 acres – land that is still farmed today. When he passed away, Todd's dad was just 10 years old, the youngest of six children. Todd's grandmother held the land and later leased it to Todd so he could begin farming on his own.

Today, Todd farms full-time alongside his dad, Ben, while Kayla balances life as a local schoolteacher, homemaker, photographer, and community builder. Together, they grow cotton, sorghum, corn, and raise a small cattle herd. For Todd and Kayla, the heart of Rabb Farms is their two children. Clara (10) and Calvin (6) represent the sixth generation of Otahals learning what it means to live close to the land.

Todd and Kayla have been Texas Farm Credit customers since 2012, when we gave Todd his first operating loan and took a chance on a young farmer with big dreams. Over the years, that partnership has grown to include equipment loans for combines and cotton pickers, as well as land loans that tie directly to their family's legacy and the goal of one day passing the farm on to Clara and Calvin.



"Cash is like oxygen," Todd says. "Farm Credit provides that lifeline for us whenever we need it, and a farmer can't survive without it."

In 2023, Todd and Kayla were selected to represent Texas Farm Credit in the Tenth District Farm Credit Council's Young Leaders program – a recognition of their leadership and forward-thinking approach to agriculture. So when the opportunity came to take them to Washington, D.C. for the 2025 Farm Credit Fly-In, we knew they'd be the perfect voices to share the reality of modern farming with our nation's leaders.

In November, Todd and Kayla joined more than 800 Farm Credit directors, employees, and customers from across the country in the nation's capital to advocate for Farm Bill 2.0. Despite a continuing government shutdown, they held numerous impactful meetings with senators, representatives, and their staff to ensure that the needs of farmers, ranchers, and rural communities remained front and center.

Throughout the week, Todd and Kayla worked alongside our team at the Farm Credit Marketplace booth, where they showcased the many ways

cotton – grown right here in Robstown – touches daily life. From the clothes we wear to the bills in our wallets, cotton is everywhere. With humility, strength, and openness, they shared the realities of modern farming and brought a human voice to discussions that can otherwise feel distant or abstract.

"As a lender, it's been an honor to walk alongside Todd and Kayla as their operation has grown," says Connor Cross, relationship manager at Texas Farm Credit. "We believe in



what they're building at Rabb Farms – not just for today, but for the generations that will follow. Supporting families like the Otahals is exactly why we're here."

The 2025 Fly-In reminded us why advocacy is part of our mission. Behind every T-shirt, cotton ball, or set of sheets made with American cotton is a family like the Otahals – raising kids in the dust and sun of South Texas, betting it all on the land, and quietly producing the everyday essentials that make your life a little softer.

The Otahals' story is the heartbeat of Texas agriculture. From the fields of South Texas to the halls of Congress, we're proud to stand beside our members – not just with reliable credit, but by amplifying their voices and ensuring rural America is heard where it matters most.



Scan for full article.

Passion Forward: Our Commitment to Charitable Outreach



Giving back to our communities isn't just something we do — it's part of who we are. In 2017, our board of directors launched Passion Forward, committing to invest 1-2% of our annual net income in local charitable organizations. What started as a challenge has become a defining part of our culture.

Over the past eight years, we've contributed more than \$6 million to the communities we serve. In 2025 alone, our employees volunteered more than 1,600 hours supporting youth development, agricultural education, and initiatives for military personnel, veterans, and first responders.

From our branches across Texas to our central office in Robstown, our team members step up in the places they call home — sponsoring 4-H events, stocking local libraries, hosting appreciation gatherings for hometown heroes, and showing up when communities need it most. Through initiatives like #ShearrerYourPassion and our Community Champion of the Year recognition, we celebrate employees who carry forward the spirit of service that defines rural Texas.

Every act of service reflects our commitment to the people and places that make rural communities strong. Thank you for allowing us to be part of your community and for helping us build something bigger than loans and financial services — a future where rural Texas thrives.

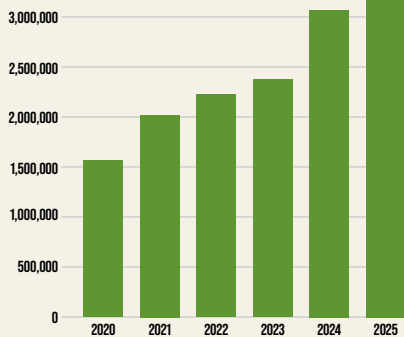


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FINANCIAL HIGHLIGHTS

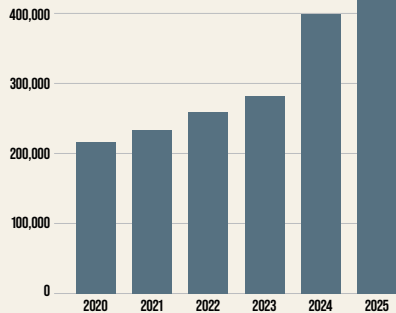
End-of-Year Net Loans

(dollars in thousands)



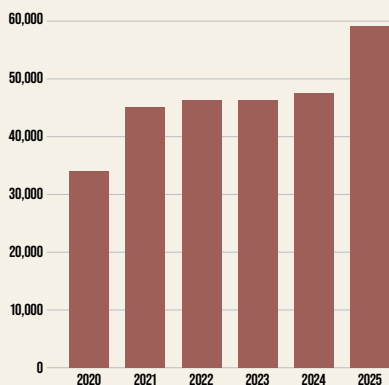
Members' Equity

(dollars in thousands)

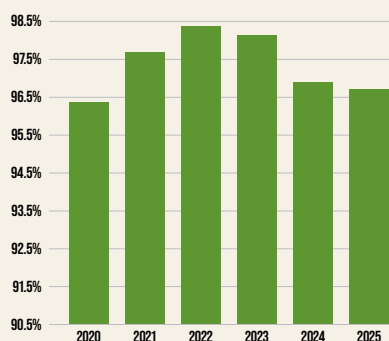


Net Income

(dollars in thousands)



End-of-Year Credit Quality



Dear Stockholders,

2025 marked a year of momentum, stability, and shared success for Texas Farm Credit. As our first full year following the merger, it was also a powerful affirmation of our cooperative's strength, culture, and commitment to serving agriculture and rural communities across Texas.

The integration of Texas Farm Credit and Heritage Land Bank proved to be both seamless and successful. Thanks to thoughtful planning, strong leadership, and the dedication of our employees, the organization operated as one unified association from day one. Teams aligned quickly, systems worked as intended, and our cooperative culture continued to thrive allowing us to focus fully on serving our members and supporting their goals.

Financially, Texas Farm Credit ended 2025 with solid results that reflect disciplined management and sustained performance, even as many of our members navigated a challenging agricultural environment.

- **Net loan volume increased by 6%.**
- **Net income totaled \$59.6 million, finishing on budget.**
- **Members' equity grew by 7%.**
- **Cash patronage distributions totaled \$30.6 million, returning value directly to our borrower-owners and reinforcing the benefits of cooperative membership.**

These results reflect the resilience of our organization and the unwavering commitment of our employees, board of directors, and members throughout a year that presented real challenges for many. For our row crop producers, 2025 was especially difficult. Commodity price pressures, rising input costs, and unpredictable weather created significant financial strain. We want you to know that we see those challenges, and we remain committed to standing beside you through difficult seasons, just as we do in times of growth.

Giving back continues to be a cornerstone of our cooperative identity. Through our Passion Forward program, Texas Farm Credit contributed over 1,600 volunteer hours in 2025 to support youth development, agricultural education, disaster relief, and organizations serving rural communities, veterans, and first responders. With cumulative contributions now exceeding \$6 million since the program's inception, Passion Forward reflects our deep belief that strong communities are essential to a strong agricultural economy.

Looking ahead, we are confident in the foundation we have built and energized by the opportunities before us. Our expanded organization, dedicated employees, and member-focused mission position Texas Farm Credit to continue innovating, adapting, and supporting our members in both strong markets and challenging ones across rural Texas.

As a cooperative, your success is our success. Thank you for your trust, partnership, and loyalty. We remain committed to delivering exceptional service, meaningful value, and steady support as we work together toward a strong and prosperous future.

Sincerely,

/s/ Mark Miller

Mark Miller
Chief Executive Officer
Texas Farm Credit

Table of Contents

Report of Management..... 2

Report on Internal Control Over Financial Reporting 3

Report of Audit Committee..... 4

Five-Year Summary of Selected Consolidated Financial Data..... 5

Management’s Discussion and Analysis of Financial Condition
and Results of Operations (Unaudited)..... 7

Report of Independent Auditors..... 16

Consolidated Financial Statements 18

Notes to Consolidated Financial Statements..... 23

Disclosure Information and Index (Unaudited) 62

REPORT OF MANAGEMENT

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

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

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

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

/s/ Mark Miller

Mark Miller, Chief Executive Officer
March 6, 2026

/s/ Jerry Chappell

Jerry Chappell, Chairman, Board of Directors
March 6, 2026

/s/ Heath Gattis

Heath Gattis, Chief Financial Officer
March 6, 2026

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Association’s management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2025. 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 Association concluded that as of December 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2025. A review of the assessment performed was reported to the Association’s audit committee.

/s/ Mark Miller

Mark Miller, Chief Executive Officer
March 6, 2026

/s/ Heath Gattis

Heath Gattis, Chief Financial Officer
March 6, 2026

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of seven members of the board of directors of Texas Farm Credit Services. In 2025, six Committee meetings were held. The Committee oversees the scope of Texas Farm Credit Services' system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Texas Farm Credit Services' website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2025.

Management is responsible for the Texas Farm Credit Services' internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of Texas Farm Credit Services' consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Texas Farm Credit Services' audited consolidated financial statements for the year ended December 31, 2025 (audited consolidated financial statements) with management and PwC. The Committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and the Texas Farm Credit Services' internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from Texas Farm Credit Services. The Committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited consolidated financial statements in the Texas Farm Credit Services' Annual Report to Stockholders for the year ended December 31, 2025.

Audit Committee Members

Gregory T. Richbourg, Audit Committee Chairman

Marion Durand-Vice Chairman

Jerry Chappell, Audit Committee Member

David Henneke, Audit Committee Member

Bobby Hobson, Audit Committee Member

John Prukop, Audit Committee Member

Kevin Sampson, Audit Committee Member

March 6, 2026

TEXAS FARM CREDIT SERVICES

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

	2025	2024	2023	2022	2021
Balance Sheet Data					
<u>Assets</u>					
Cash	\$ -	\$ 25	\$ 23	\$ 26	\$ 50
Investments	159	176	301	425	735
Loans	3,221,213	3,031,732	2,365,070	2,218,378	2,014,919
Less: allowance for credit losses on loans	7,055	7,883	2,410	3,052	3,017
Net loans	3,214,158	3,023,849	2,362,660	2,215,326	2,011,902
Investment in and receivable from the Farm Credit Bank of Texas	82,810	69,658	45,047	39,082	32,285
Other property owned, net	78	98	-	-	-
Other assets	71,616	61,590	45,910	39,574	36,362
Total assets	<u>\$ 3,368,821</u>	<u>\$ 3,155,396</u>	<u>\$ 2,453,941</u>	<u>\$ 2,294,433</u>	<u>\$ 2,081,334</u>
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 54,309	\$ 50,802	\$ 42,045	\$ 36,192	\$ 38,244
Obligations with maturities greater than one year	2,884,182	2,701,519	2,127,502	1,995,939	1,807,683
Total liabilities	2,938,491	2,752,321	2,169,547	2,032,131	1,845,927
<u>Members' Equity</u>					
Capital stock and participation certificates	6,124	6,546	4,624	4,580	4,365
Additional paid-in capital	141,026	141,026	47,596	47,596	47,596
Allocated retained earnings	49,995	51,168	52,244	53,220	54,628
Unallocated retained earnings	232,583	204,140	179,107	156,044	129,134
Accumulated other comprehensive income (loss)	602	195	823	862	(316)
Total members' equity	430,330	403,075	284,394	262,302	235,407
Total liabilities and members' equity	<u>\$ 3,368,821</u>	<u>\$ 3,155,396</u>	<u>\$ 2,453,941</u>	<u>\$ 2,294,433</u>	<u>\$ 2,081,334</u>
<u>Statement of Income Data</u>					
Net interest income	\$ 87,346	\$ 68,536	\$ 60,180	\$ 55,847	\$ 47,713
(Provision for credit losses) credit loss reversal	782	(2,987)	2,454	22	3,435
Income from the Farm Credit Bank of Texas	6,576	9,260	8,936	15,805	13,973
Other noninterest income	15,432	13,422	11,872	10,755	11,119
Noninterest expense	(50,465)	(40,161)	(36,522)	(35,536)	(30,100)
Provision for (benefit from) income taxes	(4)	(129)	(135)	(74)	(623)
Net income (loss)	<u>\$ 59,667</u>	<u>\$ 47,941</u>	<u>\$ 46,785</u>	<u>\$ 46,819</u>	<u>\$ 45,517</u>

TEXAS FARM CREDIT SERVICES

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Key Financial Ratios at Year End</u>					
Return on average assets	1.8%	1.9%	2.0%	2.1%	2.5%
Return on average members' equity	13.8%	16.0%	16.5%	18.1%	18.9%
Net interest income as a percentage of average earning assets	2.8%	2.6%	2.6%	2.5%	2.6%
Net charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%	0.0%	0.0%
Members' equity as a percentage of total assets	12.8%	12.8%	11.6%	11.4%	11.3%
Debt as a percentage of members' equity	682.9%	682.8%	762.9%	774.7%	784.1%
Allowance for credit losses on loans as a percentage of loans	0.2%	0.3%	0.1%	0.1%	0.2%
Common equity tier 1 ratio	13.4%	13.8%	13.2%	12.6%	12.6%
Tier 1 capital ratio	13.4%	13.8%	13.2%	12.6%	12.6%
Total capital ratio	13.6%	14.1%	13.3%	12.7%	12.8%
Permanent capital ratio	13.4%	13.8%	13.2%	12.6%	12.6%
Tier 1 leverage ratio	11.6%	11.6%	10.8%	10.5%	11.4%
UREE leverage ratio	9.8%	9.4%	8.4%	7.9%	9.0%
<u>Net Income Distribution</u>					
Patronage dividends:					
Cash	\$ 28,079	\$ 22,981	\$ 21,481	\$ 21,147	\$ 23,701
Allocated retained earnings	-	-	-	-	6,029

The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2025. For more information, see Note 10, "Members Equity," in the accompanying consolidated financial statements.

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

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of Texas Farm Credit Services, including its wholly owned subsidiaries, Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA (collectively the Association) for the years ended December 31, 2025, 2024 and 2023, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association’s audit committee.

Forward-Looking Information:

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

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

Commodity Review and Outlook:

Agricultural producers and processors faced several risk factors in 2025, including volatile commodity prices, high input costs, increased borrowing costs, trade disruptions, geopolitical challenges and adverse weather conditions. These factors are expected to remain through 2026. Despite the challenging operating environment, credit quality at the Association has remained strong. Volatility in risk ratings remains a concern in the near future due to such factors as high production costs, elevated cost of debt and declining farm income over the last three years. The Association’s loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a significant percentage of the Association’s borrowers primarily rely on non-farm sources of income to repay their loans.

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

Significant Events:

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

On May 29, 2024, the Farm Credit Bank of Texas approved the associations’ proposed merger. On October 4, 2024, an independent firm tallied votes from stockholders of each association. Results reflected overwhelming support from each

association in approving the merger. On November 21, 2024, the Farm Credit Administration provided final approval of the merger of Texas Farm Credit Services and Heritage Land Bank.

Effective December 1, 2024, Heritage Land Bank, ACA and its PCA and FLCA subsidiaries merged with and into Texas Farm Credit Services, ACA and its PCA and FLCA subsidiaries. The resulting effect on the December 31, 2025, financials will be most visible in prior period comparisons. 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 reflected in balances sheets from December 31, 2023, to December 31, 2024, and income statements from December 31, 2024, and December 31, 2025, were primarily related to the effects of the merger.

Patronage Refunds Received From Farm Credit Bank of Texas:

In December 2025, the Association received a direct loan patronage of \$5,069,524 from the Farm Credit Bank of Texas (“Bank”), representing 18.0 basis points on the average daily balance of the Association’s direct loan with the Bank. The Association received a \$1,239,423 patronage based on its Capitalized and Non-Capitalized Participation pool agreements with the Bank. During 2025, the Association received a capital markets patronage of \$267,228 from the Bank, representing 75 basis points on the Association’s average balance of participations in the Bank’s patronage pool program.

Patronage Refunds by Association:

In March 2025, the Association paid a \$3,370,660 cash patronage as declared and approved premerger by the Heritage Land Bank (HLB) Board for former HLB stockholders based on 2024 results. In April 2025, the Association paid a \$23,534,773 cash patronage for all eligible recipients who had outstanding accrual loans with the Association during fiscal year 2024. In December 2025, the Association distributed \$1,173,354 in cash patronage from redeemable surplus originally declared in 2017.

For more than 91 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association’s loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association’s loan portfolio, including principal less funds held of \$3,221,213,104, \$3,031,732,620 and \$2,365,070,169 as of December 31, 2025, 2024 and 2023, respectively, is described more fully in detailed tables in Note 4, “Loans and Allowance for Credit Losses,” in the accompanying consolidated financial statements.

At December 31, 2025, the Association held loans totaling \$622,002 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

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

County	2025	2024	2023
Hidalgo	2.9%	3.4%	5.1%
Grayson	2.8%	2.4%	2.2%
Henderson	2.4%	3.6%	3.1%
Hunt	2.4%	2.6%	0.9%
Cherokee	2.3%	2.3%	0.5%
Collin	2.3%	3.3%	2.2%
Nueces	2.1%	2.2%	3.1%
Fayette	2.0%	2.0%	3.0%
Washington	1.8%	1.7%	2.3%
Fannin	1.7%	2.3%	2.0%
Anderson	1.6%	2.8%	0.6%
Frio	1.3%	1.4%	2.1%
Cameron	1.2%	1.4%	2.2%
Other Counties	65.8%	59.4%	61.1%
Other States	7.4%	9.2%	9.6%
Totals	100.0%	100.0%	100.0%

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

Operation/Commodity	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Crops and agricultural commodities	\$ 1,049,028,978	32.7%	\$ 1,006,759,443	33.2%	\$ 774,868,223	32.8%
Livestock	1,092,138,790	33.9%	994,711,408	32.8%	740,394,437	31.3%
Hunting, trapping and game propagation	755,045,908	23.4%	707,551,442	23.3%	600,034,930	25.4%
Farm-related operations	281,630,658	8.7%	275,100,120	9.1%	248,849,838	10.5%
Rural home loans	43,368,770	1.3%	47,610,207	1.6%	922,741	0.0%
Total	\$ 3,221,213,104	100.0%	\$ 3,031,732,620	100.0%	\$ 2,365,070,169	100.0%

Purchase and Sales of Loans:

During 2025, 2024 and 2023, the Association was participating in loans with other lenders. As of December 31, 2025, 2024 and 2023, these participations totaled \$310,768,930, \$282,143,340 and \$239,244,730, or 9.7 percent, 9.3 percent and 10.1 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of \$80,927,785, \$71,390,076 and \$44,874,730, or 2.5 percent, 2.4 percent and 1.9 percent of loans, respectively. The Association has also sold participations of \$177,010,782, \$209,483,245 and \$146,060,130 as of December 31, 2025, 2024 and 2023, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net. The following table illustrates the Association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

	Nonperforming Assets					
	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Nonaccrual loans	\$ 26,245,504	98.3%	\$ 24,172,739	98.6%	\$ 15,117,123	100.0%
Accruing loans 90 days or more past due	336,378	1.4%	242,197	1.0%	5	0.0%
Nonperforming loans	26,581,882	99.7%	24,414,936	99.6%	15,117,128	100.0%
Other property owned, net	78,000	0.3%	98,000	0.4%	-	0.0%
Nonperforming assets	\$ 26,659,882	100.0%	\$ 24,512,936	100.0%	\$ 15,117,128	100.0%

At December 31, 2025, 2024 and 2023, nonperforming loans were \$26,581,882, \$24,414,936 and \$15,117,128, representing 0.8 percent, 0.8 percent and 0.6 percent of loan volume, respectively.

At December 31, 2025, the Association held one property in acquired property that is recorded at \$98,000 with an allowance of \$20,000. The resulting net value of \$78,000 equals its fair value.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

Allowance for Credit Losses on Loans:

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

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

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on an assessment of loss given default (LGD).

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

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

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of \$7,055,396, \$7,883,370 and \$2,409,922 at December 31, 2025, 2024 and 2023, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates. The Association's cash-flow-based approach to credit analyses, and expectation of acceptable collateral margin, has resulted in a minimal loss history for the Association.

Results of Operations:

The Association's net income for the year ended December 31, 2025, was \$59,667,009 as compared to \$47,940,823 for the year ended December 31, 2024, reflecting an increase of \$11,726,186, or 24.5 percent. The Association's net income for the year ended December 31, 2023, was \$46,785,056. Net income increased \$1,155,767, or 2.5 percent, in 2024 versus 2023.

Net interest income for 2025, 2024 and 2023 was \$87,345,965, \$68,535,272 and \$60,179,669, respectively, reflecting increases of \$18,810,693, or 27.4 percent, for 2025 versus 2024 and \$8,355,603, or 13.9 percent, for 2024 versus 2023. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt.

The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2025		2024		2023	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	\$ 3,106,838,140	\$ 206,495,605	\$ 2,444,294,596	\$ 154,401,738	\$ 2,265,162,071	\$ 129,171,569
Investments	157,693	11,940	231,313	18,787	359,383	26,201
Total interest-earning assets	3,106,995,833	206,507,545	2,444,525,909	154,420,525	2,265,521,454	129,197,770
Interest-bearing liabilities	2,820,202,040	119,161,580	2,201,903,846	85,885,253	2,041,063,056	69,018,101
Impact of capital	\$ 286,793,793		\$ 242,622,063		\$ 224,458,398	
Net interest income		\$ 87,345,965		\$ 68,535,272		\$ 60,179,669

	2025	2024	2023
	Average Yield	Average Yield	Average Yield
Yield on loans	6.65%	6.32%	5.70%
Yield on investments	7.57%	8.12%	7.29%
Total yield on interest-earning assets	6.65%	6.32%	5.70%
Cost of interest-bearing liabilities	4.23%	3.90%	3.38%
Interest rate spread	2.42%	2.42%	2.32%

	2025 vs. 2024			2024 vs. 2023		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ 41,851,551	\$ 10,242,316	\$ 52,093,867	\$ 10,215,032	\$ 15,015,137	\$ 25,230,169
Interest income - investments	(5,979)	(868)	(6,847)	(9,337)	1,923	(7,414)
Total interest income	41,845,572	10,241,448	52,087,020	10,205,695	15,017,060	25,222,755
Interest expense	24,116,721	9,159,606	33,276,327	5,438,831	11,428,321	16,867,152
Net interest income	\$ 17,728,851	\$ 1,081,842	\$ 18,810,693	\$ 4,766,864	\$ 3,588,739	\$ 8,355,603

Interest income for 2025 increased by \$52,087,020, or 33.7 percent, compared to 2024, primarily due to an increase in average loan volume as well as an increase in yields on earning assets. Interest expense for 2025 increased by \$33,276,327, or 38.8 percent, compared to 2024 due to an increase in average debt volume and an increase in the funding rate. The interest rate spread remained the same in 2025 as 2024 at 2.42 percent, primarily due to interest and funding rates both increasing 33 basis points over 2024. The interest rate spread increased by 10 basis points to 2.42 percent in 2024 from 2.32 percent in 2023, primarily due to a more significant increase in yields on interest-earning assets compared to the increase in cost of interest bearing liabilities.

Noninterest income for 2025 decreased by \$673,849, or 3.0 percent, compared to 2024, due primarily to a decrease in direct note patronage from the Bank offset by an increase in loan fees and gain on sale of premises and equipment. Noninterest income for 2024 increased by \$1,847,151, or 9.0 percent, compared to 2023, due primarily to an increase in loan fee income and refunds from the Farm Credit System Insurance Corporation.

Provisions for loan losses decreased by \$3,768,691, or 126.2 percent, compared to 2024, due primarily to a decrease in specific allowance due to nonaccrual loan payoffs.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Noninterest expenses for 2025 increased by \$10,303,832, or 25.7 percent, compared to 2024, due to merger in December 2024 which impacted all expense categories as expected, with the most significant being salaries and employee benefits and occupancy expense. Noninterest expenses for 2024 increased by \$3,639,576, or 10.0 percent, compared to 2023, due primarily to an increase in merger related expenses and salaries and employee benefits offset by a decrease in insurance fund premiums.

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 annual accrual premium rates on adjusted insured debt were 10 basis points in 2025, 10 basis points in 2024 and 18 basis points in 2023. An additional premium rate of 10 basis points was added to the premium assessment for each of the three years on nonaccrual loans and impaired investments. In February 2026, FCSIC determined that it would assess an accrual premium rate of 10 basis points for 2026.

On an annual basis, the Farm Credit System Insurance Corporation (FCSIC) completes an analysis to determine if funds held in the Farm Credit Insurance Fund (Insurance Fund) exceed the secure base amount, as defined in the Farm Credit Act. Any excess funds may be held in the Insurance Fund or returned to the System banks. On February 11, 2026, the FCSIC board approved a return of excess funds to the System banks. On February 25, 2026, the Association received a return of excess Insurance Funds of \$1,493,362 that will be reported as noninterest income during the first quarter of 2026.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of \$3,470,620, \$2,209,923 and \$2,483,497 for 2025, 2024 and 2023, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits related to the origination of loans.

For the year ended December 31, 2025, the Association's return on average assets was 1.8 percent, as compared to 1.9 percent and 2.0 percent for the years ended December 31, 2024, and 2023, respectively. For the year ended December 31, 2025, the Association's return on average members' equity was 13.8 percent, as compared to 16.0 percent and 16.5 percent for the years ended December 31, 2024, and 2023, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$2,874,587,467, \$2,692,694,529 and \$2,120,945,005 as of December 31, 2025, 2024 and 2023, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.23 percent,

3.90 percent and 3.38 percent at December 31, 2025, 2024 and 2023, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to an increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$348,804,564, \$338,571,477 and \$243,905,585 at December 31, 2025, 2024 and 2023, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2025, was \$3,234,900,216 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2026. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of \$430,329,682, \$403,074,698 and \$284,394,082 at December 31, 2025, 2024 and 2023, respectively.

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, tier 1 capital, total capital and permanent capital risk-based ratios. The non-risk adjusted ratios include a tier 1 leverage ratio and unallocated retained earnings (URE) and URE equivalent (UREE) leverage ratio. The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder's loan or otherwise at the option of the holder or is otherwise not at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance-sheet commitments adjusted by various percentages ranging from 0 to 1,250 percent, depending on the level of risk inherent in the various types of assets.

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

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolving, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk weighted-assets.
- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and allowance for credit losses on unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in-capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

	2025	2024	2023	Total Regulatory Requirements Including Capital Conservation Buffers
Common equity tier 1 ratio	13.4%	13.8%	13.2%	7.0%
Tier 1 capital ratio	13.4%	13.8%	13.2%	8.5%
Total capital ratio	13.6%	14.1%	13.3%	10.5%
Permanent capital ratio	13.4%	13.8%	13.2%	7.0%
Tier 1 leverage ratio	11.6%	11.6%	10.8%	5.0%
UREE leverage ratio	9.8%	9.4%	8.4%	1.5%

In 2025, 2024 and 2023, the Association paid patronage distributions of \$28,078,787, \$22,981,125, and \$21,481,393, respectively. In December 2025, the Texas Farm Credit Services’ board of directors approved an estimated \$30,609,776 patronage distribution to be paid in April 2026. See Note 10 to the consolidated financial statements, “Members’ Equity,” included in this annual report, for further information.

Regulatory Matters:

At December 31, 2025, the Association was not operating under written agreements with the Farm Credit Administration.

On December 5, 2025, the FCA published a proposed rule in the Federal Register that would amend FCA regulations by removing “formally restructured loans” also known as troubled debt restructurings (TDR), as a loan performance category due to changes in generally accepted accounting principles (GAAP). This rulemaking also solicits comments on related disclosure issues. The proposed rule is subject to a 60-day public comment period ending on February 3, 2026.

On January 8, 2026, the FCA approved a proposed rule that would amend its permanent capital regulations and update other capital-related regulations. This rulemaking would replace references to permanent capital with references to tier 1 and tier 2 capital, simplify the calculation of the permanent capital ratio, eliminate permanent capital reporting requirements from published financial reports, and make other clarifications, corrections, and technical updates to capital-related regulations. Once published in the Federal Register, it will be subject to a 60-day public comment period.

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 final rule became effective on January 1, 2026.

Relationship With the Bank:

The Association’s statutory obligation to borrow only from the Bank is discussed in Note 9, “Note Payable to the Bank,” in the accompanying consolidated financial statements.

The Bank’s ability to access capital of the Association is discussed in Note 2, “Summary of Significant Accounting Policies,” in the accompanying consolidated financial statements within the section “Capital Stock Investment in the Bank.”

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9, "Note Payable to the Bank," in the accompanying consolidated financial statements.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 13, "Related Party Transactions," in the accompanying consolidated financial statements, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the District associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 91 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.



Report of Independent Auditors

To the Board of Directors of Texas Farm Credit Services

Opinion

We have audited the accompanying consolidated financial statements of Texas Farm Credit Services and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2025, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2025 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

PricewaterhouseCoopers LLP

Austin, Texas
March 6, 2026

TEXAS FARM CREDIT SERVICES
CONSOLIDATED BALANCE SHEETS

	December 31,		
	2025	2024	2023
Assets			
Cash	\$ -	\$ 25,385	\$ 22,851
Investments	158,580	175,600	301,055
Loans	3,221,213,104	3,031,732,620	2,365,070,169
Less: allowance for credit losses on loans	7,055,396	7,883,370	2,409,922
Net loans	3,214,157,708	3,023,849,250	2,362,660,247
Accrued interest receivable	31,798,424	28,089,835	22,247,759
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	72,988,337	57,247,217	42,377,213
Other	9,822,467	12,410,850	2,669,822
Investment in other Farm Credit Institutions	2,597,824	-	-
Deferred taxes, net	172,552	150,827	70,130
Other property owned, net	78,000	98,000	-
Premises and equipment	30,169,056	26,617,755	18,056,720
Other assets	6,878,384	6,730,800	5,535,444
Total assets	\$ 3,368,821,332	\$ 3,155,395,519	\$ 2,453,941,241
Liabilities			
Note payable to the Farm Credit Bank of Texas	\$ 2,874,587,467	\$ 2,692,694,529	\$ 2,120,945,005
Advance conditional payments	309,516	921,903	1,231,045
Accrued interest payable	9,594,479	8,824,440	6,557,132
Drafts outstanding	309,039	(569)	92,357
Patronage distributions payable	30,609,776	26,340,395	21,969,124
Other liabilities	23,081,373	23,540,123	18,752,496
Total liabilities	2,938,491,650	2,752,320,821	2,169,547,159
Members' Equity			
Capital stock and participation certificates	6,123,875	6,545,990	4,623,975
Additional paid-in capital	141,026,305	141,026,305	47,596,495
Allocated retained earnings	49,994,683	51,168,036	52,244,352
Unallocated retained earnings	232,582,926	204,140,048	179,106,436
Accumulated other comprehensive income (loss)	601,893	194,319	822,824
Total members' equity	430,329,682	403,074,698	284,394,082
Total liabilities and members' equity	\$ 3,368,821,332	\$ 3,155,395,519	\$ 2,453,941,241

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

Texas Farm Credit Services — 2025 Annual Report

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2025	2024	2023
<u>Interest Income</u>			
Loans	\$ 206,495,605	\$ 154,401,738	\$ 129,171,569
Investments	11,940	18,787	26,201
Total interest income	206,507,545	154,420,525	129,197,770
<u>Interest Expense</u>			
Note payable to the Farm Credit Bank of Texas	119,151,167	85,840,056	68,962,247
Advance conditional payments	10,413	45,197	55,854
Total interest expense	119,161,580	85,885,253	69,018,101
Net interest income	87,345,965	68,535,272	60,179,669
(Reversal of) provision for loan losses	(782,107)	2,986,584	(2,454,416)
Net interest income after provision for credit losses (credit loss reversal)	88,128,072	65,548,688	62,634,085
<u>Noninterest Income</u>			
Income from the Farm Credit Bank of Texas:			
Patronage income	6,576,175	9,259,539	8,936,478
Loan fees	6,504,239	5,352,330	4,913,293
Refunds from Farm Credit System			
Insurance Corporation	539,160	685,571	-
Financially related services income	6,205,292	6,283,602	5,786,946
Gain on sale of premises and equipment, net	1,113,900	290,033	398,037
Other noninterest income	1,069,543	811,083	773,253
Total noninterest income	22,008,309	22,682,158	20,808,007
<u>Noninterest Expenses</u>			
Salaries and employee benefits	29,364,234	22,243,367	20,279,310
Directors' expense	966,301	572,268	666,885
Purchased services	1,387,581	963,609	893,000
Travel	2,177,441	1,987,980	1,835,477
Occupancy and equipment	4,934,326	3,746,709	3,449,714
Communications	526,002	386,111	427,576
Advertising	565,427	421,313	369,599
Public and member relations	1,893,357	1,434,283	1,100,815
Supervisory and exam expense	918,285	799,799	582,623
Insurance Fund premiums	2,687,807	2,104,523	3,500,729
(Loss) gain on other property owned, net	27,439	-	-
Merger-implementation and restructuring costs	(25,496)	1,378,452	-
Other noninterest expense	5,042,350	4,122,808	3,415,918
Total noninterest expenses	50,465,054	40,161,222	36,521,646
Income before income taxes	59,671,327	48,069,624	46,920,446
Provision for (benefit from) income taxes	4,318	128,801	135,390
NET INCOME	59,667,009	47,940,823	46,785,056
Other comprehensive income:			
Change in postretirement benefit plans	407,574	(628,505)	(38,779)
COMPREHENSIVE INCOME	\$ 60,074,583	\$ 47,312,318	\$ 46,746,277

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2022	\$ 4,580,185	\$ 47,596,495	\$ 53,219,859	\$ 156,044,338	\$ 861,603	\$ 262,302,480
Cumulative effect of a change in accounting principle				(1,786,948)		(1,786,948)
Balance at January 1, 2023	4,580,185	47,596,495	53,219,859	154,257,390	861,603	260,515,532
Comprehensive income	-	-	-	46,785,056	(38,779)	46,746,277
Capital stock/participation certificates and allocated retained earnings issued	291,495	-	-	-	-	291,495
Capital stock/participation certificates and allocated retained earnings retired	(247,705)	-	-	-	-	(247,705)
Patronage dividends:						
Cash	-	-	(975,507)	(21,936,010)	-	(22,911,517)
Balance at December 31, 2023	4,623,975	47,596,495	52,244,352	179,106,436	822,824	284,394,082
Comprehensive income	-	-	-	47,940,823	(628,505)	47,312,318
Capital stock/participation certificates issued	299,440	-	-	-	-	299,440
Capital stock/participation certificates and allocated retained earnings retired	(858,200)	-	-	-	-	(858,200)
Equity issued or re-characterized upon merger	2,480,775	93,429,810	-	-	-	95,910,585
Patronage dividends:						
Cash	-	-	(1,076,316)	(22,907,211)	-	(23,983,527)
Balance at December 31, 2024	6,545,990	141,026,305	51,168,036	204,140,048	194,319	403,074,698
Comprehensive income	-	-	-	59,667,009	407,574	60,074,583
Capital stock/participation certificates issued	503,345	-	-	-	-	503,345
Capital stock/participation certificates and allocated retained earnings retired	(925,460)	-	-	-	-	(925,460)
Patronage dividends:						
Cash	-	-	(1,173,353)	(31,215,859)	-	(32,389,212)
Prior Period Adjustments	-	-	-	(8,272)	-	(8,272)
Balance at December 31, 2025	\$ 6,123,875	\$ 141,026,305	\$ 49,994,683	\$ 232,582,926	\$ 601,893	\$ 430,329,682

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 59,667,009	\$ 47,940,823	\$ 46,785,056
Adjustments to reconcile net income to net cash provided by operating activities:			
(Loan loss reversal) provision for credit losses	(782,107)	5,485,585	(2,459,535)
Provision for acquired property	20,000	-	-
Gain on sale of loans	(270)	-	-
Depreciation	1,841,964	1,434,058	1,542,913
(Accretion) of fair value and amortization of net discounts on loans	(2,294,376)	138,934	67,413
Gain on sale of premises and equipment, net	(1,113,900)	(290,033)	(398,037)
Increase in accrued interest receivable	(4,357,412)	(839,468)	(4,096,301)
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	2,588,383	(7,838,053)	(2,106,671)
(Increase) decrease in deferred tax assets	(21,725)	(80,697)	93,440
Increase in other assets	(147,584)	(562,398)	(2,172,263)
Increase in accrued interest payable	770,039	633,123	1,680,734
(Decrease) increase in other liabilities	(104,182)	(1,771,973)	5,348,253
Net cash provided by operating activities	56,065,839	44,249,901	44,285,002
Cash flows from investing activities:			
Increase in loans, net	(187,193,062)	(62,546,330)	(146,759,337)
Cash recoveries of loans previously charged off	14,363	45,937	30,547
Proceeds from purchase of investment in the Farm Credit Bank of Texas	(15,741,120)	(2,718,065)	(3,858,083)
Purchase of investment in other Farm Credit Institutions	(2,597,824)	-	-
Investment securities held-to-maturity			
Proceeds from maturities, calls and prepayments	17,020	125,455	123,682
Purchases of premises and equipment	(7,960,956)	(1,835,829)	(1,777,373)
Proceeds from sales of premises and equipment	3,681,591	289,756	471,432
Cash acquired in mergers and acquisitions	-	3,948	-
Net cash used in investing activities	(209,779,988)	(66,635,128)	(151,769,132)

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2025	2024	2023
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	181,892,938	46,331,537	129,882,702
Increase (decrease) in drafts outstanding	309,608	(94,749)	(58,392)
Decrease in advance conditional payments	(612,387)	(309,142)	(905,885)
Issuance of capital stock and participation certificates	503,345	299,440	291,495
Retirement of capital stock and participation certificates	(925,460)	(858,200)	(247,705)
Patronage distributions paid	(27,479,280)	(22,981,125)	(21,481,393)
Net cash provided by financing activities	153,688,764	22,387,761	107,480,822
Net (decrease) increase in cash	(25,385)	2,534	(3,308)
Cash at the beginning of the year	25,385	22,851	26,159
Cash at the end of the year	\$ -	\$ 25,385	\$ 22,851

Supplemental schedule of noncash investing and financing activities:

Loans charged off	\$ 7,223	\$ -	\$ -
Patronage distributions declared	26,905,433	21,904,809	21,969,124
Transfer of allowance for credit losses on loans from (into) reserve for credit losses on unfunded commitments	(53,006)	(58,074)	46,389
Cumulative effect adjustments related to implementation of CECL:			
Allowance for credit losses on loans	-	-	1,705,736
Deferred tax asset	-	-	81,212
Merger and acquisition-related transactions:			
Total assets acquired	-	632,261,696	-
Total liabilities acquired	-	536,351,111	-
Net assets acquired	-	95,910,585	-

Supplemental cash flow information:

Cash paid during the year for:			
Interest	\$ 118,391,541	\$ 83,572,748	\$ 67,337,367
Income taxes	135,000	135,000	125,000

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

Texas Farm Credit Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION, MERGER AND OPERATIONS:

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

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2025, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the “District.” The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2025, the District consisted of the Bank, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

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

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

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

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

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

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

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

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

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

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

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

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

The Association’s financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders’ investments in the Association. The Bank’s Annual Report to Stockholders discusses the material aspects of the District’s financial condition, changes in financial condition and results of operations. In addition, the Bank’s Annual Report to Stockholders identified favorable and

unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the Association will be provided with the Bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned, and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. The consolidated financial statements include the accounts of Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In December 2025, Financial Accounting Standards Board (FASB) issued an update entitled, "Narrow-Scope Improvements." The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The update is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In November 2025, the FASB issued an update entitled, "Financial Instruments - Credit Losses - Purchased Loans." The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In September 2025, the FASB issued an update entitled, "Derivatives and Hedging and Revenue from Contracts with Customers." The amendment: (1) updates 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 (2) clarifies that the revenue recognition accounting guidance applies to share-based noncash consideration received from customers. The update 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 financial condition, results of operations and cash flows.

In July 2025, the FASB issued an update entitled “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 amendment on its financial condition, results of operations and cash flows.

In November 2024, FASB issued an update entitled “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 on its disclosures; however, the adoption will not have an impact on the Association’s financial conditions, results of operations or cash flows.

In December 2023, the FASB issued an update entitled “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 update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association’s financial condition, results of operations or cash flows but will impact the income tax disclosures.

- B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- C. Investments: In accordance with the Farm Credit Administration regulations, the Association, with the approval of the Bank, may purchase and hold investments to manage risks. The Association must identify and evaluate how the

investments that it purchases contribute to management of its risks. Only securities that are issued by or are unconditionally guaranteed or insured as to the timely payment of principal and interest by the United States Government or its agencies are investments that the Association may acquire. The total amount of investments allowed must not exceed 10 percent of the Association's total outstanding loans.

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

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

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

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

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

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

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

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at

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

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

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

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

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

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

- D. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans

A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

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

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectability of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the amortized cost in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Collateral Dependent Loans

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

Purchased Credit Deteriorated Loans (PCD)

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

Allowance for Credit Losses

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

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

Allowance for Credit Losses on Loans

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods. The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given timeframe) by the LGD (percentage of the loan expected to be collected at default.)

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

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

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

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

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;

- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the Association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

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

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

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

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the consolidated balance sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Also adopted, effective January 1, 2023, was guidance requiring a creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The guidance eliminated the accounting guidance for troubled debt restructurings by creditors. The guidance also requires disclosure of current period gross charge-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

- E. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. For 2025, the investment required of the Association was 2.50 percent of Association's average borrowings from the Bank. For 2024 and 2023, the investment required of the Association was 2 percent of the Association's average borrowings from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheets.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2.50 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

- F. **Other Property Owned, Net:** Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheets. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in noninterest expenses, net gains (losses) on other property owned, in the consolidated statements of comprehensive income. At December 31, 2025, the Association held one property in acquired property that is recorded at \$98,000 with an allowance of \$20,000. The resulting net value of \$78,000 equals its fair value.
- G. **Premises and Equipment:** Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- H. **Advance Conditional Payments:** The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheets. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.
- I. **Employee Benefit Plans:** Substantially all employees of the Association may be eligible to participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2025, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of \$1,169,860, \$921,697 and \$640,921 for the years ended December 31, 2025, 2024 and 2023 respectively. For the DB plan, the Association recognized pension costs of \$239,610, \$193,797 and \$309,219 for the years ended December 31, 2025, 2024 and 2023, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were \$817,515, \$660,305 and \$468,925 for the years ended December 31, 2025, 2024 and 2023, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheets in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were \$256,926, \$321,060 and \$42,028 for the years ended December 31, 2025, 2024 and 2023, respectively.

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

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

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

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

- K. **Patronage Refunds From the Farm Credit Bank of Texas:** The Association records patronage refunds from the Bank on an accrual basis.
- L. **Fair Value Measurement:** The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not

active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14, "Fair Value Measurements."

- M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.
- N. Merger Accounting: The FASB guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date.

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

NOTE 3 — INVESTMENTS:

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

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of Farmer Mac investments held to maturity at December 31, 2025:

	December 31, 2025				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	\$ 158,580	\$ (856)	\$ 157,724	6.21%	3.15 Years

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

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

Beginning on January 1, 2023, the Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of the assessment, the Association evaluated and concluded that they do not intend to sell the security or it is not more likely than not that they would be required to sell the security, prior to recovery of the amortized cost basis. The Association also evaluated whether credit impairment exists by comparing the present value of the expected cash flows to the securities amortized cost basis. Credit impairment, if any, is recorded as an ACL for debt securities. U.S. Treasury and agency, and all (or substantially all) mortgage-backed securities had a zero loss assumption and the Association does not consider these unrealized losses to be credit-related and an allowance for credit losses is not necessary.

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

A summary of loans as of December 31 follows:

Loan Type	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 2,601,949,410	80.8%	\$ 2,462,677,309	81.3%	\$ 1,841,308,216	77.9%
Production and intermediate-term	373,240,574	11.6%	324,610,472	10.7%	320,588,672	13.6%
Agribusiness:						
Processing and marketing	124,408,181	3.9%	121,817,357	4.0%	91,855,671	3.9%
Farm-related business	36,682,448	1.1%	35,492,574	1.2%	44,182,696	1.9%
Loans to cooperatives	24,558,133	0.8%	15,590,216	0.5%	19,300,676	0.8%
Communication	20,538,386	0.6%	22,717,773	0.7%	20,490,514	0.9%
Rural residential real estate	19,380,856	0.6%	22,868,382	0.8%	1,002,365	0.0%
Agricultural export finance	7,589,675	0.2%	6,178,777	0.2%	5,587,816	0.2%
Water and waste-water	6,210,805	0.2%	12,949,148	0.4%	14,902,097	0.6%
Energy	6,032,634	0.2%	6,141,874	0.2%	5,106,807	0.2%
Mission-related investments	622,002	0.0%	688,738	0.0%	744,639	0.0%
Total	\$ 3,221,213,104	100.0%	\$ 3,031,732,620	100.0%	\$ 2,365,070,169	100.0%

At December 31, 2025, the Association held loans totaling \$622,002 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 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	\$ 79,910,862	\$ 110,879,374	\$ 6,522,660	\$ -	\$ 86,433,522
Production and intermediate-term	54,687,435	60,930,994	-	-	54,687,435	60,930,994
Agribusiness	125,676,760	5,200,414	3,774,028	-	129,450,788	5,200,414
Communication	20,538,386	-	-	-	20,538,386	-
Energy	6,032,634	-	-	-	6,032,634	-
Water and waste-water	6,036,490	-	-	-	6,036,490	-
Agricultural export finance	7,589,675	-	-	-	7,589,675	-
Total	\$ 300,472,242	\$ 177,010,782	\$ 10,296,688	\$ -	\$ 310,768,930	\$ 177,010,782

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The entity manages credit risk associated with 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, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 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 loan 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 rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. 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 of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (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 shows loans and related accrued interest classified under the Farm Credit Administration’s Uniform Loan Classification System as a percentage of total loans by loan type as of December 31, 2025, 2024 and 2023:

	2025		2024		2023
Real estate mortgage					
Acceptable	98.0	%	98.4	%	99.3
OAEM	1.0		0.7		0.4
Substandard/doubtful	1.0		0.9		0.3
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Production and intermediate term					
Acceptable	90.1		88.2		95.4
OAEM	6.9		7.4		1.6
Substandard/doubtful	3.0		4.4		3.0
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Loans to cooperatives					
Acceptable	84.9		76.1		100.0
OAEM	-		23.9		-
Substandard/doubtful	15.1		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Processing and marketing					
Acceptable	92.5		94.4		95.9
OAEM	2.9		4.0		4.1
Substandard/doubtful	4.6		1.6		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Farm-related business					
Acceptable	81.0		73.9		72.5
OAEM	-		1.1		-
Substandard/doubtful	19.0		25.0		27.5
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Communication					
Acceptable	98.4		98.5		94.7
OAEM	1.6		1.5		5.3
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Energy					
Acceptable	100.0		100.0		94.2
OAEM	-		-		-
Substandard/doubtful	-		-		5.8
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Water and waste-water					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Rural residential real estate					
Acceptable	96.0		96.0		58.8
OAEM	1.5		1.9		33.4
Substandard/doubtful	2.5		2.1		7.8
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Agricultural export finance					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Mission-related investments					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Total Loans					
Acceptable	96.5		96.8		98.1
OAEM	1.7		1.7		0.7
Substandard/doubtful	1.8		1.5		1.2
	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>

Accrued interest receivable on loans of \$31,795,686, \$28,089,835 and \$22,243,153 at December 31, 2025, 2024 and 2023, respectively, has been excluded from the amortized cost of loans and is reported separately in the consolidated balance sheets. During 2025, 2024 and 2023, the Association reversed \$243,166, \$42,610 and \$289,831, respectively, in accrued interest receivable against interest income.

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

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac through an arrangement with the Bank. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2025, 2024 and 2023, loans totaling \$799,553,987, \$705,914,976 and \$602,645,101, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled \$2,744,602, \$2,597,177 and \$2,383,429 in 2025, 2024 and 2023, respectively, and are included in other noninterest expense.

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

	December 31, 2025	December 31, 2024	December 31, 2023
Nonaccrual loans:			
Real estate mortgage	\$ 15,785,415	\$ 13,258,992	\$ 2,445,690
Production and intermediate-term	1,277,596	-	227,141
Agribusiness	8,690,220	10,821,324	12,148,540
Energy	-	-	295,752
Rural residential real estate	492,273	92,423	-
Total nonaccrual loans	26,245,504	24,172,739	15,117,123
Accruing loans 90 days or more past due:			
Real estate mortgage	336,378	123,044	-
Production and intermediate-term	-	5	5
Rural residential real estate	-	119,148	-
Total accruing loans 90 days or more past due	336,378	242,197	5
Other property owned	78,000	98,000	-
Total nonperforming assets	\$ 26,659,882	\$ 24,512,936	\$ 15,117,128
Nonaccrual loans as a percentage of total loans	0.81%	0.80%	0.64%
Nonperforming assets as a percentage of total loans and other property owned	0.83%	0.81%	0.64%
Nonperforming assets as a percentage of capital	6.20%	6.08%	5.32%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses, as well as interest income recognized on nonaccrual loans during the periods ending December 31, 2025, December 31, 2024 and December 31, 2023:

	December 31, 2025			Interest Income Recognized For the Year Ended December 31, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ 11,106,416	\$ 4,678,999	\$ 15,785,415	\$ 525,516
Production and intermediate-term	-	1,277,596	1,277,596	35,113
Agribusiness	-	8,690,220	8,690,220	65,882
Rural residential real estate	-	492,273	492,273	200
Total nonaccrual loans	\$ 11,106,416	\$ 15,139,088	\$ 26,245,504	\$ 626,711

	December 31, 2024			Interest Income Recognized For the Year Ended December 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ 11,061,083	\$ 2,197,909	\$ 13,258,992	\$ 955,737
Production and intermediate-term	-	-	-	1,230,868
Agribusiness	1,950,844	8,870,480	10,821,324	3,232
Energy	-	-	-	83,194
Rural residential real estate	-	92,423	92,423	-
Total nonaccrual loans	\$ 13,011,927	\$ 11,160,812	\$ 24,172,739	\$ 2,273,031

	December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 2,445,690	\$ 2,445,690	\$ 59,639
Production and intermediate-term	-	227,141	227,141	38,392
Agribusiness	-	12,148,540	12,148,540	6,465
Energy	295,752	-	295,752	-
Total nonaccrual loans	\$ 295,752	\$ 14,821,371	\$ 15,117,123	\$ 104,496

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

December 31, 2025:	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	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 14,007,553	\$ 12,912,836	\$ 26,920,389	\$ 2,575,029,021	\$ 2,601,949,410	\$ 336,378
Production and intermediate-term	4,000,377	276,745	4,277,122	368,963,452	373,240,574	-
Processing and marketing	-	1,730,260	1,730,260	122,677,921	124,408,181	-
Farm-related business	1,840,245	6,959,960	8,800,205	27,882,243	36,682,448	-
Loans to cooperatives	215,163	-	215,163	24,342,970	24,558,133	-
Communication	-	-	-	20,538,386	20,538,386	-
Rural residential real estate	8,515	299,450	307,965	19,072,891	19,380,856	-
Agricultural export finance	-	-	-	7,589,675	7,589,675	-
Water and waste-water	-	-	-	6,210,805	6,210,805	-
Energy	-	-	-	6,032,634	6,032,634	-
Mission-related investments	-	-	-	622,002	622,002	-
Total	\$ 20,071,853	\$ 22,179,251	\$ 42,251,104	\$ 3,178,962,000	\$ 3,221,213,104	\$ 336,378

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	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 12,981,904	\$ 11,893,171	\$ 24,875,075	\$ 2,437,802,234	\$ 2,462,677,309	\$ 123,044
Production and intermediate-term	299,458	5	299,463	324,311,009	324,610,472	5
Processing and marketing	1,950,844	-	1,950,844	119,866,513	121,817,357	-
Farm-related business	-	-	-	35,492,574	35,492,574	-
Loans to cooperatives	-	-	-	15,590,216	15,590,216	-
Rural residential real estate	403,162	119,148	522,310	22,346,072	22,868,382	119,148
Communication	-	-	-	22,717,773	22,717,773	-
Water and waste-water	-	-	-	12,949,148	12,949,148	-
Agricultural export finance	-	-	-	6,178,777	6,178,777	-
Energy	-	-	-	6,141,874	6,141,874	-
Mission-related investments	-	-	-	688,738	688,738	-
Total	\$ 15,635,368	\$ 12,012,324	\$ 27,647,692	\$ 3,004,084,928	\$ 3,031,732,620	\$ 242,197

December 31, 2023:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 6,029,423	\$ -	\$ 6,029,423	\$ 1,835,278,793	\$ 1,841,308,216	\$ -
Production and intermediate-term	82,713	227,146	309,859	320,278,813	320,588,672	5
Processing and marketing	-	-	-	91,855,671	91,855,671	-
Farm-related business	-	-	-	44,182,696	44,182,696	-
Loans to cooperatives	-	-	-	19,300,676	19,300,676	-
Communication	-	-	-	20,490,514	20,490,514	-
Water and waste-water	-	-	-	14,902,097	14,902,097	-
Agricultural export finance	-	-	-	5,587,816	5,587,816	-
Energy	-	-	-	5,106,807	5,106,807	-
Rural residential real estate	93,892	-	93,892	908,473	1,002,365	-
Mission-related investments	-	-	-	744,639	744,639	-
Total	\$ 6,206,028	\$ 227,146	\$ 6,433,174	\$ 2,358,636,995	\$ 2,365,070,169	\$ 5

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

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

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

For loan modifications granted to borrowers experiencing financial difficulty during 2025 and 2023, the following tables show the amortized cost of outstanding balances as reflected in the consolidated balance sheets, disaggregated by loan type and type of modification granted. There were no modifications granted during 2024.

	<u>Year Ended December 31, 2025</u>	
	<u>Payment Deferral</u>	<u>Percentage of Total Loans</u>
Loans to cooperatives	\$ 3,336,722	0.10%

	<u>Year Ended December 31, 2023</u>	
	<u>Term Extension</u>	<u>Percentage of Total Loans</u>
Production and intermediate-term	\$ 218,572	0.01%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2025, December 31, 2024, and December 31, 2023, was \$143,395, \$0 and \$0, respectively.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during 2025 and 2023:

<u>December 31, 2025</u>	<u>Term or Payment Extensions Change in Weighted Average Maturity After Extension</u>
Loans to cooperatives	225 days

<u>December 31, 2023</u>	<u>Term or Payment Extensions Change in Weighted Average Maturity After Extension</u>
Loans to cooperatives	90 days

There were no loans to borrowers experiencing financial difficulty that received a modification during 2025, 2024 and 2023 and that defaulted in the period.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty as of December 31, 2025, and December 31, 2023:

<u>December 31, 2025</u>	<u>Payment Status of Loans Modified in the Past 12 Months</u>		
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>
Loans to Cooperatives	\$ 3,336,722	\$ -	\$ -

Payment Status of Loans Modified in the Past
12 Months

December 31, 2023	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	\$ 218,572	\$ -	\$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2025, and at December 31, 2023.

Allowance for Credit Losses

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

A summary of changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2025, December 31, 2024, and December 31, 2023, are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	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
Charge-offs	-	(7,223)	-	-	-	-	-	-	-	(7,223)
Recoveries	2,117	12,246	-	-	-	-	-	-	-	14,363
Provision for credit losses (credit loss reversal)	323,699	102,959	(1,254,692)	(439)	515	(7,519)	(2,154)	2,531	(14)	(835,114)
Balance at December 31, 2025	\$ 5,988,455	\$ 741,562	\$ 245,531	\$ 27,163	\$ 7,978	\$ 8,214	\$ 25,632	\$ 10,038	\$ 823	\$ 7,055,396

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 credit losses (credit loss reversal)	2,341	(2,525)	53,432	(950)	-	(124)	-	831	-	53,005
Balance at December 31, 2025	\$ 5,564	\$ 84,147	\$ 144,669	\$ 1,595	\$ -	\$ 104	\$ -	\$ 2,299	\$ -	\$ 238,378

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	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
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	4,509	41,428	-	-	-	-	-	-	-	45,937
Provision for credit losses (credit loss reversal)	1,342,852	302,953	1,347,047	7,450	(101,846)	1,127	26,801	2,021	105	2,928,510
Initial allowance for credit losses on PCD loans	2,494,000	-	-	-	-	-	-	-	-	2,494,000
Other	5,001	-	-	-	-	-	-	-	-	5,001
Balance at December 31, 2024	\$ 5,662,639	\$ 633,580	\$ 1,500,223	\$ 27,602	\$ 7,463	\$ 15,733	\$ 27,786	\$ 7,507	\$ 837	\$ 7,883,370

Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2023	\$ 723	\$ 97,550	\$ 23,745	\$ 718	\$ -	\$ 112	\$ -	\$ 4,451	\$ -	\$ 127,299
Provision for credit losses (credit loss reversal)	2,500	(10,878)	67,492	1,827	-	116	-	(2,983)	-	58,074
Balance at December 31, 2024	\$ 3,223	\$ 86,672	\$ 91,237	\$ 2,545	\$ -	\$ 228	\$ -	\$ 1,468	\$ -	\$ 185,373

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Mission-Related Investments	Total
Allowance for Credit Losses on Loans:										
Balance at December 31, 2022	\$ 1,579,691	\$ 628,543	\$ 712,761	\$ 14,214	\$ 105,928	\$ 6,166	\$ 935	\$ 3,024	\$ 700	\$ 3,051,962
Cumulative effect of a change in accounting principle	2,027,349	(291,909)	-	-	-	-	-	-	-	1,735,440
Balance at January 1, 2023	3,607,040	336,634	712,761	14,214	105,928	6,166	935	3,024	700	4,787,402
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	30,547	-	-	-	-	-	-	-	30,547
Provision for credit losses (credit loss reversal)	(1,790,763)	(77,982)	(559,585)	5,938	3,381	8,440	50	2,462	32	(2,408,027)
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

Allowance for Credit Losses on Unfunded Commitments:										
Balance at December 31, 2022	\$ 334	\$ 151,538	\$ 39,974	\$ 1,007	\$ -	\$ 3,391	\$ -	\$ 7,148	\$ -	\$ 203,392
Cumulative effect of a change in accounting principle	(49)	(22,131)	(5,838)	(147)	-	(495)	-	(1,044)	-	(29,704)
Balance at January 1, 2023	285	129,407	34,136	860	-	2,896	-	6,104	-	173,688
Provision for credit losses (credit loss reversal)	438	(31,857)	(10,391)	(142)	-	(2,784)	-	(1,653)	-	(46,389)
Balance at December 31, 2023	\$ 723	\$ 97,550	\$ 23,745	\$ 718	\$ -	\$ 112	\$ -	\$ 4,451	\$ -	\$ 127,299

The allowance for credit losses as of December 31, 2025, was \$7,055,396, reflecting an decrease of \$827,974 from December 31, 2024. The decrease was driven by an increase in loan volume offset by a decrease in specific allowance due to nonaccrual loan payoffs.

The Association's macroeconomic forecast includes a weighted average selection of third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the December 31, 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. The economic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 5 — LEASES

The components of lease expense were as follows:

	<u>Classification</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating lease cost	right-of-use asset	\$ 178,930	\$ 223,491	\$ 258,437
Short-term lease cost		25,485	20,000	52,850
Finance lease cost				
Amortization of right-of-use assets		16,003	6,556	(33,892)
Net lease cost		<u>\$ 220,418</u>	<u>\$ 250,047</u>	<u>\$ 277,395</u>

Other information related to leases was as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	\$ 194,935	\$ 230,046	\$ 224,545
Right-of-use assets obtained in exchange for new lease obligations:			
Operating leases	\$ 178,930	\$ 233,491	\$ 258,437

Lease term and discount rate are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term in years			
Operating leases	5.84	6.08	6.90
Weighted average discount rate			
Operating leases	4.83%	5.36%	5.53%

Future minimum lease payments under non-cancellable leases as of December 31, 2025, were as follows:

	<u>Operating Leases</u>
2026	\$ 136,097
2027	75,024
2028	96,400
2029	98,124
2030	99,848
Thereafter	107,048
Total lease payments	<u>\$ 612,541</u>

NOTE 6 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheets. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 10.1 percent, 10.5 percent and 8.2 percent of the issued stock of the Bank as of December 31, 2025, 2024 and 2023. As of those dates, the Bank's assets totaled \$42.2 billion, \$39.5 billion and \$37.3 billion and members' equity totaled \$2.1 billion, \$1.8 billion and \$1.7 billion. The Bank's earnings were \$212.3 million, \$222.0 million and \$199.9 million during 2025, 2024 and 2023.

NOTE 7 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2025	2024	2023
Building and improvements	\$ 25,785,206	\$ 23,048,709	\$ 18,213,037
Land and improvements	6,534,712	5,201,870	2,218,870
Automobiles	3,542,596	3,365,218	2,490,475
Computer equipment and software	1,620,609	1,569,018	842,155
Furniture and equipment	1,390,190	1,351,905	1,263,846
Construction in progress	124,562	525,979	-
	<u>38,997,875</u>	<u>35,062,699</u>	<u>25,028,383</u>
Accumulated depreciation	(8,828,819)	(8,444,944)	(6,971,663)
Total	<u>\$ 30,169,056</u>	<u>\$ 26,617,755</u>	<u>\$ 18,056,720</u>

The Association operates leased satellite offices in Gainesville and McAllen, and the Association leases offices for its lending operations in Dallas, Laredo and Prosper. Lease expense was \$204,608, \$230,046 and \$262,995 for 2025, 2024 and 2023, respectively. The lease contracts range from monthly lease terms up to 10-year lease terms. None of the leases qualify as capital leases, and all contracts are considered operating leases. Minimum annual lease payments for the next five years total \$505,493, and minimum annual lease payments for all future years total \$107,048. See Note 5, "Leases," for further details.

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2025	2024	2023
Intangible assets	\$ 2,106,999	\$ 2,371,808	\$ 2,636,617
Accounts receivable - other	2,250,716	1,965,703	1,187,297
Nonqualified deferred compensation	1,438,173	1,278,594	583,740
Right-of-use asset - building lease	530,294	703,589	758,815
Prepaid expenses	537,737	396,642	354,508
Farmer Mac stock	8,000	8,000	8,000
Miscellaneous assets	6,465	6,464	6,467
Total	<u>\$ 6,878,384</u>	<u>\$ 6,730,800</u>	<u>\$ 5,535,444</u>

Other liabilities comprised the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating accounts payable	\$ 12,900,503	\$ 12,099,936	\$ 9,762,736
Post-retirement benefits liability	5,086,216	5,419,688	3,394,141
Insurance payable	2,687,807	2,641,747	3,500,729
Accrued annual leave	1,591,885	2,307,254	1,151,610
Lease liability - building leases	530,294	703,589	758,815
Allowance on unfunded loans	238,378	185,372	127,299
Miscellaneous liabilities	46,290	142,125	57,166
Federal income taxes payable	-	40,412	-
Total	<u>\$ 23,081,373</u>	<u>\$ 23,540,123</u>	<u>\$ 18,752,496</u>

The Association owns four crop insurance agencies within its territory. One agency was purchased in April 2023 for \$1,500,000, one agency was purchased in August 2018 for \$572,140, one agency was purchased in September 2017 for \$1,500,000 and one agency was purchased in March 2016 for \$600,000. All four purchases are classified as contractual relationship intangible assets based on the expected future benefit of customer contracts. Amortization of \$264,809 was recorded for 2025 and amortization of \$264,809 per year is estimated over the five succeeding fiscal years. At December 31, 2025, the balance of these intangible assets after amortization reported was \$2,106,999.

NOTE 9 — NOTE PAYABLE TO THE BANK:

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

The total amount and the weighted average interest rate of the Association’s direct loan from the Bank at December 31, 2025, 2024 and 2023, was \$2,874,587,467 at 4.23 percent, \$2,692,694,529 at 3.90 percent and \$2,120,945,005 at 3.38 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association’s ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2025, 2024 and 2023, the Association’s note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2025, was \$3,234,900,216, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2025, 2024 and 2023, the Association was/was not subject to remedies associated with the covenants in the general financing agreement.

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

NOTE 10 — MEMBERS' EQUITY:

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

Because the Association operates for the mutual benefit of its customer-owners and other customers and not for the benefit of any other equity investors, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and bylaws, the Association can issue stock only at its par value of \$5 per share, the stock is not tradable and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of stock in one association that were converted to shares of another association have identical rights and attributes. For this reason, the conversion of stock pursuant to past mergers occurred at a one-for-one exchange ratio. Management believes that because the stock in each association is fixed in value, the stock issued pursuant to past mergers provides no basis for estimating the fair value of the consideration transferred pursuant to the mergers. In the absence of a purchase price determination, the acquiring association identified and estimated the acquisition date fair value of the net assets of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information then available. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the mergers. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the mergers was considered to be additional paid-in capital.

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

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class B capital stock (in the case of agricultural loans to producers) or participation certificates (in the purchase of rural home loans and farm-related business loans) is equal to 2 percent of the loan amount, up to a maximum amount of \$1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

The Association's bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2025, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

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

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 5 percent of the loan amount.

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

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B stock to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class A shares is made solely at the discretion of the Association's board of directors. At December 31, 2025, 2024 and 2023, the Association had \$510, \$7,085 and \$256,285, respectively, of Class A stock.

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

Patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following patronage distributions were declared and paid in 2025, 2024 and 2023, respectively:

<u>Period Ended December 31:</u>	<u>Date Declared</u>	<u>Date to be Paid</u>	<u>Total Patronage</u>
2025	December 2025	April 2026	\$ 30,609,776
2025	December 2025	December 2025	\$ 1,173,354
2024	December 2024	April 2025	\$ 23,534,773
2024	November 2024	March 2025	\$ 3,370,660
2024	December 2024	December 2024	\$ 1,076,316
2023	December 2023	April 2024	\$ 21,969,124
2023	December 2023	December 2023	\$ 975,507

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of December 31, 2025, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2025:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2025	As of December 31, 2024	As of December 31, 2023
Common equity tier 1 ratio	4.50%	7.00%	13.37%	13.80%	13.16%
Tier 1 capital ratio	6.00%	8.50%	13.37%	13.80%	13.16%
Total capital ratio	8.00%	10.50%	13.63%	14.06%	13.29%
Permanent capital ratio	7.00%	7.00%	13.40%	13.84%	13.17%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	11.60%	11.58%	10.82%
UREE leverage ratio	1.50%	1.50%	9.82%	9.43%	8.36%

Risk-weighted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-weighted assets is calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for credit losses from risk-weighted assets for the permanent capital ratio.

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

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 185,735,235	\$ 185,735,235	\$ 185,735,235	\$ 185,735,235
Paid-in capital	141,026,305	141,026,305	141,026,305	141,026,305
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,128,401	6,128,401	6,128,401	6,128,401
Allocated equities:				
Allocated equities held ≥ 7	51,154,999	51,154,999	51,154,999	51,154,999
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*	-	-	7,340,784	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(72,983,525)	(72,983,525)	(72,983,525)	(72,983,525)
Other regulatory required deductions	(2,301,192)	(2,301,192)	(2,301,192)	(2,301,192)
	\$ 373,697,565	\$ 373,697,565	\$ 381,038,349	\$ 373,697,565
Denominator:				
Risk-adjusted assets excluding allowance	\$ 2,870,379,248	\$ 2,870,379,248	\$ 2,870,379,248	\$ 2,870,379,248
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(75,284,717)	(75,284,717)	(75,284,717)	(75,284,717)
Allowance for loan losses	-	-	-	(7,185,394)
	\$ 2,795,094,531	\$ 2,795,094,531	\$ 2,795,094,531	\$ 2,787,909,137
Calculated Ratio	13.37%	13.37%	13.63%	13.40%

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

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2025:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 185,735,235	\$ 185,735,235
Paid-in capital	141,026,305	141,026,305
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,128,401	-
Allocated equities:		
Allocated equities held ≥ 7	51,154,999	-
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	(72,983,525)	(72,983,525)
Other regulatory required deductions	(2,301,192)	(2,301,192)
	\$ 373,697,565	\$ 316,414,165
Denominator:		
Total Assets	\$ 3,303,270,999	\$ 3,303,270,999
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(81,615,300)	(81,615,300)
	\$ 3,221,655,699	\$ 3,221,655,699
Calculated Ratio	11.60%	9.82%

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association's

capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board of directors.

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

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Class A stock	102	1,417	51,257
Class B stock	1,181,588	1,260,295	868,571
Participation certificates	43,085	47,486	4,967
Total	<u>1,224,775</u>	<u>1,309,198</u>	<u>924,795</u>

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

December 31, 2025	Net of Tax
Nonpension postretirement benefits	<u>\$ 601,893</u>
December 31, 2024	Net of Tax
Nonpension postretirement benefits	<u>\$ 194,319</u>
December 31, 2023	Net of Tax
Nonpension postretirement benefits	<u>\$ 822,824</u>

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive income at January 1	\$ 194,319	\$ 822,824	\$ 861,603
Actuarial gains (losses)	427,336	(549,618)	37,886
Amortization of prior service credit included in salaries and employee benefits	(19,762)	(28,132)	(21,716)
Amortization of actuarial gain included in salaries and employee benefits	-	(57,171)	(54,949)
Merger adjustments	-	6,416	-
Other comprehensive income (loss), net of tax	<u>407,574</u>	<u>(628,505)</u>	<u>(38,779)</u>
Accumulated other comprehensive income at December 31	<u>\$ 601,893</u>	<u>\$ 194,319</u>	<u>\$ 822,824</u>

NOTE 11 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current:			
Federal	\$ 26,043	\$ 209,498	\$ 41,950
Deferred:			
Federal	(21,725)	(80,697)	93,440
Total provision for (benefit from) income taxes	<u>\$ 4,318</u>	<u>\$ 128,801</u>	<u>\$ 135,390</u>

The amount of income taxes paid (net of refunds received) are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Federal	\$ 135,000	\$ 135,000	\$ 125,000
Total income taxes paid, net of refunds received	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ 125,000</u>

The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of the Association and FCLA subsidiary earnings. The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Federal tax at statutory rate	\$ 12,530,979	\$ 9,637,798	\$ 9,853,294
Effect of nontaxable FLCA subsidiary	(11,587,150)	(7,843,388)	(8,214,421)
Patronage distributions	(829,195)	(1,753,083)	(1,543,706)
Other	(110,316)	87,474	40,223
Provision for (benefit from) income taxes	<u>\$ 4,318</u>	<u>\$ 128,801</u>	<u>\$ 135,390</u>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Deferred Tax Assets</u>			
Allowance for credit losses	\$ 172,552	\$ 150,827	\$ 70,130
Gross deferred tax assets	<u>\$ 172,552</u>	<u>\$ 150,827</u>	<u>\$ 70,130</u>

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. At December 31, 2025, non-patronage income is expected to be 0.29 percent of total taxable income (before patronage) and patronage income retained is expected to be retained on a tax basis. The expected future tax rates are based upon enacted tax laws.

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

At December 31, 2025, the Association continues to carry a net operating loss carryforward of \$8,880,476 with a 100 percent valuation allowance recorded. The Association expects to recognize some benefit from this deferred tax asset. At this time, the Association does not have an estimate of benefit and will continue to carry the valuation allowance until an estimate can be made.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, “Summary of Significant Accounting Policies.” The structure of the District’s DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

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

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

The Association elected to participate in the District’s nonqualified contribution 401(k) plan, although participation from qualifying employees was limited. Contributions of \$256,926, \$321,060 and \$42,028 were made to this plan for the years ended December 31, 2025, 2024 and 2023. There were no payments made from the Supplemental 401(k) Plan to active employees during 2025, 2024 and 2023.

The DB Plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved

by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The “projected unit credit” actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2025.

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

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the Association’s contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Funded status of plan	78.1%	75.7%	73.3%
Association's contribution	\$ 239,610	\$ 190,269	\$ 309,219
Percentage of Association's contribution to total contributions	6.0%	5.1%	4.7%

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 78.3 percent, 76.2 percent and 74.1 percent at December 31, 2025, 2024 and 2023, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2025	2024	2023
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	\$ 5,419,688	\$ 3,394,141	\$ 3,373,898
Accumulated postretirement benefit obligation acquired in merger	-	1,360,807	-
Service cost	40,191	49,187	27,589
Interest cost	284,652	256,186	171,310
Plan participants' contributions	61,931	53,794	30,606
Actuarial loss (gain)	(427,336)	549,618	(37,886)
Benefits paid	(292,910)	(244,045)	(171,376)
Accumulated postretirement benefit obligation, end of year	\$ 5,086,216	\$ 5,419,688	\$ 3,394,141
Change in Plan Assets			
Company contributions	\$ 230,979	\$ 190,251	\$ 140,770
Plan participants' contributions	61,931	53,794	30,606
Benefits paid	(292,910)	(244,045)	(171,376)
Plan assets at fair value, end of year	\$ -	\$ -	\$ -
Funded status of the plan	\$ (5,086,216)	\$ (5,419,688)	\$ (3,394,141)
Amounts Recognized on the Balance Sheets			
Other liabilities	\$ (5,086,216)	\$ (5,419,688)	\$ (3,394,141)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	\$ (601,893)	\$ (19,762)	\$ (781,346)
Prior service cost (credit)	-	(174,557)	(41,478)
Total	\$ (601,893)	\$ (194,319)	\$ (822,824)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	12/31/2025	12/31/2024	12/31/2023
Discount rate	5.60%	5.35%	5.50%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	8.40%/10.10%	9.20%/10.80%	7.50%/8.40%
Health care cost trend rate assumed for next year - Rx	8.40%	9.20%	7.50%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2035	2034	2034

Total Cost	2025	2024	2023
Service cost	\$ 40,191	\$ 49,187	\$ 27,589
Interest cost	284,652	256,186	171,310
Amortization of:			
Unrecognized prior service cost	(19,762)	(28,132)	(21,716)
Unrecognized net loss (gain)	-	(57,171)	(54,949)
Net postretirement benefit cost	\$ 305,081	\$ 220,070	\$ 122,234

Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income

Net actuarial loss (gain)	\$ (427,336)	\$ 549,618	\$ (37,886)
Amortization of net actuarial loss (gain)	-	57,171	54,949
Amortization of prior service cost	19,762	28,132	21,716
AOCI adjustment due to merger	-	(6,416)	-
Total recognized in other comprehensive income	\$ (407,574)	\$ 628,505	\$ 38,779

AOCI Amounts Expected to be Amortized Into Expense in 2026

Unrecognized prior service cost	\$ -	\$ (19,762)	\$ (21,716)
Unrecognized net loss (gain)	(14,574)	-	(57,171)
Total	\$ (14,574)	\$ (19,762)	\$ (78,887)

Weighted-Average Assumptions Used to Determine Benefit Cost

Measurement date	12/31/2024	12/31/2023	12/31/2022
Discount rate	5.35%	5.35%	5.20%
Interest crediting rate			
Health care cost trend rate assumed for next year (pre-/post-65) - medical	9.20%/10.80%	7.50%/8.40%	7.20%/7.70%
Health care cost trend rate assumed for next year - Rx	9.20%	7.50%	7.20%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034	2033	2031

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)

Fiscal 2026	\$ 217,599
Fiscal 2027	251,815
Fiscal 2028	286,544
Fiscal 2029	310,788
Fiscal 2030	312,384
Fiscal 2031–2035	1,672,046

Expected Contributions

Fiscal 2026	\$ 217,599
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NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the

same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2025, 2024 and 2023 for the Association amounted to \$53,514,894, \$46,522,544 and \$42,661,897. During 2025, 2024 and 2023, \$55,135,376, \$52,056,033 and \$31,360,179 of new loans were made, and repayments totaled \$50,644,816, \$51,199,476 and \$34,374,204, respectively. In the opinion of management, no such loans outstanding at December 31, 2025, 2024 and 2023 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the District associations, such as FCSIC expenses. The Bank charges the individual District associations directly for these services based on each association's proportionate usage. These expenses totaled \$3,146,874, \$2,379,823 and \$3,791,638 in 2025, 2024 and 2023, respectively.

The Association received patronage payments from the Bank totaling \$6,576,189, \$9,259,539 and \$8,936,478 during 2025, 2024 and 2023, respectively.

NOTE 14 — FAIR VALUE MEASUREMENTS:

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

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

December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 8,628,152	\$ 8,628,152
Other property owned	-	-	78,000	78,000
 December 31, 2024	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 9,128,379	\$ 9,128,379
Other property owned	-	-	137,150	137,150
 December 31, 2023	 Fair Value Measurement Using			 Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 191,449	\$ 191,449
Other property owned	-	-	-	-

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

December 31, 2025					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Investments	\$ 158,580	\$ -	\$ -	\$ 157,724	\$ 157,724
Net loans	3,151,269,021	-	-	3,040,070,405	3,040,070,405
Total Assets	\$ 3,151,427,601	\$ -	\$ -	\$ 3,040,228,129	\$ 3,040,228,129
Liabilities:					
Note payable to Bank	\$ 2,874,587,467	\$ -	\$ -	\$ 2,771,404,951	\$ 2,771,404,951
Total Liabilities	\$ 2,874,587,467	\$ -	\$ -	\$ 2,771,404,951	\$ 2,771,404,951

December 31, 2024					
Fair Value Measurement Using					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 25,385	\$ 25,385	\$ -	\$ -	\$ 25,385
Investments	175,600	-	-	171,411	171,411
Net loans	2,951,277,250	-	-	2,793,506,468	2,793,506,468
Total Assets	\$ 2,951,478,235	\$ 25,385	\$ -	\$ 2,793,677,879	\$ 2,793,703,264
Liabilities:					
Note payable to Bank	\$ 2,692,694,529	\$ -	\$ -	\$ 2,547,133,343	\$ 2,547,133,343
Total Liabilities	\$ 2,692,694,529	\$ -	\$ -	\$ 2,547,133,343	\$ 2,547,133,343

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

Uncertainty of Fair Value Measurements

There are no recurring 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. System institutions utilize appraisals to value these loans and other property owned and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable

inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Investments

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

Loans Evaluated for Impairment

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

Other Property Owned

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

NOTE 15 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2025, \$335,207,903 of commitments and no commercial letters of credit were outstanding.

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

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2025				
	First	Second	Third	Fourth	Total
Net interest income	\$ 21,855	\$ 21,674	\$ 22,061	\$ 21,756	\$ 87,346
(Provision for) reversal of loan losses	(632)	455	674	285	782
Noninterest income (expense), net	(6,794)	(5,896)	(7,742)	(8,029)	(28,461)
Net income	\$ 14,429	\$ 16,233	\$ 14,993	\$ 14,012	\$ 59,667

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

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

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 6, 2026 which is the date the financial statements were issued or available to be issued and has determined that there were no events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

Texas Farm Credit Services (the Association) serves its 101-county territory through its main administrative and lending office at 545 South Highway 77, Robstown, Texas 78380. Additionally, there are 27 branch lending offices, three administrative offices, two crop insurance offices and two satellite offices located throughout the territory. The Association owns the Athens, Bandera, Beaumont, Bonham, Brenham, Fairfield, Fort Worth, Greenville, Lindale, Lufkin, McKinney, Nacogdoches, Palestine, Pleasanton, Raymondville Crop Insurance, Raymondville Lending, Robstown Administrative, Robstown Branch, San Antonio, Sulphur Springs, Taft Crop Insurance, The Woodlands, Tyler Administrative, Tyler Branch, Uvalde and Weslaco offices, free of debt. The Association operates leased satellite offices in Gainesville and McAllen. The Association leases offices for its lending operations in Dallas, Laredo and Prosper.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, "Note Payable to the Bank," Note 12, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720 or calling (512) 465-0738. Copies of the Bank’s annual and quarterly stockholder reports can also be requested by e-mailing fcb@farmcreditbank.com. The annual and quarterly stockholder reports are also available on its website at www.farmcreditbank.com.

The Association’s quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Texas Farm Credit Services, 545 South Hwy. 77, Robstown, Texas or calling (361)387-8563. Copies of the Association’s quarterly stockholder reports can also be requested by e-mailing hgattis@texasfcs.com. The Association’s annual stockholder report is available on its website at www.texasfarmcredit.com 75 days after the fiscal year end. Copies of the Association’s annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2025, required to be disclosed, is incorporated herein by reference to the “Five-Year Summary of Selected Consolidated Financial Data” included in this annual report to stockholders.

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

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

DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	ELECTED/ EMPLOYED	TERM EXPIRES
Thomas Barker	Director	2012	2027
David Cannon	Director	2024	2026
Jerry Chappell	Director - Chairman	2013	2028
Roger Claxton	Director	2010	2028
James Dawley	Director	2003	2026
Marion Vines Durand	Director-Appointed Stockholder	2012	2026
Roxann Garvin	Director	2019	2026
David Henneke	Director-Appointed Non-Stockholder	2005	2026
Bobby Hobson	Director	2008	2026
John Holloway	Director	2019	2028
John Prukop	Director- Vice Chairman	1990	2026
Gregory T. Richbourg	Director-Appointed Non-Stockholder	2010	2026
Kevin Sampson	Director	2006	2027
Jeff Striplin	Director	2020	2026
Jim Tarrant, Jr	Director	2009	2027
Jon Whatley	Director-Appointed Stockholder	2024	2027
Mark Miller	President / Chief Executive Officer	1989	---
Heath Gattis	EVP / Chief Financial Officer	2024	---
Jolene Curtis	EVP / Chief Operating Officer	2004	---
John O'Brien, IV	EVP / Chief Lending Officer	2000	---
Lane Pepper	EVP / Chief Credit Officer	2004	---
John Parker	EVP / Chief Information Officer	2003	---
Joe Valladares	EVP / Chief Strategy & Innovation Officer	2005	---
Lori V. Graham	EVP / Chief Legal Officer	2014	---

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

Thomas Barker resides in Winona, Texas, and has been the manager of 7P Ranch, a 1,750-acre registered Simmental operation located near Tyler, Texas for the past thirteen years. Tom, and his wife Laurie, own Star B Brahmans where they raise registered Brahman cattle using A.I. and embryo transfer. Tom also owns TMB3 Ranch Consulting providing consulting services to other ranchers and landowners. Mr. Barker is a member of the Smith County Livestock & Forage Committee which assists Texas A&M Agrilife Extension Service with educational programs for the county. Mr. Barker resigned from the board in October 2025.

David Cannon is the president and owner of Cannon Steel, a family-owned business, in Tyler, Texas for the past 44 years. In addition, he and his wife, Noemi, own and operate East Texas Cattle, a Brangus and coastal hay operation. They also raise pure-bred poultry. He is a member of the Texas and Southwestern Cattle Raisers Association and a board member of Cannon Steel.

Jerry Chappell resides in Lyford, Texas, and is a Partner in Chappell Farms, a family partnership. They primarily farm cotton and grain. Mr. Chappell serves on the Willacy County Farm Bureau, which is a non-profit organization dedicated to promoting, protecting, and representing the interests of US farmers. He also serves on the Texas Boll Weevil Eradication Lower Rio Grande Valley Steering Committee, which is a liaison between cotton producers of the Lower Rio Grande Valley and the Boll Weevil Eradication Foundation, is a member of the Rio Grande Valley IPM Steering

Committee, which promotes the integrated pest management to farmers of the Rio Grande Valley, and is a Director for the Appraisal Review Board, which is a decision making body that issues determinations of statutorily-authorized protests and challenges brought by property owners and taxing units.

Roger Claxton owns and operates Claxton Farms, which consists primarily of a stocker cattle operation. Claxton is a retired agricultural science teacher. He serves on the board of the Hunt County Farm Bureau, Northeast Texas Farmers Co-op board, and is a lifetime member of the Vocational Agricultural Teachers Association of Texas. He is a former board member of the Hunt County Junior Livestock Association. An elder of the Church of Christ, Claxton is a graduate of East Texas State University with bachelor's and master's degrees in agricultural economics. He and his wife, Kathryn, have been married for 46 years and have three grown children.

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

Marion Vines Durand is a resident of Austin, Texas, and serves as an officer and director of Lufkin Business Park I and Lufkin Business Park II, Inc. Mrs. Durand is a retired certified public accountant and is active in several other agricultural sectors, including timber and land management.

Roxann Garvin is a passionate fourth generation farmer. She, alongside her husband Mike, and son Chance, operate Garvin Farms in Winnsboro, Texas, located in Hopkins and Wood Counties. Farm ownership became a reality in 1980 when she purchased the family farm from her retiring parents. Dairy farming spanned 36 years and in 2016 the milk cow herd transitioned to a Brangus cow/calf operation. Today, the farm operation includes the cow herd, 800 acres for grazing and hay production, and four breeder farms, housing over 100,000 hens and roosters with JBS Pilgrims. She is a member of Wood County Farm Bureau and serves on the grower advisory committee with JBS Pilgrims. Formerly, Mrs. Garvin was the President Young Cooperator for Associated Milk Producers, Inc of the southern region of North America, whose officers are trained to mentor, foster, and promote other young aspiring couples in agriculture. She was recognized as Hopkins County Top Conservationist of the Year, as well as Winnsboro Chamber of Commerce Agriculture Business of the Year. Roxann and her husband, Mike have raised four beautiful children on their family farm. She has served on the Texas Farm Credit Board since 2019.

David Henneke is a retired Investment Advisor with more than 20 years of banking experience from Alice, Texas. Mr. Henneke has served on the board of directors since 2005.

Bobby Hobson is a resident of Nacogdoches County. He owns and operates a 12-house broiler farm as well as a cow-calf operation with his son. Mr. Hobson has served on the Douglass ISD School board for 28 years and is currently the President. He is also the chairman of the Nacogdoches County Soil and Water Conservation Board. Mr. Hobson has been married to his wife for 46 years and they have three children and eight grandchildren.

John Holloway is currently manager of LOLA Farms, LLC. He has 29 years of poultry industry experience with Tyson Foods and Pilgrim's Pride. Holloway owns and operates six broiler houses for Tyson Foods. He also owns and manages a cow-calf operation and timber land. Holloway earned a bachelor's degree in poultry science from Texas A&M University. He serves as chairman of the board of the Shelby Soil and Water Conservation District. He and his wife, Chelsea, have two sons and are members of the First Baptist Church of Center, Texas. Mr. Holloway is currently employed by Pitman Family Farms.

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

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

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

Jeff Striplin is Assistant Water System Manager – Treatment for the North Texas Municipal Water District in Wylie, Texas, where he has worked for 30 years. He is also a first-generation rancher with a cow-calf operation on 115 acres and raises stocker calves, dairy heifer replacements, club lambs and replacement ewes. Striplin serves on the Hunt County Farm Bureau board, Hunt County Fair and Junior Livestock Association board, is vice-president of the Bland ISD School Board and is past president of the Bland Youth Sports Association. He is also president of the Cotton Belt District of the Texas Water Utilities Association. Striplin is a former member of the Texas Association of School Boards 2020 – 2021 Legislative Advisory Council, former assistant Area 45 director for District 50 of Toastmasters International and served on the Texas Farm Bureau resolutions committee. Striplin is a member of Texas Farm Bureau, Northeast Texas Farmers Co-op, Texas and Southwestern Cattle Raisers Association, American Water Works Association, Texas Water Utilities Association, Water Environment Association of Texas, Water Environment Federation, Hunt County Junior Livestock Association, Texas Farm Bureau Natural Resources Advisory Committee and Toastmasters International. He and his wife, Samantha, have two children.

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

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

Mark Miller assumed the role of president/chief executive officer on January 1, 2013. Prior to this appointment, Mr. Miller served as executive vice president and chief credit officer. He has been with the organization since March 1989 when he accepted a position as loan officer and has also served as a branch manager and chief operations officer. Effective December 18, 2023, Mr. Miller was appointed chief executive officer of Heritage Land Bank as part of a Joint Management Agreement approved by the boards of Texas Farm Credit and Heritage Land Bank. Mr. Miller is a graduate

of Texas A&M University, as well as the Texas Agricultural Lifetime Leadership (TALL) program. He serves as an inside director to the FCCS board of directors and as a director for FarmLand Title, which is owned by FCCS.

Heath Gattis, executive vice president/chief financial officer, assumed the role December 1, 2024, as part of a leadership transition associated with the Heritage Land Bank merger. Mr. Gattis served as chief operating officer at Heritage Land Bank from December 2023 to November 2024. Prior to this, he served as chief financial officer at Heritage Land Bank from May 2018 to November 2023. Mr. Gattis received his bachelor's degree in finance from Texas A&M University in 1992. He has worked in the banking industry for more than 30 years with experience in state bank supervision and auditing, CEO of a community bank, and roles in credit administration, credit underwriting, compliance, and direct lending.

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

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

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

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

Joe Valladares, executive vice president and chief strategy & innovation officer, assumed the role in January 2021. He previously served as senior vice president and chief audit officer from January 2014 through December 2020 and, prior to that, as chief financial officer of AgriLand Farm Credit, which later merged into the Association. Mr. Valladares joined Farm Credit in 2005 and held leadership roles across accounting, human resources, operations, and technology before being named Chief Financial Officer. He is a 2005 graduate of the University of Texas at Tyler and currently serves as a member of the FCS RAAW Committee, advisory committees for the FCCS Director Leadership Conference and the FCCS System X Experience, and as a board member of the Tyler Economic Development Council.

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

County Child Welfare Board as well as serving on the Farm Credit Council’s Reputation Risk Analysis and Planning (RRAP) Workgroup.

COMPENSATION OF DIRECTORS

Elected stockholder directors and appointed stockholder directors were compensated for their service to the Association in the form of an honorarium at the rate of \$650 per day for the first half of the year and \$800 per day for the second half of the year for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Appointed non-stockholder directors were compensated for their service to the Association in the form of an honorarium at the rate of \$750 per day for half of the year and \$800 per day for half of the year for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. In addition to the honorarium, all directors receive an annual retainer, which is paid quarterly. The chairman of the board receives a \$27,000 annual retainer, the vice chairman of the board receives a \$23,000 annual retainer, and the chairman of the audit committee receives a \$25,000 annual retainer. The remaining directors receive an \$18,000 per director annual retainer, and all directors serving on the audit committee receive an additional \$4,000 annual retainer. Directors are compensated for all conference calls at a rate of \$150 per call. Mileage for attending official meetings during 2025 was paid at the IRS approved rate of 70.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

Director	Number of Meetings Served		2025 Compensation
	Board Meeting	Audit, Compensation and Other Special Meetings	
Thomas Barker	6	8	18,500
David Cannon	7	7	22,850
Jerry Chappell	9	35	52,500
Roger Claxton	7	18	36,200
James R. Dawley	9	8	24,850
Marion Vines Durand	9	17	34,100
Roxann Garvin	9	7	24,650
David Henneke	9	10	29,550
John Holloway	7	13	26,900
Bobby Hobson	9	16	36,725
John Prukop	8	31	46,850
Gregory T. Richbourg	8	17	35,850
Kevin Sampson	9	9	27,050
Jeff Striplin	9	12	29,850
Jim Tarrant Jr.	9	8	27,700
Jon Whatley	9	15	31,000
			\$ 505,125

Six directors serve on the compensation committee. Seven directors serve on the audit committee, and five directors serve on the governance committee.

The aggregate compensation paid to directors in 2025, 2024 and 2023 was \$505,125, \$355,600 and \$348,675, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$268,090, \$142,590 and \$132,619 in 2025, 2024 and 2023, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

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

The compensation committee approves the Association’s incentive plan annually. The incentive plan is based on the Association meeting certain financial objectives established in the Association’s annual Business Plan submitted to the Farm Credit Administration and approved by the board. The incentive plan is based on the Association’s fiscal year of operations. The incentive plan requires that the Association meet certain net earnings objectives to ensure adequate capital levels to support predetermined board objectives. The incentive plan also requires that the branches meet performance objectives such as financial services income to operating expense ratio and credit quality objectives. The incentive plan is structured so that an incentive pool of dollars is paid if the incentive plan objectives are met. A staggered incentive pool of dollars is available to employees if objectives are less than fully achieved. There were no material amendments to the incentive plan for 2025.

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

Chief Executive Officer (CEO) Compensation Policy

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

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2025, 2024 and 2023. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Chief Executive Officer	Year	Salary (b)	Bonus (c)	Total
Mark Miller	2025	\$ 700,000	\$ 307,179	\$ 1,007,179
Mark Miller	2024	625,000	289,460	914,460
Mark Miller	2023	575,000	212,491	787,491

Aggregate Number of Senior Officers & other highly compensated employees (a)	Year	Salary (b)	Bonus (c)	Total
5 Officers	2025	\$ 1,356,763	\$ 991,112	\$ 2,347,875
5 Officers	2024	1,267,500	407,536	1,675,036
5 Officers	2023	1,213,500	448,448	1,661,948

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

(b) Gross salary.

(c) Bonuses paid within the first 30 days of the subsequent calendar year, including retention plan compensation for certain officers.

Pension Benefits Disclosure

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

Employees assigned Association vehicles are given the option to drive a company-owned vehicle or receive a compatible auto allowance to purchase a personal vehicle. Employees opting for the auto allowance are liable for all payroll taxes. The auto allowance is exempt from 401(k) matching and is not included in any incentive calculations. Employees who drive company-owned vehicles have personal miles reported to the IRS as fringe benefits that are considered additional taxable income to the employee. Employees who use their personal automobiles for business purposes were reimbursed during 2025 at the IRS-approved rate of 70.0 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2025, 2024 and 2023.

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

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS’ AND SENIOR OFFICERS’ INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders, and no disagreements with auditors has occurred that the Association would be required to report to the Farm Credit Administration under part 621 of the regulations governing this disclosure. The fees paid in 2025 for professional audit services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were \$133,400. The fees paid in 2025 for services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were \$28,800 for professional tax services and \$55,000 for merger-related services. No other services were provided by the independent auditors, PricewaterhouseCoopers LLP.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has no business relationships with any unincorporated business entity (UBE) as of December 31, 2025.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 6, 2026, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

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

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

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

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

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

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

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

	At December 31, 2025			
	Loan Counts	Loan Volume	Percentage of Total Loan Counts	Percentage of Total Loan Volume
Young only	63	\$ 48,847,215	0.9%	1.6%
Young & beginning	98	85,826,783	1.3%	2.7%
Young & small	73	11,466,559	1.0%	0.4%
Beginning only	124	121,078,045	1.7%	3.9%
Beginning & small	3,725	1,248,859,861	51.2%	39.7%
Small only	1,236	494,297,828	17.0%	15.7%
Young, beginning & small (YBS)	971	205,316,089	13.4%	6.5%
Non-YBS	983	927,082,024	13.5%	29.5%
Total	7,273	\$ 3,142,774,404	100.0%	100.0%

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

At December 31, 2025				
	Loan Counts	Loan Volume	Percentage of Total Loan Counts	Percentage of Total Loan Volume
Young only	5	\$ 2,437,052	0.8%	0.1%
Young & beginning	14	22,103,842	2.2%	0.7%
Young & small	11	1,946,638	1.7%	0.1%
Beginning only	20	24,936,261	3.2%	0.8%
Beginning & small	264	141,953,145	42.0%	4.5%
Small only	146	171,442,332	23.2%	5.5%
Young, beginning & small (YBS)	51	15,921,350	8.1%	0.5%
Non-YBS	118	134,582,852	18.8%	4.3%
Total	629	\$ 515,323,472	100.0%	16.4%

Each year, the Association establishes objectives related to its YBS program. The objectives are approved by the board of directors and are included in the Association's strategic plan. The following table summarizes the Association's 2025 objectives compared to actual results as rounded in the Business Plan.

YBS Program - New Loan Volume	2025 Goal	2025 Result
Young farmers and ranchers	\$ 70,000,000	\$ 42,400,000
Beginning farmers and ranchers	\$ 260,000,000	\$ 204,900,000
Small farmers and ranchers	\$ 255,000,000	\$ 331,200,000

YBS Program - Percentage of New Loan Volume	2025 Goal	2025 Result
Young farmers and ranchers	9.0%	8.2%
Beginning farmers and ranchers	34.0%	39.8%
Small farmers and ranchers	34.0%	64.3%

YBS Program - Number of New Loans	2025 Goal	2025 Result
Young farmers and ranchers	135	81
Beginning farmers and ranchers	445	349
Small farmers and ranchers	545	472

The board of directors remains committed to the YBS program. It has committed staff and financial resources to the development and execution of its YBS program. The 2026 objectives that were approved by the board of directors and included in the Association's strategic plan are summarized in the following table.

YBS Program - Number of Loans	2026 Goal
Young farmers and ranchers	1,241
Beginning farmers and ranchers	5,066
Small farmers and ranchers	6,185

YBS Program - Percentage of Total Number of Loans	Total Loans
Young farmers and ranchers	16.6%
Beginning farmers and ranchers	67.4%
Small farmers and ranchers	82.4%

YBS Program - Combined Segments	Total Loans
% of Total Number of Loans	86.1%
% of Total Volume of Loans	70.1%

The following tables represent YBS demographics for the State of Texas, the Association's territory and the Association. The YBS demographics for the State of Texas and the Association's territory are based on the USDA-NASS 2022 Census. The Association's YBS data is based on 2025 data.

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

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

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

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AGRICULTURE LENDING

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

RURAL REAL ESTATE FINANCING

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

INSURANCE SERVICES

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

HOME MORTGAGES

Offering these home loan programs:

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

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



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

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