

# **TEXAS FARM CREDIT SERVICES**

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## **2026 Quarterly Report**



**For the Quarter Ended March 31, 2026**

## REPORT OF MANAGEMENT

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

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

*/s/ Mark Miller*

Mark Miller, Chief Executive Officer  
*May 7, 2026*

*/s/ Jerry Chappell*

Jerry Chappell, Chairman, Board of Directors  
*May 7, 2026*

*/s/ Heath Gattis*

Heath Gattis, Chief Financial Officer  
*May 7, 2026*

**TEXAS FARM CREDIT SERVICES  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of the Texas Farm Credit Services (ACA), referred to as the Association, for the quarter ended March 31, 2026. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2025 Annual Report to Stockholders.

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

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

**Loan Portfolio**

Total loans outstanding at March 31, 2026, including nonaccrual loans and sales contracts, were \$3,309,028,433 compared to \$3,221,213,104 at December 31, 2025, reflecting an increase of 2.7 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.8 percent at March 31, 2026, compared to 0.8 percent at December 31, 2025.

The Association recorded \$681 in recoveries and \$75,086 in charge-offs for the three months ended March 31, 2026, and \$7,210 in recoveries and \$0 in charge-offs for the three months ended March 31, 2025. The Association's allowance for loan losses was 0.2 percent and 0.2 percent of total loans outstanding as of March 31, 2026, and December 31, 2025, respectively.

**Risk Exposure**

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

	<u>March 31, 2026</u>		<u>December 31, 2025</u>	
	Amount	%	Amount	%
Nonaccrual	\$ 25,295,702	100.0%	\$ 26,245,504	98.3%
Accruing loans 90 days or more past due	-	0.0%	336,378	1.4%
Nonperforming loans	25,295,702	100.0%	26,581,882	99.7%
Other property owned, net	-	0.0%	78,000	0.3%
Total	<u>\$ 25,295,702</u>	<u>100.0%</u>	<u>\$ 26,659,882</u>	<u>100.0%</u>

**Results of Operations**

The Association had net income of \$15,397,489 for the three months ended March 31, 2026, as compared to net income of \$14,429,315 for the same period in 2025, reflecting an increase of 6.7 percent. Net interest income was \$22,282,066 for the three months ended March 31, 2026, compared to \$21,855,304 for the same period in 2025.

	<u>March 31, 2026</u>		<u>March 31, 2025</u>	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 3,266,059,508	\$ 53,078,149	\$ 3,050,398,372	\$ 50,558,463
Investments	135,867	2,105	166,731	3,621
Total interest-earning assets	3,266,195,375	53,080,254	3,050,565,103	50,562,084
Interest-bearing liabilities	2,958,791,523	30,798,188	2,757,943,504	28,706,780
Impact of capital	<u>\$ 307,403,852</u>		<u>\$ 292,621,599</u>	
Net interest income		<u>\$ 22,282,066</u>		<u>\$ 21,855,304</u>

	<b>2026</b>	<b>2025</b>
	<u>Average Yield</u>	<u>Average Yield</u>
Yield on loans	6.59%	6.72%
Yield on investments	6.28%	8.81%
Total yield on interest-earning assets	6.59%	6.72%
Cost of interest-bearing liabilities	4.22%	4.22%
Interest rate spread	2.37%	2.50%
Net interest income as a percentage of average earning assets	2.77%	2.91%

	<b>Three Months Ended</b>		
	<b>March 31, 2026 vs. March 31, 2025</b>		
	<b>Increase (decrease) due to</b>		
	<u>Volume</u>	<u>Rate</u>	<u>Total</u>
Interest income - loans	\$ 3,574,433	\$ (1,054,747)	\$ 2,519,686
Interest income - investments	(670)	(846)	(1,516)
Total interest income	<u>3,573,763</u>	<u>(1,055,593)</u>	<u>2,518,170</u>
Interest expense	<u>2,090,564</u>	<u>844</u>	<u>2,091,408</u>
<b>Net interest income</b>	<u><b>\$ 1,483,199</b></u>	<u><b>\$ (1,056,437)</b></u>	<u><b>\$ 426,762</b></u>

Interest income for the three months ended March 31, 2026, increased by \$2,518,170, or 5.0 percent, from the same period of 2025, primarily due to an increase in average loan volume offset by a decrease in yields on earning assets. Interest expense for the three months ended March 31, 2026, increased by \$2,091,408, or 7.3 percent, from the same period of 2025 due to an increase in average debt volume. Average loan volume for the first quarter of 2026 was \$3,266,059,508, compared to \$3,050,398,372 in the first quarter of 2025. The average net interest rate spread on the loan portfolio for the first quarter of 2026 was 2.37 percent, compared to 2.50 percent in the first quarter of 2025.

The Association's return on average assets for the three months ended March 31, 2026, was 1.83 percent compared to 1.85 percent for the same period in 2025. The Association's return on average equity for the three months ended March 31, 2026, was 14.25 percent, compared to 14.26 percent for the same period in 2025.

Noninterest income for the three months ended March 31, 2026, increased by \$657,024, or 10.8 percent, compared to the same period of 2025, primarily due a refund from the Farm Credit System Insurance Corporation offset by a decrease in direct note patronage accrual. Noninterest expense for the three months ended March 31, 2026, increased by \$533,755, or 4.1 percent, compared to the same period of 2025, primarily due to an increase in purchased services and occupancy expense.

### Liquidity and Funding Sources

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

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Note payable to the Bank	\$ 2,957,889,989	\$ 2,874,587,467
Accrued interest on note payable	<u>9,904,221</u>	<u>9,594,479</u>
Total	<u><b>\$ 2,967,794,210</b></u>	<u><b>\$ 2,884,181,946</b></u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$2,957,889,989 as of March 31, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.22 percent at March 31, 2026. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2025, is due to the Association's increased debt on match-funded loan assets. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$351,032,306 at March 31, 2026. The maximum amount the Association may borrow from the Bank as of March 31, 2026, was \$3,319,926,614 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, unless sooner terminated by the Bank upon the occurrence

of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

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

### **Capital Resources**

The Association's capital position increased by \$15,364,684 at March 31, 2026, compared to December 31, 2025. The Association's debt as a percentage of members' equity was 6.76:1 as of March 31, 2026, compared to 6.83:1 as of December 31, 2025.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2026, the Association exceeded all regulatory capital requirements.

### **Significant Recent Accounting Pronouncements**

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

### **Relationship With the Farm Credit Bank of Texas**

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2025 Annual Report of Association more fully describe the Association's relationship with the Bank.

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

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

**Texas Farm Credit Services**

**CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2026</b> <b>(unaudited)</b>	<b>December 31, 2025</b>
<b><u>ASSETS</u></b>		
Investments	\$ 123,500	\$ 158,580
Loans	3,309,028,433	3,221,213,104
Less: allowance for credit losses on loans	7,075,144	7,055,396
Net loans	3,301,953,289	3,214,157,708
Accrued interest receivable	33,077,226	31,798,424
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	72,986,682	72,988,337
Other	6,340,552	9,822,467
Investment in other Farm Credit Institutions	2,444,406	2,597,824
Deferred taxes, net	195,732	172,552
Other property owned, net	-	78,000
Premises and equipment, net	31,060,539	30,169,056
Other assets	10,409,439	6,878,384
Total assets	\$ 3,458,591,365	\$ 3,368,821,332
<b><u>LIABILITIES</u></b>		
Note payable to the Farm Credit Bank of Texas	\$ 2,957,889,989	\$ 2,874,587,467
Advance conditional payments	231,531	309,516
Accrued interest payable	9,904,221	9,594,479
Drafts outstanding	263,945	309,039
Patronage distributions payable	30,609,776	30,609,776
Other liabilities	13,997,537	23,081,373
Total liabilities	3,012,896,999	2,938,491,650
<b><u>MEMBERS' EQUITY</u></b>		
Capital stock and participation certificates	6,094,715	6,123,875
Additional paid-in capital	141,026,305	141,026,305
Allocated retained earnings	49,994,683	49,994,683
Unallocated retained earnings	247,980,415	232,582,926
Accumulated other comprehensive income (loss)	598,248	601,893
Total members' equity	445,694,366	430,329,682
Total liabilities and members' equity	\$ 3,458,591,365	\$ 3,368,821,332

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

**Texas Farm Credit Services**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
<b><u>INTEREST INCOME</u></b>		
Loans	\$ 53,078,149	\$ 50,558,463
Investments	2,105	3,621
Total interest income	<u>53,080,254</u>	<u>50,562,084</u>
<b><u>INTEREST EXPENSE</u></b>		
Note payable to the Farm Credit Bank of Texas	30,796,851	28,705,602
Advance conditional payments	1,337	1,178
Total interest expense	<u>30,798,188</u>	<u>28,706,780</u>
Net interest income	<u>22,282,066</u>	<u>21,855,304</u>
<b><u>PROVISION FOR LOAN LOSSES</u></b>	<u>61,801</u>	<u>632,022</u>
Net interest income after provision for credit losses on loans	<u>22,220,265</u>	<u>21,223,282</u>
<b><u>NONINTEREST INCOME</u></b>		
Income from the Farm Credit Bank of Texas:		
Patronage income	1,558,856	2,558,951
Loan fees	1,798,335	1,309,968
Refunds from Farm Credit System		
Insurance Corporation	1,493,362	539,160
Financially related services income	1,530,399	1,495,662
Gain (loss) on other property owned, net	(3,768)	516
Gain (loss) on sale of premises and equipment, net	(9,594)	117,926
Other noninterest income	375,518	63,901
Total noninterest income	<u>6,743,108</u>	<u>6,086,084</u>
<b><u>NONINTEREST EXPENSES</u></b>		
Salaries and employee benefits	7,526,828	7,386,036
Directors' expense	239,207	154,874
Purchased services	920,456	246,805
Travel	319,548	277,298
Occupancy and equipment	1,632,037	1,383,645
Communications	127,318	135,609
Advertising	128,936	125,823
Public and member relations	586,140	460,330
Supervisory and exam expense	203,809	330,600
Insurance fund premiums	698,823	648,766
Merger-implementation and restructuring costs	-	10,115
Other noninterest expense	1,205,962	1,895,408
Total noninterest expenses	<u>13,589,064</u>	<u>13,055,309</u>
Income before income taxes	<u>15,374,309</u>	<u>14,254,057</u>
Provision for (benefit from) income taxes	<u>(23,180)</u>	<u>(175,258)</u>
<b><u>NET INCOME</u></b>	<u>15,397,489</u>	<u>14,429,315</u>
Other comprehensive income:		
Change in postretirement benefit plans	<u>(3,645)</u>	<u>(4,941)</u>
<b><u>COMPREHENSIVE INCOME</u></b>	<u>\$ 15,393,844</u>	<u>\$ 14,424,374</u>

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

Texas Farm Credit Services

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Additional Paid-in-Capital</u>	<u>Retained Earnings</u>		<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
			<u>Allocated</u>	<u>Unallocated</u>		
Balance at December 31, 2024	\$ 6,545,990	\$ 141,026,305	\$ 51,168,036	\$ 204,140,048	\$ 194,319	\$ 403,074,698
Comprehensive income	-	-	-	14,429,315	(4,941)	14,424,374
Capital stock/participation certificates and allocated retained earnings issued	100,890	-	-	-	-	100,890
Capital stock/participation certificates and allocated retained earnings retired	(151,060)	-	-	-	-	(151,060)
Patronage refunds:						
Cash	-	-	-	1,973	-	1,973
Prior Period Adjustment	-	-	-	640,551	-	640,551
<b>Balance at March 31, 2025</b>	<u>\$ 6,495,820</u>	<u>\$ 141,026,305</u>	<u>\$ 51,168,036</u>	<u>\$ 219,211,887</u>	<u>\$ 189,378</u>	<u>\$ 418,091,426</u>
Balance at December 31, 2025	\$ 6,123,875	\$ 141,026,305	\$ 49,994,683	\$ 232,582,926	\$ 601,893	\$ 430,329,682
Comprehensive income	-	-	-	15,397,489	(3,645)	15,393,844
Capital stock/participation certificates and allocated retained earnings issued	129,440	-	-	-	-	129,440
Capital stock/participation certificates and allocated retained earnings retired	(158,600)	-	-	-	-	(158,600)
Patronage refunds:						
Cash	-	-	-	-	-	-
<b>Balance at March 31, 2026</b>	<u>\$ 6,094,715</u>	<u>\$ 141,026,305</u>	<u>\$ 49,994,683</u>	<u>\$ 247,980,415</u>	<u>\$ 598,248</u>	<u>\$ 445,694,366</u>

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

**TEXAS FARM CREDIT SERVICES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

The Texas Farm Credit Services (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves 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 (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with U.S generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025, as contained in the 2025 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2026. Descriptions of the significant accounting policies are included in the 2025 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

**Recently Adopted or Issued Accounting Pronouncements**

In December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): 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 ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - 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 ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where (a) capitalization occurs when management has authorized and committed to funding, and (b) it is probable that the project will be completed and the software used as intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient, which allows 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 amendments also provide 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 Association adopted this guidance on January 1, 2026 under a prospective approach. The impact of adoption did not have an impact on the Associations financial condition, results of operations or cash flows.

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

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e).
- Include certain amounts that are already required to be disclosed under current 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 of ASU 2024-03 will not have an impact on the Association’s financial condition, results of operations or cash flows.

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

The amendments in this 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. Effective January 1, 2025, the Association adopted this guidance. The adoption of this guidance did not have a material impact on the Association’s financial condition, results of operations or cash flows but did impact the income tax disclosures.

## NOTE 2 — INVESTMENTS:

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

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

	<b>March 31, 2026</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Weighted Average Yield</b>	<b>Weighted Average Life</b>
<b>Agricultural mortgage-backed securities</b>	<b>\$ 123,500</b>	<b>\$ (1,153)</b>	<b>\$ 122,347</b>	<b>6.12%</b>	<b>3.54 Years</b>
	<b>December 31, 2025</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Weighted Average Yield</b>	<b>Weighted Average Life</b>
Agricultural mortgage-backed securities	\$ 158,580	\$ (856)	\$ 157,724	6.21%	3.15 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 allowance for credit loss 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.

Accrued interest of \$1,832 and \$2,738 as of March 31, 2026 and December 31, 2025, has been excluded from the amortized cost basis of the total investment securities.

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

A summary of loans by type follows:

Loan Type	March 31, 2026	December 31, 2025
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 2,648,093,346	\$ 2,601,949,410
Production and intermediate-term	401,223,584	373,240,574
Agribusiness:		
Processing and marketing	133,784,211	124,408,181
Farm-related business	41,242,339	36,682,448
Loans to cooperatives	24,750,800	24,558,133
Communication	21,115,565	20,538,386
Rural residential real estate	18,223,583	19,380,856
Agricultural export finance	7,589,904	7,589,675
Water and waste-water	6,374,580	6,210,805
Energy	6,008,519	6,032,634
Mission-related investments	622,002	622,002
<b>Total</b>	<b>\$ 3,309,028,433</b>	<b>\$ 3,221,213,104</b>

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

The following table presents information regarding the balances of participations purchased and sold at March 31, 2026:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Real estate mortgage	\$ 79,609,637	\$ 101,245,987	\$ 6,288,464	\$ -	\$ 85,898,101
Production and intermediate-term	86,335,252	43,168,351	-	-	86,335,252	43,168,351
Agribusiness	136,375,354	5,309,578	3,588,843	-	139,964,197	5,309,578
Communication	21,115,565	-	-	-	21,115,565	-
Energy	6,008,519	-	-	-	6,008,519	-
Water and waste-water	6,217,777	-	-	-	6,217,777	-
Agricultural export finance	7,589,904	-	-	-	7,589,904	-
<b>Total</b>	<b>\$ 343,252,008</b>	<b>\$ 149,723,916</b>	<b>\$ 9,877,307</b>	<b>\$ -</b>	<b>\$ 353,129,315</b>	<b>\$ 149,723,916</b>

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were \$231,531 and \$309,516 at March 31, 2026, and December 31, 2025, respectively.

### Credit Quality

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

value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional loan 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 Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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

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

The following table shows the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2026 and December 31, 2025:

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Real estate mortgage		
Acceptable	97.5 %	98.0 %
OAEM	1.3	1.0
Substandard/doubtful	1.2	1.0
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	89.3	90.1
OAEM	6.0	6.9
Substandard/doubtful	4.7	3.0
	<u>100.0</u>	<u>100.0</u>
Loans to cooperatives		
Acceptable	83.2	84.9
OAEM	-	-
Substandard/doubtful	16.8	15.1
	<u>100.0</u>	<u>100.0</u>
Processing and marketing		
Acceptable	92.9	92.5
OAEM	-	2.9
Substandard/doubtful	7.1	4.6
	<u>100.0</u>	<u>100.0</u>
Farm-related business		
Acceptable	74.4	81.0
OAEM	8.7	-
Substandard/doubtful	16.9	19.0
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	100.0	98.4
OAEM	-	1.6
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Energy		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Water and waste water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	95.9	96.0
OAEM	1.5	1.5
Substandard/doubtful	2.6	2.5
	<u>100.0</u>	<u>100.0</u>
Agricultural export finance		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Mission-related investments		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	95.9	96.5
OAEM	1.9	1.7
Substandard/doubtful	2.2	1.8
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$33,075,394 and \$31,795,686 at March 31, 2026 and December 31, 2025 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association wrote off accrued interest receivable against interest income of \$13,594 during the three months ended March 31, 2026. During the three months ended March 31, 2025, the Association wrote off accrued interest receivable against interest income of \$1,829.

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

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 14,636,679	\$ 15,785,415
Production and intermediate-term	1,277,596	1,277,596
Agribusiness	8,907,446	8,690,220
Rural residential real estate	473,981	492,273
Total nonaccrual loans	<u>25,295,702</u>	<u>26,245,504</u>
<b>Accruing loans 90 days or more past due:</b>		
Real estate mortgage	-	336,378
Total accruing loans 90 days or more past due	-	336,378
Other property owned	-	78,000
<b>Total nonperforming assets</b>	<u>\$ 25,295,702</u>	<u>\$ 26,659,882</u>
Nonaccrual loans as a percentage of total loans	0.76%	0.81%
Nonperforming assets as a percentage of total loans and other property owned	0.76%	0.83%
Nonperforming assets as a percentage of capital	5.68%	6.20%

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

	<u>March 31, 2026</u>			<u>Interest Income Recognized</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended March 31, 2026</u>
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ 11,111,893	\$ 3,524,785	\$ 14,636,678	\$ 49,725
Production and intermediate-term	-	1,277,596	1,277,596	2,933
Agribusiness	-	8,907,447	8,907,447	-
Rural residential real estate	-	473,981	473,981	-
Total nonaccrual loans	<u>\$ 11,111,893</u>	<u>\$ 14,183,809</u>	<u>\$ 25,295,702</u>	<u>\$ 52,658</u>
	<u>March 31, 2025</u>			<u>Interest Income Recognized</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended March 31, 2025</u>
Nonaccrual loans:				
Real estate mortgage	\$ 11,080,015	\$ 1,843,648	\$ 12,923,663	\$ 9,203
Production and intermediate-term	-	-	-	3,955
Agribusiness	1,862,480	8,870,480	10,732,960	-
Rural residential real estate	-	208,755	208,755	-
Total nonaccrual loans	<u>\$ 12,942,495</u>	<u>\$ 10,922,883</u>	<u>\$ 23,865,378</u>	<u>\$ 13,158</u>

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Amortized Cost >90 Days Past Due and Accruing
<b>March 31, 2026</b>						
Real estate mortgage	\$ 25,826,513	\$ 11,414,702	\$ 37,241,215	\$ 2,610,852,131	\$ 2,648,093,346	\$ -
Production and intermediate term	5,620,732	276,745	5,897,477	395,326,107	401,223,584	-
Processing and marketing	-	1,732,323	1,732,323	132,051,888	133,784,211	-
Farm-related business	-	6,959,960	6,959,960	34,282,379	41,242,339	-
Loans to cooperatives	111,488	215,163	326,651	24,424,149	24,750,800	-
Communication	-	-	-	21,115,565	21,115,565	-
Rural residential real estate	295,370	-	295,370	17,928,213	18,223,583	-
Agricultural export finance	-	-	-	7,589,904	7,589,904	-
Water and waste-water	-	-	-	6,374,580	6,374,580	-
Energy	-	-	-	6,008,519	6,008,519	-
Mission-related investments	-	-	-	622,002	622,002	-
<b>Total</b>	<b>\$ 31,854,103</b>	<b>\$ 20,598,893</b>	<b>\$ 52,452,996</b>	<b>\$ 3,256,575,437</b>	<b>\$ 3,309,028,433</b>	<b>\$ -</b>

	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 Past Due and Accruing
<b>December 31, 2025</b>						
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	24,342,969	24,558,132	-
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	-	-	-	622,003	622,003	-
<b>Total</b>	<b>\$ 20,071,853</b>	<b>\$ 22,179,251</b>	<b>\$ 42,251,104</b>	<b>\$ 3,178,962,000</b>	<b>\$ 3,221,213,104</b>	<b>\$ 336,378</b>

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

#### Loan Modifications to Borrowers Experiencing Financial Difficulties

There were no loan modifications granted to borrowers during the three months ended March 31, 2026 and 2025. There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2026 and 2025, and received a modification in the twelve months before default.

The following table sets forth an aging analysis at March 31, 2026 of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2026:

	March 31, 2026		
	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
<b>Loans to cooperatives</b>	<b>\$ 3,206,326</b>	<b>\$ -</b>	<b>\$ -</b>

There were no loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2025.

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2026 and 2025.

#### Allowance for Credit Losses

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

a single borrower or lessee is 15 percent of the Association's lending and leasing limit base but the Association's boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2026 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and Waste Water	Rural Residential Real Estate	International	Mission related	Total
<b>Allowance for credit losses on loans:</b>										
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
Charge-offs	-	(776)	(74,310)	-	-	-	-	-	-	(75,086)
Recoveries	-	681	-	-	-	-	-	-	-	681
Provision for credit losses (credit loss reversal)	(60,137)	73,834	83,798	(209)	(309)	(77)	(2,369)	(349)	(29)	94,153
Balance at March 31, 2026	<u>5,928,318</u>	<u>815,301</u>	<u>255,019</u>	<u>26,954</u>	<u>7,669</u>	<u>8,137</u>	<u>23,263</u>	<u>9,689</u>	<u>794</u>	<u>7,075,144</u>
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at December 31, 2025	5,564	84,147	144,669	1,595	-	104	-	2,299	-	238,378
Provision for unfunded commitments	36,089	32,100	(101,597)	253	-	1,014	-	(212)	-	(32,353)
Balance at March 31, 2026	<u>41,653</u>	<u>116,247</u>	<u>43,072</u>	<u>1,848</u>	<u>-</u>	<u>1,118</u>	<u>-</u>	<u>2,087</u>	<u>-</u>	<u>206,025</u>
<b>Total allowance for credit losses</b>	<u>\$ 5,969,971</u>	<u>\$ 931,548</u>	<u>\$ 298,091</u>	<u>\$ 28,802</u>	<u>\$ 7,669</u>	<u>\$ 9,255</u>	<u>\$ 23,263</u>	<u>\$ 11,776</u>	<u>\$ 794</u>	<u>\$ 7,281,169</u>

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2025 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and Waste water	Rural Residential Real Estate	International	Mission related	Total
<b>Allowance for credit losses on loans:</b>										
Balance at December 31, 2024	\$ 5,662,639	\$ 633,580	\$ 1,500,223	\$ 27,602	\$ 7,463	\$ 15,733	\$ 27,786	\$ 7,507	\$ 837	\$ 7,883,370
Recoveries	-	7,210	-	-	-	-	-	-	-	7,210
Provision for loan losses (credit loss reversal)	(175,976)	741,949	11,881	653	-	(42)	(728)	(336)	(4)	577,397
Balance at March 31, 2025	<u>5,486,663</u>	<u>1,382,739</u>	<u>1,512,104</u>	<u>28,255</u>	<u>7,463</u>	<u>15,691</u>	<u>27,058</u>	<u>7,171</u>	<u>833</u>	<u>8,467,977</u>
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at December 31, 2024	3,223	86,672	91,237	2,545	-	228	-	1,468	-	185,373
Provision for unfunded commitments	558	80,596	(25,833)	(387)	-	(24)	-	(285)	-	54,625
Balance at March 31, 2025	<u>3,781</u>	<u>167,268</u>	<u>65,404</u>	<u>2,158</u>	<u>-</u>	<u>204</u>	<u>-</u>	<u>1,183</u>	<u>-</u>	<u>239,998</u>
<b>Total allowance for credit losses</b>	<u>\$ 5,490,444</u>	<u>\$ 1,550,007</u>	<u>\$ 1,577,508</u>	<u>\$ 30,413</u>	<u>\$ 7,463</u>	<u>\$ 15,895</u>	<u>\$ 27,058</u>	<u>\$ 8,354</u>	<u>\$ 833</u>	<u>\$ 8,707,975</u>

## Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses increased \$19,748 to \$7,075,144 at March 31, 2026, as compared to \$7,055,396 at December 31, 2025. This is largely due to an increase in new loan volume and unfunded commitments.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two of years. The economic scenarios utilized in the March 31, 2026, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

## NOTE 4 —LEASES:

The components of lease expense were as follows:

	Classification	For the Three Months Ended	
		March 31, 2026	March 31, 2025
Operating lease cost	Right-of-use asset	\$ 27,676	\$ 27,853
Short-term lease cost		26,907	8,835
Finance lease cost:			
Amortization of right-of-use assets		(5,507)	24,030
Net lease cost		<u>\$ 49,076</u>	<u>\$ 60,718</u>

Other information related to leases was as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2026</b>	<b>March 31, 2025</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 54,583	\$ 51,883
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 27,676	\$ 27,853

Lease term and discount rate are as follows:

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Weighted average remaining lease term in years		
Operating leases	5.54	5.84
Weighted average discount rate		
Operating leases	4.64%	4.83%

Future minimum lease payments under non-cancellable leases as of March 31, 2026, were as follows:

	<b>Operating Leases</b>
2026	\$ 93,878
2027	102,111
2028	96,400
2029	98,124
2030	99,848
Thereafter	110,049
<b>Total</b>	<b>\$ 600,410</b>

## NOTE 5 — CAPITAL:

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

### Regulatory Capitalization Requirements

<b>Risk-adjusted:</b>	<b>Regulatory Minimums wih Buffer</b>	<b>As of March 31, 2026</b>
Common equity tier 1 ratio	7.00%	12.91%
Tier 1 capital ratio	8.50%	12.91%
Total capital ratio	10.50%	13.17%
Permanent capital ratio	7.00%	12.94%
<b>Non-risk-adjusted:</b>		
Tier 1 leverage ratio	5.00%	10.78%
UREE leverage ratio	1.50%	9.10%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2026:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
<b>Numerator:</b>				
Unallocated retained earnings	\$ 174,520,031	\$ 174,520,031	\$ 174,520,031	\$ 174,520,031
Paid-in capital	141,026,305	141,026,305	141,026,305	141,026,305
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,102,397	6,102,397	6,102,397	6,102,397
Allocated equities:				
Allocated equities held $\geq 7$	49,994,683	49,994,683	49,994,683	49,994,683
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	-	-	7,276,565	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(75,322,733)	(75,322,733)	(75,322,733)	(75,322,733)
Other regulatory required deductions	(2,106,999)	(2,106,999)	(2,106,999)	(2,106,999)
	<u>\$ 359,151,026</u>	<u>\$ 359,151,026</u>	<u>\$ 366,427,591</u>	<u>\$ 359,151,026</u>
<b>Denominator:</b>				
Risk-adjusted assets excluding allowance	\$ 2,859,660,399	\$ 2,859,660,399	\$ 2,859,660,399	\$ 2,859,660,399
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(77,429,732)	(77,429,732)	(77,429,732)	(77,429,732)
Allowance for loan losses	-	-	-	(7,039,478)
	<u>\$ 2,782,230,667</u>	<u>\$ 2,782,230,667</u>	<u>\$ 2,782,230,667</u>	<u>\$ 2,775,191,189</u>
<b>Calculated Ratio</b>	<b>12.91%</b>	<b>12.91%</b>	<b>13.17%</b>	<b>12.94%</b>

	Tier 1 leverage ratio	UREE leverage ratio
<b>Numerator:</b>		
Unallocated retained earnings	\$ 174,520,031	\$ 174,520,031
Paid-in capital	141,026,305	141,026,305
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,102,397	-
Allocated equities:		
Allocated equities held $\geq 7$	49,994,683	-
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	(75,322,733)	(75,322,733)
Other regulatory required deductions	(2,106,999)	(2,106,999)
	<u>\$ 359,151,026</u>	<u>\$ 303,053,946</u>
<b>Denominator:</b>		
Total Assets	\$ 3,409,576,950	\$ 3,409,576,950
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(78,437,654)	(78,437,654)
	<u>\$ 3,331,139,296</u>	<u>\$ 3,331,139,296</u>
<b>Calculated Ratio</b>	<b>10.78%</b>	<b>9.10%</b>

	March 31, 2026	December 31, 2025
Capital stock and participation certificates	\$ 6,094,715	\$ 6,123,875
Additional paid-in-capital	141,026,305	141,026,305
Accumulated other comprehensive loss	598,248	601,893
Retained earnings	297,975,098	282,577,609
Total Capital	<u>\$ 445,694,366</u>	<u>\$ 430,329,682</u>

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	<u>2026</u>	<u>2025</u>
Accumulated other comprehensive income (loss) at January 1	\$ 601,893	\$ 194,319
Amortization of prior service credit included		
in salaries and employee benefits	-	(4,941)
Amortization of actuarial gain included		
in salaries and employee benefits	<u>(3,645)</u>	<u>-</u>
Other comprehensive loss, net of tax	<u>(3,645)</u>	<u>(4,941)</u>
<b>Accumulated other comprehensive income at March 31</b>	<b><u>\$ 598,248</u></b>	<b><u>\$ 189,378</u></b>

#### NOTE 6 — INCOME TAXES:

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

#### NOTE 7 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 in the 2025 Annual Report to Stockholders for a more complete description.

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

March 31, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 8,628,131	\$ 8,628,131
Other property owned	-	-	-	-
 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

#### Uncertainty of Fair Value Measurements

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

## Valuation Techniques

As more fully discussed in Note 14 to the 2025 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2025 Annual Report to Stockholders.

### *Loans Evaluated for Impairment*

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

### *Other Property Owned*

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

## **NOTE 8 — EMPLOYEE BENEFIT PLANS:**

The following table summarizes the components of net periodic benefit costs for other postretirement benefit costs for the three months ended March 31:

<b>Three months ended March 31:</b>	<b>Pension Benefits</b>	
	<b>2026</b>	<b>2025</b>
Service cost	\$ 8,433	\$ 10,048
Interest cost	69,705	71,163
Amortization of prior service (credits) costs	-	(4,941)
Amortization of net actuarial (gain) loss	(3,645)	-
<b>Net periodic benefit cost</b>	<b>\$ 74,493</b>	<b>\$ 76,270</b>

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2026, was \$5,100,047 and is included in other liabilities on the Balance Sheet.

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

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and Associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2025, that it expected to contribute \$433,146 to the district's defined benefit pension plan in 2026. As of March 31, 2026, \$108,287 of contributions have been expensed. The Association presently does not anticipate additional contributions over \$433,146 will be required in 2026.

## **NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:**

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

## **NOTE 10 — SUBSEQUENT EVENTS:**

The Association has evaluated subsequent events through May 7, 2026 which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.