

AG   
TEXAS  
FARM CREDIT SERVICES

2025 ANNUAL REPORT

AG TEXAS



**R**esilience is a foundational trait of any successful farmer, but for the Schronk family, it goes beyond weathering the trials that come with a life in agriculture. Through fearlessly embracing their faith and adapting their approaches to growing crops, the Schronk's farming legacy has been carried on through six generations.

After graduating from Texas A&M University in 1970, James Ray Schronk came back to Hill County to pursue his passion for farming, which was instilled in him by his grandparents and parents. James Ray went on to spend the next 40 years growing wheat, cotton, corn, sunflowers and sorghum in the southern part of Hill County. In 1992, James Ray was given the opportunity to serve as a member of the AgTexas Board of Directors and later became a member of the Texas District Stockholders Advisory Committee.

# SCHRONK RESILIENT

In 1993, Rodney Schronk graduated from Texas A&M University and spent a few months working for Cargill. True to his farming roots, Rodney decided to return home and expand the farming operation into the northern portion of Hill County. After a few years, James Ray and Rodney realized they were stronger together and consolidated their farming operations into a partnership. "That's the next generation, you have to listen to them, you have to guide them, and try to help them the best you can, even though sometimes you lose some money," James Ray said with a smirk on his face.

When Rodney's farming career began, the U.S. government was incentivizing young farmers who couldn't get credit through local banks or farm credit organizations. So Rodney would go to the AgTexas location in Hillsboro to meet with his dad's lender. For the first few years, his application was denied, and he used the denial letter to qualify for the government's young farmer subsidies. Over time, he built a successful farming operation and ultimately was approved as a customer of AgTexas Farm Credit and has remained one since.

Rodney loves a challenge, and as a farmer, he found no shortage of those. He recalled having the opportunity to farm some land owned by his father-in-law, who had one stipulation: Rodney and James Ray weren't allowed to till it. "In this part of the world, tillage was king," Rodney said, but he and James Ray

were determined to produce a crop. Over time, Rodney became distracted by the business of maintaining the rest of the family operation, so he was caught off guard one day when James Ray simply said, "It worked." It took Rodney a moment to understand what his dad meant but he was relieved when he realized it was the no-till experiment that had, indeed, "worked."

"He (James Ray) was willing to go out into the left field and try something that I probably would've never done, and even days since then, probably would've backed away from it," said Rodney. Over time, the duo realized that straight no-till wasn't sustainable, so they shifted to primarily a strip-till approach. Though the Schronks

James Ray & Matt Thomas  
(Schronk's AgTexas lender)



# FACES of AG

GOD CALLS YOU TO DO  
SOMETHING IN YOUR LIFE...  
{RYAN SCHRONK}

# RESILIENCY

# CY

still occasionally plow their fields, they prioritize increasing soil health through maximizing organic matter.

After graduating from Texas A&M University in 2023, Ryan returned to the family operation. He spent the first couple of years getting his feet wet — learning the day-to-day realities of the operation, making decisions alongside his family and gaining confidence as the next generation stepping into a long-standing family tradition.

“God calls you to do something in your life, and the ultimate goal is to make disciples of all nations; and I always struggled when I was younger wondering what that looked like, and God showed me one day that you could do that through farming,” Ryan said.

Ryan has embraced the role of carrying on the family legacy in Hill County. Rodney reminisced on how God played such a strong role in the beginning of Ryan’s career, “When my uncle passed away, we were given the privilege to farm my great-grandparents’ farm now, which to me is very special because I have memories as a child on that farm. It was a special moment that gave Ryan the opportunity to farm that land.”

As the future of agriculture continues to evolve, Ryan is prepared to address challenges that will be completely new to farmers in Hill County. They are faced with solar farms, windmills, increased operating costs and pressure from American consumers, which means resiliency is more important than ever. “People have taken their food for granted to the point where they just do not realize the importance,” Ryan said. When asked what he hopes for the future, Ryan’s answer is simple and heartfelt: He wants to see the family operation continue for generations to come.

For the Schronks, the best part of the farming lifestyle is the ability to build something meaningful together. “To do it with family is another thing. I mean, I spent most of my adult life with my father pretty much every day, my mom and dad, and most people don’t see their parents once or twice a year in a lot of places. And we interact every day. Same with Ryan,” Rodney reflected.

**FARMING IS NOT JUST A JOB OR A CAREER. IT'S A LIFESTYLE. IT'S A WAY OF LIFE. IT'S A COMMITMENT AND WHEN YOUR HEART'S IN IT, YOU ARE IN IT FOR THE LONG HAUL.**  
{RODNEY SCHRONK}

# TEXAS

James Ray, Judy, Ryan, Susan, and Rodney Schronk (pictured left-to-right)

Today, the family continues to find ways to evolve and grow their operation, always looking for efficiency while creating opportunities for long-term success. Rodney's wife, Susan, and James Ray's wife, Judy, play a vital role in keeping operations running smoothly. During the busiest times of the season, Susan transforms her kitchen into a meal preparation station so she can provide cost-friendly and wholesome, home-cooked meals to the farming crew during harvest. Though James Ray is now retired from farming, he stays engaged by watching the tractors at work from his iPad. Thanks to modern day equipment, James Ray can stay up-to-date on the daily activities of his family and farm crew from the comfort of his home. From planting to harvest, every member of the Schronk family contributes in their own way, and it is this shared commitment that makes each season possible. Farming, for the Schronks, is truly a family effort.

One day, there will be a seventh generation in the Schronk family who will have the opportunity to carry on the legacy. That generation will be able to lean on six generations of experience that came before them, the faith-led practices that have made the business successful, and the close family ties that have made every day worth the trials that come with farming.

**"Farming is not just a job or a career. It's a lifestyle. It's a way of life. It's a commitment and when your heart's in it, you are in it for the long haul,"** Rodney Schronk said.



James Ray tracking the harvest



Susan's 2025 harvest daily lunch list



Susan bringing Ryan and the crew lunch

## AT AGTEXAS, WE BELIEVE EDUCATION IS ONE OF THE MOST VALUABLE TOOLS A PRODUCER CAN HAVE.

For many farmers, it's difficult to find time to take on leadership roles outside their operation, but for the Schronk family, the passion to serve carries through multiple generations. After seeing the role his grandfather played in serving AgTexas in a leadership capacity, Ryan felt called to step up when he was asked to join the **Young AgLeaders** shortly after returning to the farm. As a young farmer, he believed that it's important to serve, to build meaningful connections and to see agriculture from every angle.

In December 2025, Ryan successfully completed the AgTexas **Taking Root Program** and qualified for a **\$10,000** grant. Taking Root is a two-tiered



program designed for **Young, Beginning, and Small (YBS)** farmers and ranchers that provides access to valuable educational resources, business tools and qualified grants.

Through the program, Ryan said he gained practical insights into budgeting, business planning and goal setting — tools that will help position his operation for continued success. "It has expanded my knowledge and broadened my perspective while giving me a deeper look into AgTexas," Ryan said.

**"A lot of people don't understand agriculture. They don't understand the hard times we go through financially. To know that AgTexas understands agriculture, and to know that they understand what we go through in the hard times, gives you piece of mind and comfort at night, knowing that they are going to stick with you."**

## OUR MISSION:

WITHOUT STRONG FINANCIAL BACKING FARMERS AND RANCHERS WILL NOT SURVIVE, AND PEOPLE WILL NOT HAVE FOOD TO EAT OR CLOTHES TO WEAR.

AGTEXAS PROVIDES RELIABLE CREDIT AND CROP INSURANCE TO OUR MEMBER-OWNERS, SO THEY CAN FEED AND CLOTHE THE WORLD.

# RESILIENCY

## TO OUR STOCKHOLDERS

As we look back on 2025, I want to express my sincere gratitude for your continued trust and support. In a cooperative, you are more than a customer; you are a stockholder and a valued partner. Your grit and resilience through the challenges of agriculture do not go unnoticed, and we are deeply grateful for the trust and confidence you continue to place in us during those challenging times.

We are committed to delivering personalized, relationship-based services directly to our customers where they live and work. By prioritizing face-to-face interactions on the farm or in the field, our team is committed to better understand each operation, provide tailored financial solutions and build stronger, more responsive relationships. We meet our customers where they are, because when the agriculture business gets tough, working with AgTexas should be simple. Our customers' time, business and success are at the center of everything we do.

We also serve our rural communities and invest in the future of agriculture by supporting youth and producers entering the market. We are passionate about supporting the next generation through programs such as **Ag Youth of the Month**, our **summer internship program**, investing in local universities and through our **Taking Root Program** that is specifically designed for young, beginning, and small producers. We continue to expand opportunities that encourage growth, leadership, education, and success.

On behalf of AgTexas Farm Credit Services, I want to thank you for the continued trust you place in us. Agriculture is not without its challenges, and each year, farmers and ranchers prove their resilience in the face of uncertainty. Because of this, we remain steadfast in our commitment to provide reliable credit and crop insurance solutions that support your operation and the vital work that you do.



The decisions that we make are guided by our promise, **“Your Success. Our Purpose,”** and by our dedication to helping you grow, strengthen and thrive for generations to come.

A handwritten signature in black ink that reads "Kayla Robinson".

Kayla Robinson  
President and Chief Executive Officer

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## REPORT OF MANAGEMENT

The consolidated financial statements of AgTexas Farm Credit Services (association) are prepared by members of management, who are responsible for the statements' integrity and objectivity, including amounts that must 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.



Kayla Robinson  
Chief Executive Officer



Reggie Underwood  
Chairman, Board of Directors



Jeff Fairchild  
Chief Financial Officer

*March 6, 2026*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The association's chief executive officer and chief financial officer 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 people 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.



Kayla Robinson  
Chief Executive Officer



Jeff Fairchild  
Chief Financial Officer

*March 6, 2026*

## REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of Terry Sherrill, Chuck Taylor, Ricky Barnett, Jason Dobrovolny and Reggie Underwood. In 2025, five committee meetings were held. The committee oversees the scope of AgTexas 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 AgTexas Farm Credit Services' website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2025.

Management is responsible for AgTexas 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 AgTexas 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 AgTexas 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 the authoritative guidance "The Auditor's Communication with Those Charged with Governance," and both PwC's and AgTexas Farm Credit Services' internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from AgTexas Farm Credit Services. The committee also reviewed the non-audit 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 other such matters and received assurances from them that the committee has 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 AgTexas Farm Credit Services' Annual Report to Stockholders for the year ended December 31, 2025.

### Audit Committee Members

Terry Sherrill, Chairman

Chuck Taylor, Vice Chairman

Ricky Barnett

Reggie Underwood

Jason Dobrovolny

March 6, 2026

**AGTEXAS FARM CREDIT SERVICES**  
**FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**  
(unaudited)  
(dollars in thousands)

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Balance Sheet Data</b>					
<u>Assets</u>					
Cash	\$ 6	\$ 8	\$ 8	\$ 11	\$ 3,283
Investments	247,665	215,858	190,054	129,878	116,210
Loans	3,331,146	3,045,005	2,920,811	2,746,971	2,708,548
Less: allowance for credit losses on loans	(14,220)	(11,601)	(11,927)	(8,019)	(6,913)
Net loans	3,316,926	3,033,404	2,908,884	2,738,952	2,701,635
Investment in and receivable from the Farm Credit Bank of Texas	100,252	85,178	75,169	62,274	54,464
Other property owned, net	45	257	12,828	-	-
Other assets	88,969	84,965	77,984	64,853	51,890
Total assets	<u>\$ 3,753,863</u>	<u>\$ 3,419,670</u>	<u>\$ 3,264,927</u>	<u>\$ 2,995,968</u>	<u>\$ 2,927,482</u>
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 86,555	\$ 65,014	\$ 70,044	\$ 93,095	\$ 53,417
Obligations with maturities greater than one year	3,179,395	2,891,098	2,763,085	2,500,994	2,477,985
Total liabilities	<u>3,265,950</u>	<u>2,956,112</u>	<u>2,833,129</u>	<u>2,594,089</u>	<u>2,531,402</u>
<u>Members' Equity</u>					
Capital stock and participation certificates	4,123	4,178	4,311	4,436	4,491
Preferred stock	80,000	80,000	80,000	80,000	100,000
Additional paid-in capital	72,711	72,711	72,711	72,711	72,711
Allocated retained earnings	14,851	14,851	17,251	17,251	19,742
Unallocated retained earnings	314,762	291,779	256,108	225,944	199,156
Accumulated other comprehensive income (loss)	1,466	39	1,417	1,537	(20)
Total members' equity	487,913	463,558	431,798	401,879	396,080
Total liabilities and members' equity	<u>\$ 3,753,863</u>	<u>\$ 3,419,670</u>	<u>\$ 3,264,927</u>	<u>\$ 2,995,968</u>	<u>\$ 2,927,482</u>
<b>Statement of Income Data</b>					
Net interest income	\$ 81,756	\$ 81,260	\$ 76,195	\$ 66,519	\$ 57,824
(Provision for credit losses) credit loss reversal	(5,025)	(439)	(3,827)	(1,119)	448
Income from the Farm Credit Bank of Texas	22,080	23,133	21,187	25,944	22,390
Other noninterest income	8,736	9,323	11,304	12,855	6,995
Noninterest expense	(44,940)	(41,169)	(41,885)	(41,487)	(36,869)
Net income	<u>\$ 62,607</u>	<u>\$ 72,108</u>	<u>\$ 62,974</u>	<u>\$ 62,712</u>	<u>\$ 50,788</u>
<b>Key Financial Ratios for the Year</b>					
Return on average assets	1.8%	2.2%	2.0%	2.2%	2.0%
Return on average members' equity	12.7%	15.7%	14.7%	15.2%	15.0%
Net interest income as a percentage of average earning assets	2.5%	2.6%	2.6%	2.4%	2.3%
Net charge-offs (recoveries) as a percentage of average loans	0.1%	0.0%	0.0%	0.0%	0.0%

**AGTEXAS FARM CREDIT SERVICES**  
**FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA**  
**(unaudited)**  
**(dollars in thousands)**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b><u>Key Financial Ratios at Year End</u></b>					
Members' equity as a percentage of total assets	<b>13.0%</b>	13.6%	13.2%	13.4%	13.5%
Debt as a percentage of members' equity	<b>669.4%</b>	637.7%	656.1%	645.5%	639.1%
Allowance for credit losses on loans as a percentage of loans	<b>0.4%</b>	0.4%	0.4%	0.3%	0.3%
Common equity tier 1 ratio	<b>9.7%</b>	10.3%	10.0%	9.8%	10.3%
Tier 1 capital ratio	<b>11.9%</b>	12.7%	12.7%	12.6%	13.2%
Total capital ratio	<b>12.3%</b>	13.1%	13.0%	13.1%	14.4%
Permanent capital ratio	<b>12.0%</b>	12.8%	12.7%	12.7%	14.1%
Tier 1 leverage ratio	<b>11.8%</b>	12.5%	12.2%	12.2%	12.2%
UREE leverage ratio	<b>9.0%</b>	9.4%	9.0%	8.6%	9.6%
<b><u>Net Income Distribution</u></b>					
Patronage dividends:					
Cash	\$ <b>35,024</b>	\$ 31,837	\$ 28,609	\$ 30,324	\$ 26,017
Allocated retained earnings	-	2,400	-	2,491	2,489
Preferred stock dividends paid or declared	<b>4,600</b>	4,600	4,600	5,600	2,265

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 in the accompanying consolidated financial statements, "Members' Equity" included in this annual report. The full amount of the association's Series B preferred stock is included in the permanent capital, tier 1 capital and total capital.

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(Unaudited)  
(Dollars in thousands, except as noted)**

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of AgTexas Farm Credit Services, including its wholly owned subsidiaries, AgTexas, PCA and AgTexas, FLCA (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 might 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 and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit 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; and
- actions taken by the Federal Reserve System in implementing monetary policy.

**Commodity Review and Outlook:** The Texas economy continued to display measured strength throughout 2025, supported by steady population growth, strong consumer demand, and ongoing corporate investment. Though the broader U.S. economy wrestled with uncertainty stemming from interest rate fluctuations and global geopolitical tensions, Texas benefited from its diversified economic base. Employment growth remained positive, especially in sectors such as healthcare, professional services, and energy, and unemployment stayed below the national average.

The second half of 2025 brought signs of stabilization in key markets, with inflationary pressures easing and consumer sentiment gradually improving. Though higher borrowing costs continued to weigh on residential construction and small business expansion, Texas maintained its economic momentum, in part due to continued in-migration and business-friendly regulatory policies. Heading into 2026, these underlying fundamentals position the state for moderate but resilient growth.

Texas agriculture once again faced a challenging environment in 2025, though conditions showed modest improvement over prior years. Drought conditions persisted in certain regions, particularly in West and South Texas, however, other parts of the state benefited from more favorable rainfall and improved growing conditions. As a result, crop production was somewhat more stable compared with the extreme variability seen in 2023 and 2024. Cotton and corn yields showed year-over-year improvement in some areas, though sorghum and wheat remained mixed depending on local conditions.

Yields showed modest improvement over the prior year, though producers faced new headwinds in the form of softened commodity prices across key row crops. These price declines placed additional strain on farm cash flows, particularly in regions where input costs remained elevated. The resulting margin compression created operational and financial challenges for many producers, forcing a heightened focus on cost management and strategic planning. Despite these pressures, federal support programs provided critical income stabilization. Government payments and crop insurance proceeds, particularly through initiatives tied to disaster relief and price loss coverage, played an essential role in sustaining farm income and preserving working capital. This support helped many operations limit the erosion of equity and maintain financial footing during an otherwise difficult year.

Livestock producers faced ongoing pressures from high input costs and limited pastureland, though improved feed availability helped offset some of these burdens. The cattle market experienced tighter supply conditions due to earlier herd liquidations, resulting in elevated prices throughout the year. Producers continued to prioritize herd rebuilding while managing risk through forward contracting and diversification.

Drought resilience remains a key theme across the agricultural sector. According to the Texas Water Development Board, water security remains a long-term concern for agricultural producers and rural communities alike. Many operations are expanding their use of technology including soil moisture monitoring, precision irrigation, and remote sensing to conserve resources and adapt to an increasingly variable climate.

Looking forward to 2026, the outlook for Texas agriculture remains cautiously optimistic. Input costs are expected to remain elevated but stable, and federal farm policy and insurance programs will play a crucial role in managing risk and sustaining farm income. As markets respond to global trade dynamics, weather patterns, and commodity price movements, producers will need to remain nimble and proactive. Continued investment in innovation, water infrastructure, and rural development will be essential to support long-term growth and sustainability across the state’s vital agricultural economy.

**Significant Events:** The association added \$603 million of new business during 2025 composed of 37 percent real estate loans, 19 percent new production loans and 44 percent loan participation opportunities. Net income was \$62,607, providing a 1.8 percent return on average assets. Credit quality continues to be satisfactory with 98.8 percent categorized as acceptable and special mention, largely due to our stockholder/customer commitments. The association had net income in 2024 of \$72,108 and added \$374 million in new loan assets. The association had net income in 2023 of \$62,974 and added \$450 million in new loan assets.

In September 2021, the association received clearance from FCA and the board approved the issuance of 80,000 shares of a series of preferred stock, par value of \$1,000 per share. The stock was issued October 6, 2021. The stock is designated as Fixed Rate Reset Perpetual Non-Cumulative Preferred Stock, Series B (Series B Preferred Stock). The Series B Preferred Stock has a fixed rate dividend of 5.75 percent for five years, paid quarterly. After five years, the dividend rate resets to the Five-Year Treasury Rate plus 4.74 percent. On or after five years, the association may, at its option, redeem all or part of the Series B Preferred Stock. The Series B Preferred Stock is non-voting, except: (i) to materially change the association’s Charter or Bylaws that would materially adversely affect the holder of Series B Preferred Stock; (ii) to create, issue or authorize any class of stock ranking senior to the Series B Preferred Stock as to dividends or liquidation; and (iii) certain other limited circumstances detailed in the offering circular.

The association continues 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.

**Patronage Refunds Received From Farm Credit Bank of Texas (FCBT):** In December 2025, the association received a direct loan patronage of \$5,340 from FCBT, representing 18 basis points on the average daily balance of the association’s direct loan with FCBT. Also, the association received patronage of \$16,635 from FCBT, related to participations sold to FCBT. The association also received patronage of \$105 from FCBT related to the association’s participation in the Capitalized Participation Pool.

**Patronage Refunds by Association:** Based on 2025 financial results, the association’s board of directors declared a patronage of \$35,024 to be paid in cash in 2026. In spring of 2025, the association distributed \$31,837 in cash patronage related to 2024 earnings. In the spring of 2024, the association distributed \$28,609 in cash patronage related to 2023 earnings.

**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 real estate 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 10- to 20-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 association’s concentration of credit risk in various agricultural commodities is shown in the following table. Only concentrations exceeding 10 percent are presented. Though 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.

Operation/Commodity	2025	2024	2023
Livestock, except dairy and poultry	36.9%	36.2%	35.1%
Dairy farms	16.1%	16.4%	17.0%
Other	47.0%	47.4%	47.9%
Total	100.0%	100.0%	100.0%

The composition of the association’s loan portfolio, including principal less funds held of \$3,331,146, \$3,045,005 and \$2,920,811 as of December 31, 2025, 2024 and 2023, respectively, is described more fully in detailed tables in Note 4 to the consolidated financial statements, “Loans and Allowance for Credit Losses,” included in this annual report.

At December 31, 2025, the association held loans totaling \$6,830 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.

**Purchase and Sales of Loans:** During 2025, 2024 and 2023, the association participated in loans with other lenders. As of December 31, 2025, 2024 and 2023, these participations totaled \$830,201, \$848,639 and \$823,838, or 24.9 percent, 27.9 percent and 28.2 percent of loans, respectively. The also association has sold participations of \$2,478,720, \$2,314,760 and \$2,135,296 as of December 31, 2025, 2024 and 2023, respectively.

**Investments:** Federal Agricultural Mortgage Corporation guaranteed agricultural mortgage-backed securities (AMBS) comprise the association’s held-to-maturity investment portfolio, and the association services the underlying loans. AMBS held-to-maturity investments totaled \$70, \$91, and \$192 at December 31, 2025, 2024 and 2023, respectively.

In 2019, the association began purchasing SBA pool securities. These are considered available for sale investments. As of December 31, 2025, 2024 and 2023, the association had \$247,595, \$215,767 and \$189,862 of SBA pool securities, 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, net. The balances at December 31, 2025 and 2024 present the amortized cost, and the balance at December 31, 2023, reflects the amortized cost plus accrued interest.

The following table illustrates the association’s components and trends of nonperforming assets serviced for the prior three years as of December 31:

	<b>December 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Nonaccrual loans	<b>\$ 26,695</b>	\$ 4,811	\$ 8,170
Accruing loans 90 days or more past due	<b>3,705</b>	3,295	1,491
Nonperforming loans	<b>30,400</b>	8,106	9,661
Other property owned	<b>45</b>	257	12,828
Nonperforming assets	<b>\$ 30,445</b>	\$ 8,363	\$ 22,489
Nonperforming loans as a percentage of total loans	<b>0.9%</b>	0.3%	0.3%

Nonperforming loans consist of all nonperforming assets except other property owned, net.

The association’s portfolio is affected by production lending seasonality. Installment due dates and borrowers’ seasonal cash flows are correlated. The association’s loan operations are affected by the same factors that affect any agricultural real estate and production 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 nonrecoverable, 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. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category, business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

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.

Based on ongoing risk assessment and the procedures outlined above, the allowance for credit losses of \$14,220, \$11,601 and \$11,927 at December 31, 2025, 2024 and 2023, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

**Results of Operations:** The association's net income for the year ended December 31, 2025, was \$62,607 as compared with \$72,108 for the year ended December 31, 2024, reflecting a decrease of \$9,501, or 13.2 percent. The association's net income for the year ended December 31, 2023, was \$62,974. Net income increased \$9,134, or 14.5 percent, in 2024 versus 2023.

Net interest income for 2025, 2024 and 2023 was \$81,756, \$81,260 and \$76,195, respectively, reflecting increases of \$496, or 0.6 percent, for 2025 versus 2024 and \$5,065, or 6.7 percent, for 2024 versus 2023. Net interest income is the principal source of earnings for the association and is affected 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	\$ 3,071,407	\$ 198,899	\$ 2,936,414	\$ 199,912	\$ 2,806,116	\$ 179,295
Investments	230,116	11,151	196,289	10,921	162,347	8,585
Total interest-earning assets	3,301,523	210,050	3,132,703	210,833	2,968,463	187,880
Interest-bearing liabilities	2,936,008	128,294	2,784,459	129,573	2,635,018	111,685
Impact of capital	\$ 365,515		\$ 348,244		\$ 333,445	
Net interest income		\$ 81,756		\$ 81,260		\$ 76,195

	2025	2024	2023
	Average Yield	Average Yield	Average Yield
Yield on loans	6.48%	6.81%	6.39%
Yield on investments	4.85%	5.56%	5.29%
Total yield on interest-earning assets	6.36%	6.73%	6.33%
Cost of interest-bearing liabilities	4.37%	4.65%	4.24%
Interest rate spread	1.99%	2.08%	2.09%

	2025 vs. 2024			2024 vs. 2023		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ 9,190	\$(10,203)	\$ (1,013)	\$ 8,325	\$ 12,292	\$ 20,617
Interest income - investments	1,882	(1,652)	230	1,795	541	2,336
Total interest income	11,072	(11,855)	(783)	10,120	12,833	22,953
Interest expense	7,052	(8,331)	(1,279)	6,334	11,554	17,888
Net interest income	\$ 4,020	\$ (3,524)	\$ 496	\$ 3,786	\$ 1,279	\$ 5,065

Interest income for 2025 decreased by \$783, or 0.4 percent, compared with 2024, primarily due to lower interest rates. Interest expense for 2025 decreased by \$1,279, or 1.0 percent, compared with 2024 due to lower interest rates. The interest rate spread decreased in 2025 by 0.09 percent compared with 2024.

Noninterest income for 2025 decreased by \$1,640, or 5.1 percent, compared with 2024 due primarily to a decrease in patronage income from FCBT. Noninterest income for 2024 decreased by \$35, or 0.1 percent, compared with 2023.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services might include administrative services, marketing, information systems, accounting and loan processing, among others. Salaries increased by \$2,763, or 10.6 percent in 2025.

The association capitalized loan origination fees of \$1,217, \$831 and \$1,173 and loan origination costs of \$798, \$882 and \$1,251 in 2025, 2024 and 2023, respectively, which otherwise would have been recognized in those years as noninterest income and expense, respectively. Loan origination costs include compensation and benefits of identified personnel and other direct costs. Origination fees and costs capitalized are amortized over the life of the related loans as an adjustment of loan interest income.

For the year ended December 31, 2025, the association's return on average assets was 1.8 percent, as compared with 2.2 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 12.7 percent, as compared with 15.7 percent and 14.7 percent for the years ended December 31, 2024 and 2023, respectively.

Because the association depends on FCBT for funding, any significant positive or negative factors affecting the operations of FCBT might 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 FCBT. FCBT 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 FCBT. The outstanding balance of \$3,173,111, \$2,844,170 and \$2,757,049 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 4.13 percent, 4.49 percent and 4.66 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 FCBT and is governed by a general financing agreement. The increase in note payable to FCBT and related accrued interest payable since December 31, 2024, is due to increases in volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$379,534, \$366,112 and \$334,372 at December 31, 2025, 2024 and 2023, respectively. The maximum amount the association may borrow from FCBT as of December 31, 2025, was \$3,593,991 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 FCBT upon the occurrence of an event of default or by the association in the event of a breach of this agreement by FCBT, upon giving FCBT 30 calendar days' prior written notice, or in all other circumstances, upon giving FCBT 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 FCBT.

The association will continue to fund its operations through direct borrowings from FCBT, capital surplus from prior years, preferred stock 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 \$487,913, \$463,558 and \$431,798 at December 31, 2025, 2024 and 2023, respectively. The FCA sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, tier 1 capital, 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 percent to 1,250 percent, depending on the level of risk inherent in the various types of assets. See consolidated financial statements Note 10 “Members’ Equity.”

The association made qualified patronage distributions of \$31,837, \$28,609 and \$30,324 in 2025, 2024 and 2023, respectively. In 2025, 2024 and 2023, the association paid out \$0, \$2,400 and \$0, respectively, in allocated surplus. In December 2025, the association’s board of directors approved a \$35,024 patronage, to be paid in the first quarter of 2026. See consolidated financial statements Note 10 “Members’ Equity” for additional information.

**Significant Recent Accounting Pronouncements:** Refer to Note 2 – “Summary of Significant Accounting Policies” in this annual 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.

**Regulatory Matters:** At December 31, 2025, the association was not under written agreements with the FCA.

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 FCBT:** The association’s statutory obligation to borrow only from FCBT is discussed in Note 9 to the consolidated financial statements, “Note Payable to FCBT,” included in this annual report.

FCBT’s ability to access capital of the association is discussed in Note 2 to the consolidated financial statements, “Summary of Significant Accounting Policies,” included in this annual report, within the section “Capital Stock Investment in FCBT.”

FCBT’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 to the consolidated financial statements, “Note Payable to FCBT,” included in this annual report.

FCBT 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 FCBT. As disclosed in Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report, FCBT provides many services that the association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, FCBT bills district expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums to the associations.

**Summary:** During 2025, the association maintained good credit quality and earnings and approved cash patronage distribution to stockholders to be paid in 2026. Over the past 90 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 FCBT, 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 AgTexas Farm Credit Services

### ***Opinion***

We have audited the accompanying consolidated financial statements of AgTexas 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

**AGTEXAS FARM CREDIT SERVICES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)**

	<b>December 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b><u>Assets</u></b>			
Cash	\$ 6	\$ 8	\$ 8
Investments (\$247,595, \$215,767, \$189,862 at fair value)	247,665	215,858	190,054
Loans	3,331,146	3,045,005	2,920,811
Less: allowance for credit losses on loans	(14,220)	(11,601)	(11,927)
Net loans	3,316,926	3,033,404	2,908,884
Accrued interest receivable	56,684	51,498	49,029
Investment in and receivable from the Farm			
Credit Bank of Texas (FCBT):			
Capital stock	74,897	57,389	54,182
Other	25,355	27,789	20,987
Other property owned, net	45	257	12,828
Premises and equipment	24,759	25,385	25,277
Other assets	7,526	8,082	3,678
Total assets	<u>\$ 3,753,863</u>	<u>\$ 3,419,670</u>	<u>\$ 3,264,927</u>
<b><u>Liabilities</u></b>			
Note payable to the FCBT	\$ 3,173,111	\$ 2,884,170	\$ 2,757,049
Advance conditional payments	28,724	10,867	19,014
Accrued interest payable	11,381	10,689	10,691
Patronage and dividend distributions payable	36,174	32,987	29,759
Accrued postretirement benefit liability	6,565	7,237	6,313
Other liabilities	9,995	10,162	10,303
Total liabilities	<u>3,265,950</u>	<u>2,956,112</u>	<u>2,833,129</u>
<b><u>Members' Equity</u></b>			
Capital stock and participation certificates	4,123	4,178	4,311
Preferred Stock	80,000	80,000	80,000
Additional paid-in capital	72,711	72,711	72,711
Allocated retained earnings	14,851	14,851	17,251
Unallocated retained earnings	314,762	291,779	256,108
Accumulated other comprehensive income (loss)	1,466	39	1,417
Total members' equity	<u>487,913</u>	<u>463,558</u>	<u>431,798</u>
Total liabilities and members' equity	<u>\$ 3,753,863</u>	<u>\$ 3,419,670</u>	<u>\$ 3,264,927</u>

*The accompanying notes are an integral part of these consolidated financial statements.  
AgTexas Farm Credit Services — 2025 Annual Report*

**AGTEXAS FARM CREDIT SERVICES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Dollars in thousands)

	Year Ended December 31,		
	2025	2024	2023
<b><u>Interest Income</u></b>			
Loans	\$ 198,899	\$ 199,912	\$ 179,295
Investments	11,151	10,921	8,585
Total interest income	<u>210,050</u>	<u>210,833</u>	<u>187,880</u>
<b><u>Interest Expense</u></b>			
Note payable to the FCBT	127,509	128,872	110,806
Advance conditional payments	785	701	879
Total interest expense	<u>128,294</u>	<u>129,573</u>	<u>111,685</u>
Net interest income	81,756	81,260	76,195
Provision for credit losses	5,025	439	3,827
Net interest income after provision for credit losses	<u>76,731</u>	<u>80,821</u>	<u>72,368</u>
<b><u>Noninterest Income</u></b>			
Income from the FCBT:			
Patronage income	22,080	23,133	21,187
Loan fees	1,994	2,102	1,478
Financially related services income	2,988	3,126	6,975
Gain (loss) on other property owned, net	-	(309)	393
Gain on sale of assets	165	590	118
Other noninterest income	3,589	3,814	2,340
Total noninterest income	<u>30,816</u>	<u>32,456</u>	<u>32,491</u>
<b><u>Noninterest Expenses</u></b>			
Salaries and employee benefits	28,815	26,052	24,760
Directors' expense	354	421	401
Purchased services	2,211	2,181	2,441
Travel	1,987	2,081	2,146
Occupancy and equipment	3,020	2,534	2,258
Communications	349	342	320
Advertising	1,123	924	759
Public and member relations	1,481	1,343	1,447
Supervisory and exam expense	899	966	935
Insurance Fund premiums	2,475	2,336	3,963
Other components of net periodic postretirement benefit cost	379	268	234
Other noninterest expense	1,847	1,721	2,221
Total noninterest expenses	<u>44,940</u>	<u>41,169</u>	<u>41,885</u>
<b>Net Income</b>	<u>62,607</u>	<u>72,108</u>	<u>62,974</u>
Other comprehensive income (loss):			
Change in postretirement benefit plans	832	(873)	(63)
Change in fair value of available for sale securities	595	(505)	(57)
Other comprehensive income (loss)	<u>1,427</u>	<u>(1,378)</u>	<u>(120)</u>
<b>Comprehensive Income</b>	<u>\$ 64,034</u>	<u>\$ 70,730</u>	<u>\$ 62,854</u>

*The accompanying notes are an integral part of these consolidated financial statements.*  
AgTexas Farm Credit Services — 2025 Annual Report

**AGTEXAS FARM CREDIT SERVICES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
(Dollars in thousands)

	Capital Stock/ Participation Certificates	Preferred Stock	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
				Allocated	Unallocated		
Balance at December 31, 2022	\$ 4,436	\$ 80,000	\$ 72,711	\$ 17,251	\$ 225,944	\$ 1,537	\$ 401,879
CECL standard adoption adjustment	-	-	-	-	399	-	399
Balance at January 1, 2023	4,436	80,000	72,711	17,251	226,343	1,537	402,278
Comprehensive income	-	-	-	-	62,974	(120)	62,854
Capital stock/participation certificates:							
Issued	488	-	-	-	-	-	488
Retired	(613)	-	-	-	-	-	(613)
Preferred stock dividends paid or declared	-	-	-	-	(4,600)	-	(4,600)
Patronage dividends:							
Paid or declared	-	-	-	-	(28,609)	-	(28,609)
Balance at December 31, 2023	4,311	80,000	72,711	17,251	256,108	1,417	431,798
Comprehensive income	-	-	-	-	72,108	(1,378)	70,730
Capital stock/participation certificates:							
Issued	485	-	-	-	-	-	485
Retired	(618)	-	-	-	-	-	(618)
Preferred stock dividends paid or declared	-	-	-	-	(4,600)	-	(4,600)
Patronage dividends:							
Paid or declared	-	-	-	(2,400)	(31,837)	-	(34,237)
Balance at December 31, 2024	4,178	80,000	72,711	14,851	291,779	39	463,558
Comprehensive income	-	-	-	-	62,607	1,427	64,034
Capital stock/participation certificates:							
Issued	600	-	-	-	-	-	600
Retired	(655)	-	-	-	-	-	(655)
Preferred stock dividends paid or declared	-	-	-	-	(4,600)	-	(4,600)
Patronage dividends:							
Paid or declared	-	-	-	-	(35,024)	-	(35,024)
Balance at December 31, 2025	<u>\$ 4,123</u>	<u>\$ 80,000</u>	<u>\$ 72,711</u>	<u>\$ 14,851</u>	<u>\$ 314,762</u>	<u>\$ 1,466</u>	<u>\$ 487,913</u>

*The accompanying notes are an integral part of these consolidated financial statements.*  
AgTexas Farm Credit Services — 2025 Annual Report

**AGTEXAS FARM CREDIT SERVICES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	Year Ended December 31,		
	2025	2024	2023
<b>Cash flows from operating activities:</b>			
Net income	\$ 62,607	\$ 72,108	\$ 62,974
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	5,025	439	3,827
Patronage income allocated in stock	-	-	(2,013)
Net (gain) loss on:			
Other property owned	-	499	-
Sale of premises and equipment, net	(148)	(574)	(183)
Depreciation	1,542	1,636	1,431
Amortization (accretion) of:			
Loan premiums	464	611	976
Deferred loan cost and fees	(845)	(724)	(805)
Investment premiums	3,816	3,516	3,033
(Increase) decrease in:			
Accrued interest receivable	(5,186)	(2,469)	(13,743)
Receivable from FCBT, other	2,434	(6,802)	(8,064)
Other assets	556	(642)	(247)
Increase (decrease) in:			
Accrued interest payable	692	(2)	3,152
Other liabilities	(110)	(236)	(7,205)
Net cash flows from operating activities	<u>70,847</u>	<u>67,360</u>	<u>43,133</u>
<b>Cash flows from investing activities:</b>			
Increase in loans, net	(288,182)	(125,782)	(188,709)
Cash recoveries of loans previously charged off	119	103	1,420
Purchase of investment in FCBT, net	(17,508)	(3,207)	(2,818)
Proceeds from sale of OPO	212	9,288	-
Investment securities held-to-maturity:			
Proceeds from maturities, calls and prepayments	21	102	32
Investments available for sale:			
Purchases	(69,643)	(63,408)	(87,418)
Proceeds from maturities, calls and prepayments	34,594	33,482	24,120
Purchases of premises and equipment	(947)	(1,744)	(741)
Proceeds from sales of premises and equipment	179	574	352
Net cash flows from investing activities	<u>(341,155)</u>	<u>(150,592)</u>	<u>(253,762)</u>

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AgTexas Farm Credit Services — 2025 Annual Report

**AGTEXAS FARM CREDIT SERVICES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	<b>Year Ended December 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from financing activities:</b>			
Net draws on note payable to FCBT	<b>288,941</b>	127,121	261,930
Increase (decrease) in:			
Advance conditional payments	<b>17,857</b>	(8,147)	(16,255)
Capital stock and participation certificates:			
Issuance	<b>600</b>	485	488
Retirement	<b>(655)</b>	(618)	(613)
Preferred stock dividends paid	<b>(4,600)</b>	(4,600)	(4,600)
Cash patronage paid	<b>(31,837)</b>	(28,609)	(30,324)
Allocated retained earnings revolvement	-	(2,400)	-
Net cash flows from financing activities	<b>270,306</b>	83,232	210,626
Net change in cash	<b>(2)</b>	-	(3)
Cash at the beginning of the year	<b>8</b>	8	11
Cash at the end of the year	<b>\$ 6</b>	\$ 8	\$ 8
<b>Supplemental schedule of noncash investing and financing activities:</b>			
Loans transferred to other property owned	\$ -	\$ 978	\$ 12,828
Other property owned sales financed	-	3,762	-
Patronage distributions declared	<b>35,024</b>	31,837	28,609
Preferred stock dividend declared	<b>1,150</b>	1,150	1,150
Loan charged off	<b>2,422</b>	723	1,870
<b>Supplemental cash flow information:</b>			
Cash paid during the year for:			
Interest	<b>\$ 127,602</b>	\$ 129,575	\$ 108,533
Federal income tax	-	-	-

*The accompanying notes are an integral part of these consolidated financial statements.*  
AgTexas Farm Credit Services — 2025 Annual Report

**AGTEXAS FARM CREDIT SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except as noted)**

**NOTE 1 — ORGANIZATION AND OPERATIONS:**

**Organization:** AgTexas Farm Credit Services, including its wholly-owned subsidiaries, AgTexas, PCA and AgTexas, FLCA (collectively called 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 in the Texas counties of Armstrong, Bailey, Briscoe, Brown, Carson, Castro, Cochran, Comanche, Crosby, Dallam, Deaf Smith, Floyd, Eastland, Ellis, Erath, Gaines, Garza, Hamilton, Hale, Hansford, Hartley, Hill, Hockley, Hood, Hutchinson, Johnson, Lamb, Lubbock, Lynn, Moore, Navarro, Oldham, Parker, Parmer, Potter, Randall, Sherman, Somervell, Swisher, Tarrant, Terry, Wise and Yoakum.

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 (FCBT) and its related associations are collectively referred to as the “district.” FCBT 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 FCBT, 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 the 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 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 the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Act, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the association.

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.

**Operations:** The 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 FCBT. The association offers credit life, livestock and crop insurance as an intermediary.

The association's financial condition might be affected by factors that affect FCBT. The financial condition and results of operations of FCBT might materially affect stockholders' investments in the association. FCBT'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, FCBT'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 Farm Credit Bank of Texas 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.

**Reclassifications:** Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

**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 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 AgTexas, PCA and AgTexas, FLCA. All significant intercompany transactions have been eliminated in consolidation.

**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 “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software.” The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization; (2) replaces these rules with a principles-based framework where capitalization occurs when management has authorized and committed to funding, and it is probable that the project will be completed and the software used as intended; (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The association is currently assessing the potential impact of this amendment on its 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 updated 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 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 enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative

threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance were effective for public business entities for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application was permitted. Early adoption was also permitted for annual financial statements that had not yet been issued or made available for issuance. Effective January 1, 2025, the association adopted this guidance. The adoption of this guidance did not have an impact on the association's financial condition, results of operations or cash flows, but did impact disclosures.

**Cash:** Cash, as included in the financial statements, represents cash on hand and deposits at banks.

**Investments:** In accordance with the Farm Credit Administration regulations, the association, with the approval of FCBT, 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 that 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 might not necessarily be held to maturity and accordingly have been classified as available-for-sale. These investments are reported at fair value and as unrealized holding gains and losses on investments that are reported as a separate component of members' equity (accumulated other comprehensive income (loss)).

The association also may hold additional investments in accordance with mission-related investment and other investment programs approved by the FCA. 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 FCA regulations. Farmer Mac investments are classified either as held-to-maturity or available-for-sale depending on the association's ability and intent to hold the investment to maturity.

Prior to the adoption of current expected credit loss 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.

Impairment might 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 with 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 does 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.

**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.* Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the 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 accompanying consolidated balance sheet. The association has also elected not to 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. Current expected credit losses (CECL) requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

*Allowance for Credit Losses (ACL).* 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 (ACL), which covers the loan portfolio and is presented separately on the accompanying consolidated balance sheet;
- the allowance for credit losses on unfunded commitments, which is presented on the accompanying consolidated 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 accompanying consolidated balance sheet.

Determining the appropriateness of the ACL 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 might result in significant changes in the ACL in those future periods.

*Allowance for Credit Losses on Loans.* The ACL 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 nonrecoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the components 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 10<sup>th</sup> percentile and downside 90<sup>th</sup> 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 quarterly.

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 (ACLUC).* The association evaluates the need for an ACLUC under CECL and, if required, an amount is recognized and included in other liabilities in the accompanying 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 association 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.

**Capital Stock Investment in FCBT:** The association's investment in FCBT 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 FCBT compared to other district associations. Throughout 2023 and 2024, FCBT required a minimum stock investment of 2.0 percent of the association's average borrowing from FCBT. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheets. Beginning in 2025, this investment requirement increased to 2.5 percent of average borrowings from FCBT and is determined on a semi-annual basis.

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

**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. 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 net gains (losses) on other property owned in the statements of comprehensive income.

**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.

**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 sheet. Advance conditional payments are not insured. Interest is generally paid by the association on such accounts at rates established by the board of directors.

**Employee Benefit Plans:** Employees of the association 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. The DB plan is closed to new participants. Participants generally include employees hired before 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 before 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, because 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 \$1,018, \$906 and \$957 for the years ended December 31, 2025, 2024 and 2023 respectively. For the DB plan, the association recognized pension costs of \$673, \$676 and \$1,199 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 \$822, \$736 and \$789 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 \$12, \$61 and \$50 for the years ended December 31, 2025, 2024 and 2023, respectively.

In addition to pension benefits, the association provides other postretirement health care benefits to qualifying retired employees. This plan is not funded, and the benefit obligation is recognized in the accompanying consolidated balance sheets. Net periodic benefit costs are recognized in compensation and benefits expense and certain gains and losses and prior service costs or credits that arise each period are recognized in other comprehensive income in the accompanying consolidated statements of comprehensive income.

**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. The association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such

temporary differences are retained by the institution and therefore will 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 a 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 FCBT before 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 FCBT, 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 that relate to FCBT'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 FCBT's post-1992 unallocated earnings. FCBT 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.

**Patronage Refunds From FCBT:** The association records patronage refunds from FCBT on an accrual basis.

**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: (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."

**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 might require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management’s assessment of the customer’s creditworthiness.

**NOTE 3 — INVESTMENTS:**

**Available-for-Sale Investments:** The following is a summary of investments classified as available for sale:

	<b>SBA Pool Securities</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized</b>		<b>Fair Value</b>	<b>Weighted Average Yield</b>
		<b>Gains</b>	<b>Losses</b>		
<b>December 31, 2025</b>	<b>\$ 246,973</b>	<b>\$ 1,372</b>	<b>\$ (750)</b>	<b>\$ 247,595</b>	<b>6.83%</b>
December 31, 2024	215,740	1,066	(1,039)	215,767	7.59%
December 31, 2023	189,330	1,160	(628)	189,862	8.22%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments available for sale at December 31, 2025:

	<b>SBA Pool Securities</b>				
	<b>Due in 1 Year or Less</b>	<b>Due After</b>			<b>Total</b>
		<b>1 Year Through 5 Years</b>	<b>5 Years Through 10 Years</b>	<b>10 Years</b>	
Fair value	\$ -	\$ 4,421	\$ 35,324	\$ 207,850	\$ 247,595
Amortized cost	-	4,383	35,080	207,510	246,973
Weighted average yield	0.00%	7.84%	7.52%	6.70%	6.83%

Effective January 1, 2019, the association was authorized by the release of revised investment regulations to purchase pools 100 percent unconditionally guaranteed and issued by the Small Business Administration (SBA). The association purchased the SBA pools for diversification and risk management purposes. The investment authorization was established to enhance the safety and soundness, provide greater resilience to risk and the ability to supply credit to agricultural and aquatic producers and their cooperatives in times of stress while complying with section 939A of the Dodd-Frank Act. Investments authorized by the FCA limit the association to 10 percent of the net loan assets.

**Held-to-Maturity Investments:** Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS) comprise the association’s held-to-maturity investment portfolio, and the association services the underlying loans. Additional information follows:

	<b>AMBS</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized</b>		<b>Fair Value</b>	<b>Weighted Average Yield</b>
		<b>Gains</b>	<b>Losses</b>		
<b>December 31, 2025</b>	<b>\$ 70</b>	<b>\$ -</b>	<b>\$ (3)</b>	<b>\$ 67</b>	<b>4.73%</b>
December 31, 2024	91	-	(6)	85	4.83%
December 31, 2023	192	-	(11)	181	4.91%

The association has not experienced impairments of these securities. Farmer Mac guarantees the underlying mortgages, and the association has the ability and intent to hold these securities to maturity or pay-off, and it is unlikely the association would be required to sell these securities. These AMBS had a weighted average life of 6.1 years at December 31, 2025.

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

A summary of loans as of December 31 follows:

Loan Type	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 1,523,128	45.9%	\$ 1,437,413	47.2%	\$ 1,459,247	49.9%
Production and intermediate-term	1,425,140	42.8%	1,241,432	40.8%	1,088,091	37.3%
Agribusiness	283,279	8.5%	270,880	8.9%	282,190	9.6%
Communication	31,409	0.9%	25,119	0.8%	19,490	0.7%
Energy	7,835	0.2%	8,395	0.3%	6,905	0.2%
Water and waste-water	2,932	0.1%	9,917	0.3%	13,434	0.5%
Rural residential real estate	7,139	0.2%	6,628	0.2%	5,581	0.2%
Agricultural export finance	17,572	0.5%	12,676	0.4%	11,568	0.4%
Lease receivables	4,448	0.1%	5,845	0.2%	8,732	0.3%
Mission-related investments	28,264	0.8%	26,700	0.9%	25,573	0.9%
Total	<u>\$ 3,331,146</u>	<u>100.0%</u>	<u>\$ 3,045,005</u>	<u>100.0%</u>	<u>\$ 2,920,811</u>	<u>100.0%</u>

Management purchases loans and extends credit in accordance with mission-related investment programs, including the Rural America Bond Pilot (RAB) Program, approved by FCA. This activity allows the association to provide credit that furthers the System’s mission to serve rural America. These transactions generally involve government guarantees or taxing authority and purchase premiums and discounts. Mission-related investment loan carrying amount details follow:

Loan Type	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
100% USDA guaranteed loans	\$ 21,434	75.8%	\$ 19,628	73.5%	\$ 18,268	71.4%
Loans under RAB Program	6,830	24.2%	7,072	26.5%	7,305	28.6%
Total	<u>\$ 28,264</u>	<u>100.0%</u>	<u>\$ 26,700</u>	<u>100.0%</u>	<u>\$ 25,573</u>	<u>100.0%</u>

The association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding participations purchased and sold as of December 31, 2025:

	<b>Other Farm</b>		<b>Non-farm</b>		<b>Total</b>	
	<b>Credit Institutions</b>		<b>Credit Institutions</b>		<b>Participations</b>	
	<b>Purchased</b>	<b>Sold</b>	<b>Purchased</b>	<b>Sold</b>	<b>Purchased</b>	<b>Sold</b>
Real estate mortgage	\$ 194,374	\$ 360,007	\$ 102,177	\$ -	\$ 296,551	\$ 360,007
Production and intermediate-term	228,028	2,073,157	465	-	228,493	2,073,157
Agribusiness	212,899	45,556	576	-	213,475	45,556
Communication	31,409	-	-	-	31,409	-
Energy	7,835	-	-	-	7,835	-
Water and waste-water	2,932	-	-	-	2,932	-
Agricultural export finance	17,572	-	-	-	17,572	-
Lease receivables	4,448	-	-	-	4,448	-
Mission-related investments	-	-	27,485	-	27,485	-
<b>Total</b>	<b>\$ 699,497</b>	<b>\$ 2,478,720</b>	<b>\$ 130,703</b>	<b>\$ -</b>	<b>\$ 830,200</b>	<b>\$ 2,478,720</b>

Loan concentrations are considered to exist when there are amounts loaned to borrowers engaged in similar activities, which would cause them to be similarly affected by economic or other conditions. The association’s originated loans are geographically concentrated in the counties listed in Note 1 to the financial statements. The association has credit risks in various agricultural commodities. The association has more than 10 percent commodity concentrations in the livestock and dairy sectors. Though 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 credit losses on loans.

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, might 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 FCBT. 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 \$154,203, \$87,068 and \$103,314, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled \$719, \$424 and \$511 in 2025, 2024 and 2023, respectively, and are included in “other noninterest expense.”

**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 the board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by FCA regulations, 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 risk rating model based on an internally generated combined System risk-rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The association reviews at least on an annual basis or when a credit action is taken the probability of default category.

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

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

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2025:

Amortized Cost as of December 31, 2025									
	Term Loans by Origination Year					Prior	Revolving Loans	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021				
Real estate mortgage									
Acceptable	\$ 231,674	\$ 121,682	\$ 115,632	\$ 156,428	\$ 314,899	\$ 447,203	\$ 72,212	\$ 11,595	\$ 1,471,325
OAEM	1,415	269	16,294	6,233	6,840	5,473	2,065	1,401	39,990
Substandard/Doubtful	-	302	908	3,939	2,654	2,867	1,143	-	11,813
Total	233,089	122,253	132,834	166,600	324,393	455,543	75,420	12,996	1,523,128
Production and intermediate-term									
Acceptable	123,138	42,961	30,981	12,444	16,406	9,598	1,111,570	2,558	1,349,656
OAEM	4,867	2,394	171	-	88	1,783	40,893	-	50,196
Substandard/Doubtful	745	2,317	13,042	422	-	532	8,230	-	25,288
Total	128,750	47,672	44,194	12,866	16,494	11,913	1,160,693	2,558	1,425,140
Agribusiness									
Acceptable	46,465	26,677	16,919	39,485	13,776	23,709	108,946	336	276,313
OAEM	1,647	2,088	-	64	113	-	71	328	4,311
Substandard/Doubtful	-	-	-	1,963	-	-	692	-	2,655
Total	48,112	28,765	16,919	41,512	13,889	23,709	109,709	664	283,279
Communication									
Acceptable	4,242	3,909	12,120	1,318	4,987	4,495	338	-	31,409
Total	4,242	3,909	12,120	1,318	4,987	4,495	338	-	31,409
Energy									
Acceptable	-	1,940	2,998	-	-	2,862	35	-	7,835
Total	-	1,940	2,998	-	-	2,862	35	-	7,835
Water and waste water									
Acceptable	-	-	2,199	733	-	-	-	-	2,932
Total	-	-	2,199	733	-	-	-	-	2,932
Rural residential real estate									
Acceptable	1,386	1,548	1,066	1,317	644	1,178	-	-	7,139
Total	1,386	1,548	1,066	1,317	644	1,178	-	-	7,139
Agricultural export finance									
Acceptable	8,000	-	9,572	-	-	-	-	-	17,572
Total	8,000	-	9,572	-	-	-	-	-	17,572
Leases									
Acceptable	1,327	-	-	-	-	-	-	-	1,327
OAEM	-	-	1,642	-	1,479	-	-	-	3,121
Total	1,327	-	1,642	-	1,479	-	-	-	4,448
Mission related									
Acceptable	4,043	5,511	-	-	700	18,010	-	-	28,264
Total	4,043	5,511	-	-	700	18,010	-	-	28,264
Grand Total									
Acceptable	420,275	204,228	191,487	211,725	351,412	507,055	1,293,101	14,489	3,193,772
OAEM	7,929	4,751	18,107	6,297	8,520	7,256	43,029	1,729	97,618
Substandard/Doubtful	745	2,619	13,950	6,324	2,654	3,399	10,065	-	39,756
Total	\$ 428,949	\$ 211,598	\$ 223,544	\$ 224,346	\$ 362,586	\$ 517,710	\$ 1,346,195	\$ 16,218	\$ 3,331,146

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

	Amortized Cost as of December 31, 2024								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
Real estate mortgage									
Acceptable	\$ 132,597	\$ 141,433	\$ 188,314	\$ 346,283	\$ 189,796	\$ 333,328	\$ 44,593	\$ 1,483	\$ 1,377,827
OAEM	620	11,813	2,308	5,599	5,939	14,871	6,444	-	47,594
Substandard/Doubtful	1,665	-	4,119	3,116	873	2,219	-	-	11,992
Total	134,882	153,246	194,741	354,998	196,608	350,418	51,037	1,483	1,437,413
Production and intermediate-term									
Acceptable	95,080	56,974	23,556	28,008	12,346	9,308	947,480	-	1,172,752
OAEM	2,046	330	615	281	410	-	63,515	-	67,197
Substandard/Doubtful	177	532	85	-	-	530	159	-	1,483
Total	97,303	57,836	24,256	28,289	12,756	9,838	1,011,154	-	1,241,432
Agribusiness									
Acceptable	22,968	36,798	46,048	19,814	21,802	8,391	92,172	370	248,363
OAEM	128	-	2,050	627	388	2,183	3,782	114	9,272
Substandard/Doubtful	-	13,198	-	-	-	-	47	-	13,245
Total	23,096	49,996	48,098	20,441	22,190	10,574	96,001	484	270,880
Communication									
Acceptable	4,780	14,160	1,398	-	4,541	-	240	-	25,119
Total	4,780	14,160	1,398	-	4,541	-	240	-	25,119
Energy									
Acceptable	1,939	2,997	-	-	-	3,287	172	-	8,395
Total	1,939	2,997	-	-	-	3,287	172	-	8,395
Water and waste water									
Acceptable	-	4,026	3,140	2,473	-	-	278	-	9,917
Total	-	4,026	3,140	2,473	-	-	278	-	9,917
Rural residential real estate									
Acceptable	1,880	1,187	1,382	765	162	1,252	-	-	6,628
Total	1,880	1,187	1,382	765	162	1,252	-	-	6,628
Agricultural export finance									
Acceptable	-	11,570	-	-	-	-	-	1,106	12,676
Total	-	11,570	-	-	-	-	-	1,106	12,676
Leases									
Acceptable	-	2,125	2,863	-	-	-	-	-	4,988
OAEM	-	-	-	857	-	-	-	-	857
Total	-	2,125	2,863	857	-	-	-	-	5,845
Mission related									
Acceptable	4,783	-	-	1,577	1,285	19,055	-	-	26,700
Total	4,783	-	-	1,577	1,285	19,055	-	-	26,700
Grand Total									
Acceptable	264,027	271,270	266,701	398,920	229,932	374,621	1,084,935	2,959	2,893,365
OAEM	2,794	12,143	4,973	7,364	6,737	17,054	73,741	114	124,920
Substandard/Doubtful	1,842	13,730	4,204	3,116	873	2,749	206	-	26,720
Total	\$ 268,663	\$ 297,143	\$ 275,878	\$ 409,400	\$ 237,542	\$ 394,424	\$ 1,158,882	\$ 3,073	\$ 3,045,005

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Amortized Cost as of December 31, 2023								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Real estate mortgage									
Acceptable	\$ 166,645	\$ 211,977	\$ 388,586	\$ 202,611	\$ 84,270	\$ 313,869	\$ 44,438	\$ 399	\$ 1,412,795
OAEM	10,113	-	1,987	4,288	7,017	5,194	1,250	102	29,951
Substandard/Doubtful	2,734	4,175	894	3,640	3,713	1,345	-	-	16,501
Total	179,492	216,152	391,467	210,539	95,000	320,408	45,688	501	1,459,247
Production and intermediate-term									
Acceptable	97,185	34,252	43,358	19,173	7,655	6,037	823,148	-	1,030,808
OAEM	3,640	945	595	192	128	117	42,435	-	48,052
Substandard/Doubtful	772	339	146	14	1,104	641	6,215	-	9,231
Total	101,597	35,536	44,099	19,379	8,887	6,795	871,798	-	1,088,091
Agribusiness									
Acceptable	50,180	54,934	31,529	32,571	8,681	717	82,455	-	261,067
OAEM	-	1,310	1,453	431	-	2,464	1,691	128	7,477
Substandard/Doubtful	13,646	-	-	-	-	-	-	-	13,646
Total	63,826	56,244	32,982	33,002	8,681	3,181	84,146	128	282,190
Communication									
Acceptable	13,239	1,477	4,587	-	-	-	187	-	19,490
Total	13,239	1,477	4,587	-	-	-	187	-	19,490
Energy									
Acceptable	2,996	-	-	-	-	3,702	207	-	6,905
Total	2,996	-	-	-	-	3,702	207	-	6,905
Water and waste water									
Acceptable	3,888	3,319	2,497	-	-	-	3,730	-	13,434
Total	3,888	3,319	2,497	-	-	-	3,730	-	13,434
Rural residential real estate									
Acceptable	1,543	1,347	902	206	522	1,061	-	-	5,581
Total	1,543	1,347	902	206	522	1,061	-	-	5,581
Agricultural export finance									
Acceptable	11,568	-	-	-	-	-	-	-	11,568
Total	11,568	-	-	-	-	-	-	-	11,568
Leases									
Acceptable	2,618	-	4,309	1,628	173	4	-	-	8,732
Total	2,618	-	4,309	1,628	173	4	-	-	8,732
Mission related									
Acceptable	-	-	1,663	1,328	6,527	16,055	-	-	25,573
Total	-	-	1,663	1,328	6,527	16,055	-	-	25,573
Grand Total									
Acceptable	349,862	307,306	477,431	257,517	107,828	341,445	954,165	399	2,795,953
OAEM	13,753	2,255	4,035	4,911	7,145	7,775	45,376	230	85,480
Substandard/Doubtful	17,152	4,514	1,040	3,654	4,817	1,986	6,215	-	39,378
Total	\$ 380,767	\$ 314,075	\$ 482,506	\$ 266,082	\$ 119,790	\$ 351,206	\$ 1,005,756	\$ 629	\$ 2,920,811

The charge-offs of principal for the years ended December 31, 2025, 2024 and 2023 are as follows:

	Gross Charge-offs for Year Ended December 31, 2025								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
Real estate mortgage	\$ -	\$ -	\$ 53	\$ 5	\$ 7	\$ 14	\$ -	\$ -	\$ 79
Production and intermediate-term	-	44	86	-	-	-	2,204	-	2,334
Agribusiness	-	-	-	-	-	-	9	-	9
Total	\$ -	\$ 44	\$ 139	\$ 5	\$ 7	\$ 14	\$ 2,213	\$ -	\$ 2,422

	Gross Charge-offs for Year Ended December 31, 2024								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
Real estate mortgage	\$ -	\$ -	\$ -	\$ 11	\$ 2	\$ 2	\$ -	\$ -	\$ 15
Production and intermediate-term	-	223	-	-	-	30	441	-	694
Agribusiness	-	-	-	-	-	14	-	-	14
Total	\$ -	\$ 223	\$ -	\$ 11	\$ 2	\$ 46	\$ 441	\$ -	\$ 723

	Gross Charge-offs for Year Ended December 31, 2023								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ 12
Production and intermediate-term	375	11	1	-	3	15	433	-	838
Agribusiness	1,021	-	-	-	-	-	-	-	1,021
Total	\$ 1,396	\$ 11	\$ 1	\$ -	\$ 3	\$ 27	\$ 433	\$ -	\$ 1,871

Nonperforming assets and related credit quality statistics are as follows:

	December 31,		
	2025	2024	2023
<b>Nonaccrual loans:</b>			
Real estate mortgage	\$ 6,630	\$ 3,800	\$ 4,552
Production and intermediate-term	20,018	964	3,618
Agribusiness	47	47	-
Total nonaccrual loans	26,695	4,811	8,170
<b>Accruing loans 90 days or more past due:</b>			
Real estate mortgage	2,155	2,533	390
Production and intermediate-term	237	480	-
Mission-related investments	1,313	282	1,101
Total accruing loans 90 days or more past due	3,705	3,295	1,491
<b>Other property owned</b>	45	257	12,828
<b>Total nonperforming assets</b>	<b>\$ 30,445</b>	<b>\$ 8,363</b>	<b>\$ 22,489</b>
Nonaccrual loans as a percentage of total loans	0.8%	0.2%	0.3%
Nonperforming assets as a percentage of total loans and other property owned	0.9%	0.3%	0.8%
Nonperforming assets as a percentage of members' equity	6.2%	1.8%	5.2%

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

	Amortized Cost as of December 31, 2025			Interest Income Recognized For the Year Ended December 31, 2025
	With Allowance	Without Allowance	Total	
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ 1,960	\$ 4,670	\$ 6,630	\$ 70
Production and intermediate-term	5,457	14,561	20,018	253
Agribusiness	-	47	47	-
<b>Total nonaccrual loans</b>	<b>\$ 7,417</b>	<b>\$ 19,278</b>	<b>\$ 26,695</b>	<b>\$ 323</b>

	Amortized Cost as of December 31, 2024			Interest Income Recognized For the Year Ended December 31, 2024
	With Allowance	Without Allowance	Total	
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ 2,067	\$ 1,733	\$ 3,800	\$ 118
Production and intermediate-term	122	842	964	56
Agribusiness	-	47	47	2
Mission-related investments	-	-	-	302
<b>Total nonaccrual loans</b>	<b>\$ 2,189</b>	<b>\$ 2,622</b>	<b>\$ 4,811</b>	<b>\$ 478</b>

	Amortized Cost as of December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	With Allowance	Without Allowance	Total	
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ 1,910	\$ 2,642	\$ 4,552	\$ 45
Production and intermediate-term	1,328	2,290	3,618	208
Agribusiness	-	-	-	324
<b>Total nonaccrual loans</b>	<b>\$ 3,238</b>	<b>\$ 4,932</b>	<b>\$ 8,170</b>	<b>\$ 577</b>

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2025, 2024 and 2023:

**December 31, 2025**

	30-89		90 Days or	Not Past Due or	
	Days Past Due	More Past Due	Total Past Due	less than 30	Total Loans
Real estate mortgage	\$ 17,873	\$ 6,640	\$ 24,513	\$ 1,498,615	\$ 1,523,128
Production and intermediate-term	10,303	19,197	29,500	1,395,640	1,425,140
Agribusiness	869	47	916	282,363	283,279
Communication	-	-	-	31,409	31,409
Energy	-	-	-	7,835	7,835
Water and waste-water	-	-	-	2,932	2,932
Rural residential real estate	-	-	-	7,139	7,139
Agricultural export finance	-	-	-	17,572	17,572
Lease receivables	223	-	223	4,225	4,448
Mission-related investments	923	1,313	2,236	26,028	28,264
<b>Total</b>	<b>\$ 30,191</b>	<b>\$ 27,197</b>	<b>\$ 57,388</b>	<b>\$ 3,273,758</b>	<b>\$ 3,331,146</b>

**December 31, 2024**

	30-89		90 Days or	Not Past Due or	
	Days Past Due	More Past Due	Total Past Due	less than 30	Total Loans
Real estate mortgage	\$ 5,998	\$ 6,203	\$ 12,201	\$ 1,425,212	\$ 1,437,413
Production and intermediate-term	1,595	488	2,083	1,239,349	1,241,432
Agribusiness	-	47	47	270,833	270,880
Communication	-	-	-	25,119	25,119
Energy	-	-	-	8,395	8,395
Water and waste-water	-	-	-	9,917	9,917
Rural residential real estate	-	-	-	6,628	6,628
Agricultural export finance	-	-	-	12,676	12,676
Lease receivables	-	-	-	5,845	5,845
Mission-related investments	1,535	282	1,817	24,883	26,700
<b>Total</b>	<b>\$ 9,128</b>	<b>\$ 7,020</b>	<b>\$ 16,148</b>	<b>\$ 3,028,857</b>	<b>\$ 3,045,005</b>

**December 31, 2023**

	30-89		90 Days or	Not Past Due or	
	Days Past Due	More Past Due	Total Past Due	less than 30	Total Loans
Real estate mortgage	\$ 11,492	\$ 4,824	\$ 16,316	\$ 1,442,931	\$ 1,459,247
Production and intermediate-term	4,370	332	4,702	1,083,389	1,088,091
Agribusiness	-	-	-	282,190	282,190
Communication	-	-	-	19,490	19,490
Energy	-	-	-	6,905	6,905
Water and waste-water	-	-	-	13,434	13,434
Rural residential real estate	-	-	-	5,581	5,581
Agricultural export finance	-	-	-	11,568	11,568
Lease receivables	-	-	-	8,732	8,732
Mission-related investments	2,418	1,101	3,519	22,054	25,573
<b>Total</b>	<b>\$ 18,280</b>	<b>\$ 6,257</b>	<b>\$ 24,537</b>	<b>\$ 2,896,274</b>	<b>\$ 2,920,811</b>

**Loan Modifications to Borrowers Experiencing Financial Difficulties:**

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2025, 2024 and 2023, disaggregated by loan type and type of modification granted:

	<u>December 31, 2025</u>	
	<u>Term or Payment Extensions</u>	<u>Percent of Total Loans</u>
<b>Real estate mortgage</b>	\$ 226	0.01%
<b>Production and intermediate-term</b>	11,991	0.36%
	<u>December 31, 2024</u>	
	<u>Term or Payment Extensions</u>	<u>Percent of Total Loans</u>
Real estate mortgage	\$ 3,507	0.12%
Production and intermediate-term	445	0.01%
	<u>December 31, 2023</u>	
	<u>Term or Payment Extensions</u>	<u>Percent of Total Loans</u>
Real estate mortgage	\$ 775	0.03%
Production and intermediate-term	2,123	0.07%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of December 31, 2025, 2024 and 2023 was \$0, \$0 and \$35, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty as of December 31, 2025, 2024 and 2023:

<u>December 31, 2025</u>	<u>Term or Payment Extensions</u>	<u>Change in Weighted Average Maturity After Extension</u>
<b>December 31, 2025</b>		
<b>Real estate mortgage</b>		<b>240 days</b>
<b>Production and intermediate-term</b>		<b>271 days</b>
December 31, 2024		
Real estate mortgage		240 days
Production and intermediate-term		250 days
December 31, 2023		
Real estate mortgage		240 days
Production and intermediate-term		399 days

The following table sets forth the amortized cost of outstanding balances for loans to borrowers experiencing financial difficulty that received a modification during the year ended December 31 and that defaulted in the period presented:

<b>Modified loans that subsequently defaulted</b>	
	<b>Term or Payment Extensions</b>
<b>December 31, 2025</b>	
<b>Production and intermediate-term</b>	<b>\$ 11,991</b>
December 31, 2024	
Production and intermediate-term	\$ 152

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty as of December 31, 2025, 2024 and 2023 that were modified on or after January 1, 2023, the date of the adoption of the guidance noted above:

<b>Payment Status of Loans Modified in The Prior 12 Months</b>				
	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	
<b>December 31, 2025</b>				
<b>Real estate mortgage</b>	<b>\$ 226</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Production and intermediate-term</b>	<b>-</b>	<b>-</b>	<b>11,991</b>	
December 31, 2024				
Real estate mortgage	\$ 3,507	\$ -	\$ -	
Production and intermediate-term	293	152	-	
December 31, 2023				
Real estate mortgage	\$ 775	\$ -	\$ -	
Production and intermediate-term	2,123	-	-	

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were \$953, \$7 and \$378 at December 31, 2025, 2024 and 2023, respectively.

**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 has generally established more restrictive lending limits.



A summary of changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2023:

<u>ACLL</u>	December 31,	CECL				December 31,
	2022	Adoption	Chargeoffs	Recoveries	Provision	2023
Real estate mortgage	\$ 2,382	\$ 2,128	\$ (12)	\$ 389	\$ 1,692	\$ 6,579
Production and intermediate-term	3,341	(1,510)	(838)	20	2,774	3,787
Agribusiness	2,167	(73)	(1,021)	1,011	(670)	1,414
Communication	29	(6)	-	-	21	44
Energy	3	(1)	-	-	2	4
Water and waste-water	12	1	-	-	10	23
Rural residential real estate	9	3	-	-	(1)	11
Agricultural export finance	10	3	-	-	(1)	12
Lease receivables	65	(9)	-	-	(3)	53
Mission-related investments	1	2	-	-	(3)	-
Total ACLL	8,019	538	(1,871)	1,420	3,821	11,927
<u>ACLUC</u>						
Real estate mortgage	28	(20)	-	-	7	15
Production and intermediate-term	1,113	(864)	-	-	1	250
Agribusiness	308	(52)	-	-	(7)	249
Communication	1	1	-	-	4	6
Energy	-	-	-	-	-	-
Water and waste-water	4	(1)	-	-	1	4
Rural residential real estate	1	(1)	-	-	-	-
Agricultural export finance	7	-	-	-	-	7
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total ACLUC	1,462	(937)	-	-	6	531
Total ACL	\$ 9,481	\$ (399)	\$ (1,871)	\$ 1,420	\$ 3,827	\$ 12,458

The allowance for credit losses as of December 31, 2025, was \$14,999, reflecting an increase of \$2,722 from December 31, 2024. This is primarily due to increased specific reserves and increased volume.

The economic scenarios utilized in the December 31, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario that represents a relatively stable economic environment; a downside scenario reflecting an economic recession during 2026; and an upside scenario that considers the potential for economic improvement relative to the baseline.

#### NOTE 5 — INVESTMENT IN FCBT:

The investment in FCBT is a requirement of borrowing from FCBT and is carried at cost plus allocated equities in the accompanying consolidated balance sheets. Estimating the fair value of the association's investment in FCBT is not practicable because the stock is not traded. The association owned 10.4 percent, 10.6 percent and 10.5 percent of the issued stock of FCBT as of December 31, 2025, 2024 and 2023. As of those dates, FCBT'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. FCBT's earnings were \$212 million, \$222 million and \$200 million during 2025, 2024 and 2023.

**NOTE 6 — PREMISES AND EQUIPMENT:**

Premises and equipment consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 7,764	\$ 7,764	\$ 7,764
Building and improvements	20,285	20,066	19,923
Furniture and equipment	2,399	2,261	2,261
Computer equipment and software	461	422	422
Automobiles	4,218	3,973	3,405
Construction in progress	-	12	-
Total costs	<u>35,127</u>	<u>34,498</u>	<u>33,775</u>
Less accumulated depreciation	<u>(10,368)</u>	<u>(9,113)</u>	<u>(8,498)</u>
Premises and equipment, net	<u>\$ 24,759</u>	<u>\$ 25,385</u>	<u>\$ 25,277</u>

The association leases office space for administrative offices in Lubbock. Lease expense was \$54, \$54 and \$54 for 2025, 2024 and 2023, respectively. Minimum annual lease payments for the next five years are as follows:

<u>Year</u>	<u>Payments</u>
2026	\$ 54
2027	54
2028	27
2029	-
2030	-

**NOTE 7 — OTHER PROPERTY OWNED, NET:**

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Gain (loss) on sale, net	\$ -	\$ (499)	\$ -
Operating income (expense), net	-	190	393
Net gain (loss) on other property owned	<u>\$ -</u>	<u>\$ (309)</u>	<u>\$ 393</u>

**NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:**

Other assets comprised the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Lease purchase receivable	\$ 2,870	\$ 3,267	\$ -
Patronage receivable from other associations	1,923	2,299	1,524
Investment in RBIC	1,397	1,385	914
FCS captive insurance and other stock	952	855	846
Prepaid expenses	311	248	264
Other	73	28	130
	<u>\$ 7,526</u>	<u>\$ 8,082</u>	<u>\$ 3,678</u>

Other liabilities comprised the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Employee incentive payable	\$ 3,873	\$ 3,129	\$ 3,963
FCS insurance premium payable	2,475	2,337	2,038
Accrued annual leave	1,046	1,007	922
Allowance for unfunded commitments	779	676	531
Unapplied loan payments	-	-	1,008
Other	1,822	3,013	1,841
	<u>\$ 9,995</u>	<u>\$ 10,162</u>	<u>\$ 10,303</u>

**NOTE 9 — NOTE PAYABLE TO FCBT:**

The interest rate risk inherent in the association’s loan portfolio is substantially mitigated through the funding relationship with FCBT. FCBT manages interest rate risk through its direct loan pricing and asset/liability management process. The association’s indebtedness to FCBT 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 FCBT’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 FCBT upon the occurrence of an event of default, or by the association in the event of a breach of this agreement by FCBT upon giving FCBT 30 calendar days’ prior written notice, or in all other circumstances, upon giving FCBT 120 days’ prior written notice.

The total amount and the weighted average interest rate of the association’s direct loan from FCBT at December 31, 2025, 2024 and 2023, was \$3,173,111 at 4.13 percent, \$2,884,170 at 4.49 percent and \$2,757,049 at 4.66 percent, respectively.

Under the Act, the association is obligated to borrow only from FCBT unless FCBT approves borrowing from other funding sources. FCBT 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 FCBT as of December 31, 2025, was \$3,593,991, 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 not subject to remedies associated with the covenants in the general financing agreement.

**NOTE 10 — MEMBERS’ EQUITY:**

A description of the association’s capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

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 before 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 (for agricultural loans to producers) or participation certificates (for rural home and farm-related business loans) is equal to 2.0 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 generally will 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 its board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2025, the association exceeded the prescribed standards. Management does not anticipate any significant changes in capital that would affect the normal retirement of stock. All classes of stock 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 10 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, except in a case where a new issuance of preferred stock has been submitted to stockholders that would adversely affect the preference.

Within two years of repayment of a loan, the association capital bylaws require the conversion of any borrower’s outstanding Class B capital 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 that would adversely affect the preference. Redemption of Class A shares is made solely at the discretion of the association’s board of directors.

At December 31, the association had the following shares of 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 B stock	790,831	800,663	840,724
Participation certificates	33,786	34,863	21,517
Total	<u><b>824,617</b></u>	<u><b>835,526</b></u>	<u><b>862,241</b></u>

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 Class A, Class B 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 FCBT would be distributed to the association’s stockholders.

In September 2021, the association received clearance from FCA, and the board approved the issuance of 80,000 shares of a series of preferred stock, par value of \$1,000 per share. The stock was issued October 6, 2021. The stock is designated as Fixed Rate Reset Perpetual Non-Cumulative Preferred Stock, Series B (Series B Preferred Stock). The Series B Preferred Stock has a fixed rate dividend of 5.75 percent for 5 years, payable quarterly. After 5 years, the dividend rate resets to the Five-Year Treasury Rate plus 4.74 percent. On or after 5 years, the association may, at its option, redeem all or part of the Series B Preferred Stock. The Series B Preferred Stock is non-voting, except: (i) to materially change the association’s charter or bylaws that would materially adversely affect the holder of Series B Preferred Stock; (ii) to create, issue or authorize any class of stock ranking senior to the Series B Preferred Stock as to dividends or liquidation or; (iii) certain other limited circumstances detailed in the offering circular. Dividends in the amount of \$4,600, \$4,600 and \$4,600 were paid or accrued during the years ended December 31, 2025, 2024 and 2023, respectively, on the Series B Preferred Stock.

Dividends and 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:

Year Ended	Patronage Declared		Prior Year Patronage Paid	Retirement/ Revolverment of
	Cash	Allocated Surplus		Allocated Surplus
December 31, 2025	\$ 35,024	\$ -	\$ 31,837	\$ -
December 31, 2024	31,837	-	28,609	2,400
December 31, 2023	28,609	-	30,324	-

FCA 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 year.

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

	Regulatory Minimums	Capital Conservation	Total	December 31,		
		Buffer		2025	2024	2023
Risk-weighted:						
Common equity tier 1 ratio	4.5%	2.5%	7.0%	9.7%	10.3%	10.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%	11.9%	12.7%	12.7%
Total capital ratio	8.0%	2.5%	10.5%	12.3%	13.1%	13.0%
Permanent capital ratio	7.0%	0.0%	7.0%	12.0%	12.8%	12.7%
Non-risk-weighted:						
Tier 1 leverage ratio	4.0%	1.0%	5.0%	11.8%	12.5%	12.2%
UREE leverage ratio	1.5%	0.0%	1.5%	9.0%	9.4%	9.0%

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 that 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 are calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared with the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan 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 seven years; allocated equities held for a minimum of seven years or not subject to revolverment; 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 five years; allocated equities held for a minimum of five years; subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance 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.
- 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 Unallocated Retained Earnings and URE equivalents (UREE), 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 revolving 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 amounts included in the calculation of the association's capital ratios, based on 90-day average balances, were as follows at December 31, 2025, 2024 and 2023:

	Regulatory Capital			Risk Weighted Assets/ Adjusted Average Total Assets		
	December 31,			December 31,		
	2025	2024	2023	2025	2024	2023
Risk-adjusted capital ratios						
Common equity tier 1 ratio	\$ 342,700	\$ 330,483	\$ 303,669	\$ 3,542,883	\$ 3,222,489	\$ 3,032,792
Tier 1 capital ratio	422,700	410,483	383,669	3,542,883	3,222,489	3,032,792
Total capital ratio	437,223	422,302	395,470	3,542,882	3,222,489	3,032,792
Permanent capital ratio	422,700	410,483	383,669	3,529,085	3,211,248	3,021,479
Non-risk-adjusted capital ratios						
Tier 1 leverage ratio	422,700	410,483	383,669	3,591,102	3,276,150	3,153,339
UREE leverage ratio	323,719	309,072	282,083	3,591,102	3,276,150	3,153,339

The association's board of directors has established a Capital Adequacy Plan (CAP) that includes the capital targets that are necessary to achieve the association's capital adequacy goals as well as the minimum capital standards. The CAP monitors projected dividends, patronage distributions, equity retirements and other actions that might decrease the association's total capital. In addition to factors that must be considered to meet 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 ACL to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of the association's customer base; and any other risk-oriented activities. Such activities include 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.

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's accumulated other comprehensive income (loss) (AOCI) relates to its nonpension other postretirement benefits and available for sale investments. The following table summarizes the changes in AOCI for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive income (loss) at January 1	\$ 39	\$ 1,417	1,537
Actuarial gains (losses)	832	(802)	18
Amortization of prior service (credit) costs included in salaries and employee benefits	-	(39)	(48)
Amortization of actuarial (gain) loss included in salaries and employee benefits	-	(32)	(33)
Net change in unrealized gain on SBA pools	595	(505)	(57)
Other comprehensive income (loss)	1,427	(1,378)	(120)
Accumulated other comprehensive income (loss) at December 31	<u>\$ 1,466</u>	<u>\$ 39</u>	<u>\$ 1,417</u>

#### NOTE 11 — INCOME TAXES:

The provision for 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>	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal tax at U.S statutory rate	\$ 13,147	21.0%	\$ 15,143	21.0%	\$ 13,224	21.0%
Change in valuation allowance	573	0.9%	117	0.2%	(73)	-0.1%
Nontaxable or nondeductible items						
Effect of nontaxable FLCA subsidiary	(7,413)	-11.8%	(8,632)	-12.0%	(7,490)	-11.9%
Patronage distributions	(6,307)	-10.1%	(6,628)	-9.2%	(5,661)	-9.0%
Provision for (benefit from) income taxes	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>	
Effective tax rate		<u>0.0%</u>		<u>0.0%</u>		<u>0.0%</u>

The association paid \$0, \$0, and \$0 in federal income taxes, net of refunds received, for the years ended December 31, 2025, 2024, and 2023, respectively. Additionally, the amount paid in state income taxes, net of refunds received, was \$0, \$0, and \$0 for the years ended December 31, 2025, 2024, and 2023, respectively.

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 loan losses	\$ 1,327	\$ 775	\$ 702
Other	210	190	145
Gross deferred tax assets	1,537	965	847
Deferred tax asset valuation allowance	(1,537)	(965)	(847)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 percent of total taxable income (before patronage) and patronage income retained is expected to be 10 percent of total patronage income on a tax basis. The expected future tax rates are based upon enacted tax laws.

The association recorded valuation allowances of \$1,537, \$965 and \$847 as of December 31, 2025, 2024 and 2023, respectively. A valuation on the deferred tax asset is used as the management determined it is unlikely the deferred

tax asset will be realized. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. The association experienced an income tax net operating loss of \$372 in 2005, which can be carried forward until 2025. The association also experienced an income tax net operating loss in 2013 of \$665, which can be carried forward until 2033. Management is not aware of any tax positions where it is considered reasonably possible that the total amount of unrecognized tax liabilities or benefits will vary significantly from the amounts reported herein.

#### **NOTE 12 — EMPLOYEE BENEFIT PLANS:**

**Employee Retirement Plans:** Employees of the association participate in either the DB plan or the DC plan and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in Note 2- “Summary of Significant Accounting Policies.” The structure of the district’s DB plan is characterized as multi-employer, because 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 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. Plan obligations, assets and the components of annual benefit expenses are recorded and reported only upon district combination. 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). This 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 all benefits. No payments were made from the supplemental 401(k) plan to active employees during 2025, 2024 and 2023.

The DB plan is noncontributory, 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 plan sponsor is the board of FCBT. 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 multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the association chooses to stop participating in some of its multiemployer 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 plan, the association's contributions, and the percentage of association contribution to total plan contributions as of December 31, 2025, 2024 and 2023, and the years then ended:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
DB plan assets to projected benefit obligation	78.1%	75.7%	73.3%
DB plan assets to accumulated benefit obligation	78.3%	76.2%	74.1%
Association's contribution	\$ 673	\$ 676	\$ 1,199
Percentage of association's contribution to total contributions	16.8%	18.3%	18.4%

**Other Postretirement Benefits (OPRB):** 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 OPRB:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPBR obligation, beginning of year	\$ 7,237	\$ 6,313	\$ 6,213
Service cost	72	63	65
Interest cost	379	340	316
Plan participants' contributions	85	97	99
Actuarial loss (gain)	(832)	802	(18)
Benefits paid	(384)	(378)	(362)
OPBR obligation, end of year	<u>6,557</u>	<u>7,237</u>	<u>6,313</u>
<b>Change in Plan Assets</b>			
Plan assets at fair value, beginning of year	-	-	-
Company contributions	299	281	263
Plan participants' contributions	85	97	99
Benefits paid	(384)	(378)	(362)
Plan assets at fair value, end of year	<u>-</u>	<u>-</u>	<u>-</u>
Funded status of the plan	<u>\$ (6,557)</u>	<u>\$ (7,237)</u>	<u>\$ (6,313)</u>
<b>Amounts Recognized on the Balance Sheets</b>			
Accrued postretirement benefit liability	<u>\$ (6,557)</u>	<u>\$ (7,237)</u>	<u>\$ (6,313)</u>
<b>Amounts Recognized in AOCI</b>			
Net actuarial loss (gain)	\$ (843)	\$ (11)	\$ (845)
Prior service cost (credit)	-	-	(40)
Total	<u>\$ (843)</u>	<u>\$ (11)</u>	<u>\$ (885)</u>

**Weighted-Average Assumptions Used to Determine Obligations at Year End**

	12/31/2025	12/31/2024	12/31/2023
Measurement date			
Discount rate	5.60%	5.35%	5.50%
Health care cost trend rate assumed for next year (pre-65)	8.40%	9.20%	7.50%
Health care cost trend rate assumed for next year (post-65)	10.10%	10.80%	8.40%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2035/2035	2034/2034	2034/2034

Service cost	\$ 72	\$ 63	\$ 65
Interest cost	379	340	316
Unrecognized prior service cost	-	(40)	(48)
Unrecognized net loss (gain)	-	(32)	(34)
Net postretirement benefit cost	\$ 451	\$ 331	\$ 299

Accounting for settlements/curtailments/special termination benefits	\$ -	\$ -	\$ -
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**Other Changes in Plan Assets and Projected Benefit Obligation**

	2025	2024	2023
Net actuarial loss (gain)	\$ (832)	\$ 802	\$ (18)
Amortization of net actuarial loss (gain)	-	40	33
Amortization of prior service cost	-	32	48
Total recognized in other comprehensive income	\$ (832)	\$ 874	\$ 63

**AOCI Amounts Expected to be Amortized Into Expense in Following Year**

Unrecognized net transition obligation (asset)	\$ -	\$ -	\$ -
Unrecognized prior service cost	-	-	(40)
Unrecognized net loss (gain)	(32)	-	(32)
Total	\$ (32)	\$ -	\$ (72)

**Weighted-Average Assumptions Used to Determine Benefit Cost**

	12/31/2024	12/31/2023	12/31/2022
Measurement date			
Discount rate	5.35%	5.50%	5.20%
Health care cost trend rate assumed for next year (pre-65)	9.20%	7.50%	7.20%
Health care cost trend rate assumed for next year (post-65)	10.80%	8.40%	7.70%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034/2034	2033/2033	2031/2031

**Expected Future Cash Flows****Expected Benefit Payments (net of employee contributions)**

Fiscal 2026	\$ 281
Fiscal 2027	324
Fiscal 2028	369
Fiscal 2029	391
Fiscal 2030	404
Fiscal 2031-2035	2,252

**Expected Contributions**

Fiscal 2026	\$ 281
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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 people 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.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Insider loans at December 31,	\$ 15,571	\$ 16,776	\$ 15,846
Insider loans originated	16,330	10,933	24,665
Insider loan repayment received	16,956	9,820	34,781
Other changes in insider listing, net	(579)	(183)	(8,347)

“Other changes in insider listing, net” includes changes in relationships and related funds held balances. 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 FCBT and passed through to the associations, such as FCSIC expenses. FCBT charges the individual associations directly for these services based on each association’s proportionate usage. These expenses totaled \$3,903, \$3,384 and \$5,088 in 2025, 2024 and 2023, respectively.

The association received patronage payments from FCBT totaling \$22,080, \$23,133 and \$21,187 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 recurring basis at December 31, 2025, 2024 and 2023 for each of the fair value hierarchy values are summarized below:

<b>December 31, 2025</b>	<b>Fair Value Measurement Using</b>			<b>Total Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Investments available for sale	\$ -	\$ 247,595	\$ -	\$ 247,595
Assets held in nonqualified benefit trusts	254	-	-	254
December 31, 2024	<b>Fair Value Measurement Using</b>			<b>Total Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Investments available for sale	\$ -	\$ 215,767	\$ -	\$ 215,767
Assets held in nonqualified benefit trusts	248	-	-	248
December 31, 2023	<b>Fair Value Measurement Using</b>			<b>Total Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Investments available for sale	\$ -	\$ 189,862	\$ -	\$ 189,862
Assets held in nonqualified benefit trusts	214	-	-	214

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	
Loans	\$ -	\$ -	\$ 4,102	\$ 4,102
Other property owned	-	-	45	45
December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$ 864	\$ 864
Other property owned	-	-	257	257
December 31, 2023	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ -	\$ -	\$ 2,058	\$ 2,058
Other property owned	-	-	12,828	12,828

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	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Cash	\$ 6	\$ 6	\$ -	\$ -	\$ 6
AMBS	70	-	-	67	67
Net loans	3,312,824	-	-	3,247,333	3,247,333
Note payable to FCBT	3,173,111	-	-	3,110,727	3,110,727
December 31, 2024					
Cash	\$ 8	\$ 8	\$ -	\$ -	\$ 8
AMBS	91	-	-	85	85
Net loans	3,032,540	-	-	2,933,365	2,933,365
Note payable to FCBT	2,884,170	-	-	2,790,234	2,790,234
December 31, 2023					
Cash	\$ 8	\$ 8	\$ -	\$ -	\$ 8
AMBS	192	-	-	181	181
Net loans	2,906,826	-	-	2,787,319	2,787,319
Note payable to Bank	2,757,049	-	-	2,644,242	2,644,242

#### Information about Recurring and Nonrecurring Level 3 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 association utilizes 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.

#### Information About Recurring and Nonrecurring Level 2 Fair Value Measurements

SBA pool securities are valued using a third-party pricing vendor. The association's vendor utilizes major pricing services including Reuters and Intercontinental Exchange. The market values are based on inputs other than quoted prices, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in markets that are not active
- Inputs other than quoted prices, which provide a reasonable basis for fair value determination. Such inputs might include interest rates and yield curves, volatilities, prepayment speeds, credit risks and default rates.

- Inputs derived principally from observable market data.

### **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 might 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:

**Cash.** The carrying value of association cash is fair value.

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

**AMBS.** Fair value measurements for disclosures are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgments and experience with these securities and reflect the association’s own assumptions about the assumptions that market participants would use to price the assets. These fair value measurements are Level 3 under the fair value hierarchy.

**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.

**Loans.** Fair value is estimated using various methods for different segments of the portfolio. Generally, fair value measurements for disclosures are estimated using discounted cash flows considering market interest rates, prepayment forecasts, probabilities of default, loss severities and general valuation adjustments included in the ACL. Loans deemed to be impaired involve non-recurring valuation adjustments, if impairment on these impaired loans is identified, generally measured using the collateral method. Inputs to these measurements include independent and internal 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, holding periods, selling costs and other matters that might result in specific valuation adjustments included in the ACL. Inputs to these measurements depend significantly on management judgments and experience with the portfolio and individual borrowers and reflect the association’s own assumptions about the assumptions that market participants would use to price the assets. These fair value measurements are Level 3 under the fair value hierarchy.

**Other Property Owned.** Fair value is estimated using appraisals or other market-based information and may be used on a non-recurring basis to recognize valuation adjustments. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value, although they may be included in the carrying value. These fair value measurements are Level 3 under the fair value hierarchy.

**Note Payable to FCBT.** Fair value for disclosures is estimated using discounted cash flows considering benchmark yield curve, derived yield spread and the association’s credit risk. These fair value measurements are Level 3 under the fair value hierarchy.

**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, \$928,891 of commitments and \$30,902 of commercial letters of credit were outstanding.

Because 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 follow:

	<b>2025</b>				
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Total</b>
<b>Net interest income</b>	<b>\$ 20,082</b>	<b>\$ 20,254</b>	<b>\$ 20,523</b>	<b>\$ 20,897</b>	<b>\$ 81,756</b>
<b>(Provision for) reversal of loan losses</b>	<b>187</b>	<b>(2,335)</b>	<b>(1,919)</b>	<b>(958)</b>	<b>(5,025)</b>
<b>Noninterest income (expense), net</b>	<b>(2,725)</b>	<b>(3,234)</b>	<b>(4,136)</b>	<b>(4,029)</b>	<b>(14,124)</b>
<b>Net income</b>	<b>\$ 17,544</b>	<b>\$ 14,685</b>	<b>\$ 14,468</b>	<b>\$ 15,910</b>	<b>\$ 62,607</b>
	<b>2024</b>				
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Total</b>
Net interest income	\$ 19,416	\$ 20,234	\$ 20,424	\$ 21,186	\$ 81,260
(Provision for) reversal of loan losses	(1,231)	1,478	(275)	(411)	(439)
Noninterest income (expense), net	(5,520)	(1,582)	(3,492)	1,881	(8,713)
Net income	\$ 12,665	\$ 20,130	\$ 16,657	\$ 22,656	\$ 72,108
	<b>2023</b>				
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Total</b>
Net interest income	\$ 18,203	\$ 18,561	\$ 19,715	\$ 19,716	\$ 76,195
(Provision for) reversal of loan losses	(603)	(1,713)	(720)	(791)	(3,827)
Noninterest income (expense), net	(2,699)	(1,822)	(6,481)	1,608	(9,394)
Net income	\$ 14,901	\$ 15,026	\$ 12,514	\$ 20,533	\$ 62,974

**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 other events requiring disclosure.

**NOTE 18 — SEGMENT REPORTING:**

The association's operations fall under one reportable segment. As per regulation and as discussed in Note 1, our business activities are primarily focused on providing financial services and credit to borrowers in the farming, ranching, agribusiness and rural community sectors. The association provides funding either by directly financing the eligible borrowers or indirectly financing through the purchase of participation loans in collaboration with associations, other System entities and financial institutions. Revenues are comprised of interest income and non-interest income. No single customer accounted for 10 percent or more of the revenue.

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

## **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 are incorporated herein by reference from Note 1 to the consolidated financial statements, “Organization 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**

AgTexas Farm Credit Services (association) serves its 43-county territory through its main administrative and lending office at 5004 N. Loop 289 in Lubbock, Texas. Additionally, there are 10 branch lending offices throughout the territory. The association owns office buildings in Amarillo, Brownfield, Burleson, Dumas, Hereford, Hillsboro, Levelland, Lubbock, Plainview, Seminole and Stephenville free of debt. The association leases office space for executive staff in Lubbock.

### **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 FCBT,” 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 might be impacted by factors that affect the Farm Credit Bank of Texas (FCBT), as discussed in Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report. The financial condition and results of operations of FCBT might materially affect the stockholders’ investment in the association.

The annual and quarterly stockholder reports of FCBT 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 78720-2590 or calling (512) 465-1881. Copies of FCBT annual and quarterly stockholder reports also can be requested by e-mailing [fcf@farmcreditbank.com](mailto:fcf@farmcreditbank.com). The annual and quarterly stockholder reports also are available on its website at [www.farmcreditbank.com](http://www.farmcreditbank.com).

The association’s quarterly stockholder reports also are available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to AgTexas Farm Credit Services, 5004 N. Loop 289, Lubbock, Texas 79416, or calling 1-844-692-4839. Copies of the association’s quarterly stockholder reports are available on its website at [www.agtexas.com](http://www.agtexas.com) and also can be requested by e-mailing [jeff.fairchild@agtexas.com](mailto:jeff.fairchild@agtexas.com). The association’s annual stockholder report is available at [www.agtexas.com](http://www.agtexas.com) 75 days after the fiscal year end. Copies of the association’s annual stockholder report also can 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:

<b>Name</b>	<b>Position</b>	<b>Region Represented</b>	<b>Date Elected/ Employed</b>	<b>Term Expires</b>
Reggie Underwood	Chairman	I	2020	2026
Kinley Sorrells	Director	At-Large	2006	2027
Jeremy Brown	Vice Chairman	II	2021	2027
Bryan Reinart	Director	III	2007	2028
Ryan Smith	Director	At-Large	2015	2026
Terry Sherrill	Director-Elected	-	2004	2028
Tony Crumpton	Director-Elected	-	2008	2026
Chuck Taylor	Director-Elected	-	2013	2028
Jason Dobrovolny	Director	At-Large	2022	2028
Richard Barnett	Director	At-Large	2023	2026
Kayla Robinson	Chief Executive Officer	-	2004	-
Eddie York	Chief Lending Officer	-	1991	-
Evan Bingham	Chief Credit Officer	-	2015	-
Paul Fowler	Chief Operating Officer	-	2003	-
Jeff Fairchild	Chief Financial Officer	-	2013	-
Wade King	General Counsel	-	2022	-

Directors elected by the stockholders on a regional and at-large residency basis follow:

<u>Region</u>	<u>Counties</u>
I	Brown, Comanche, Eastland, Ellis, Erath, Hamilton, Hill, Hood, Johnson, Navarro, Parker, Somervell, Tarrant, Wise
II	Bailey, Cochran, Crosby, Floyd, Gaines, Garza, Hale, Hockley, Lamb, Lubbock, Lynn, Terry, Yoakum
III	Armstrong, Briscoe, Carson, Castro, Dallam, Deaf Smith, Hansford, Hartley, Hutchinson, Moore, Oldham, Parmer, Potter, Randall, Sherman, Swisher

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

**Reggie Underwood** serves as chairman of the association’s board of directors and in its audit and governance committees. He is a graduate of Tarleton State University and has farmed and ranched in Ellis and Johnson counties for more than 25 years. He also sells feed, seed and chemicals and offers farm consulting, precision planting services and custom farming through ownership in Ark Country Store and ACS Agronomy Services. He serves on the board of directors of the Tarleton Rodeo Alumni Board and the Tarleton State University Foundation.

**Jeremy Brown** serves as vice-chairman of the association’s board of directors, on its human resources committee, and as the chair of its governance committee. He is a graduate of Texas Tech University with a Bachelor of Science degree in Agricultural Education and Communication. He has farmed in Dawson and Lubbock counties since 2008. He serves on boards of directors of the Texas Organic Cotton Marketing Cooperative and Plains Cotton Growers.

**Tony Crumpton** serves on the association’s governance committee and as the chair of its human resources committee. He graduated from Texas Tech University with a Bachelor of Science degree in accounting. He has been with United Supermarkets since 1990 with various positions including chief operating officer of a division, executive vice president of sales and merchandising, executive vice president of logistics and fuel, and EVP of facilities design and support and currently serves as vice president of merchandising and marketing. He currently serves the community in various capacities including as a member of the Emeritus Board of Directors of the South Plains Food Bank.

**Terry Sherrill** serves as chairman of the association’s audit committee. He received a Bachelor of Business Administration degree in accounting from West Texas State University. He is a certified public accountant, owning and operating a public accounting firm in Gruver from 1999 until 2025. Previously, he served as the chief financial officer for two large agribusinesses in the Texas Panhandle and was employed by the accounting firm, Arthur Young and Company.

**Bryan Reinart** serves on the association’s human resources committee. He is a lifelong farmer and resides in Dimmitt, Castro County, Texas. His operation consists of irrigated cotton, wheat, milo, and corn, as well as dryland cotton, wheat, milo, pasture and a cow-calf operation. He serves on the board of the Hereford Grain Coop.

**Ryan Smith** serves on the association’s audit and governance committees. He has farmed in Terry County for more than 20 years. He has a diversified farming operation, including a cow-calf operation, custom baling, cotton, peanuts, watermelon, alfalfa, milo, wheat and hay. In addition, he partners with his father in a pump service company. He serves on the boards of directors of the Terry County Farm Bureau and the Meadow Farms Cooperative Gin.

**Kinley Sorrells** serves as the vice-chairman of the association’s human resources committee. Since 1977, he has owned and operated Sorrells Farms, which includes pecan, fruit and vegetable production, a retail store and garden center and a cow-calf operation in Comanche County. He also serves as president of Area I Water Company, LLC and as the director of the Comanche County Water Supply Corporation.

**Chuck Taylor** serves on the association’s audit and governance committees and is a member of the Tenth District Benefits Administration Committee and the AgFirst-FCBT Joint Sponsor Committee. He is a certified public accountant and holds both a bachelor’s degree and master’s degree in business administration from West Texas State University. He is employed as chief financial officer for Trinity Fellowship Church in Amarillo. He has a business interest in a partnership that owns a farm in Crosby County.

**Jason Dobrovlny** serves on the association’s audit committee. He has a Bachelor of Science degree in Agronomy from Texas Tech University. He owns and operates a farming operation in Hockley and Lamb counties where he grows cotton, milo and wheat. He is also a member of Farmers Co-op Elevator, Whitharral Harvest Co-op, United Cotton Growers and Hockley County Farm Bureau, and serves on the Whitharral ISD School Board of Trustees.

**Richard Barnett** serves on the association’s human resources committee. He is a graduate of Texas Tech University with a Bachelor of Science degree in Ag Economics. He operates a diversified operation in Parmer County that includes corn, wheat, milo, cotton and feeder cattle. He also serves on the boards of directors of the Friona Farmers Co-op Gin and the Plains Gas Farmers Cooperative, and is a member of the Parmer County Farm Bureau.

**Kayla Robinson**, chief executive officer, has been a part of the Farm Credit System since 2004. Robinson has a Bachelor of Science degree in Agricultural and Applied Economics and a Master of Business Administration degree from Texas Tech University. She began her career in Farm Credit as a credit officer at AgTexas in 2005 and then had multiple roles in the association including SVP Human Resources and chief operating officer before becoming chief executive officer in 2023.

**Eddie York**, chief lending officer, has been part of the Farm Credit System since January 1991 beginning as a loan officer for Amarillo PCA. York obtained a Bachelor of Science degree in Education and a Master of Business Administration degree from Southwestern Oklahoma State University. In 1999, he was promoted to Amarillo Branch Manager before becoming SVP Lending Panhandle Region in 2015. In fall 2021, he became the chief lending officer.

**Evan Bingham**, chief credit officer, has been a part of the Farm Credit System since 2015. He graduated with a Master of Science degree in Finance and Economics and Bachelor of Science degree in Business Administration – Management from West Texas A&M University. Bingham began his career as a portfolio manager and then served as the assistant CCO in 2020 and transitioned to CCO in 2021. Bingham farmed for 10 years and then worked for a community bank before joining the Farm Credit System. Bingham also has completed the Dillman Leadership Program and the Texas AgriLife Master Marketer Program.

**Jeff Fairchild**, chief financial officer and CPA, has been with the Farm Credit System since 2013. He holds a Bachelor of Science degree in Agriculture Education from Tarleton State University. Fairchild farmed for more than 20 years, borrowing from the Farm Credit System. Fairchild worked for 11 years in a CPA firm, where he was an audit partner prior to being in Farm Credit. He is a graduate of the Texas Agriculture Lifetime Leadership program as well as the Mark Wright Professional Leadership Coaching Program.

**Paul Fowler**, chief operating officer, has been a part of the Farm Credit System since 2003. He has a Bachelor of Arts degree in English from Pensacola Christian College. Fowler began his career in Farm Credit at AgTexas as a title examiner, later developing the Service Center. He has completed several leadership development courses including Mark Wright, Alan Dillman and Soderquist.

**Wade King**, executive vice president general counsel, joined AgTexas Farm Credit Services in March 2022. He holds a business degree from The University of Texas at Austin and a law degree from the Texas Tech University School of Law. Prior to joining AgTexas he represented numerous Farm Credit Institutions, including AgTexas, in various matters as outside counsel for more than 15 years with the Underwood Law Firm in Amarillo, Texas, where he was a shareholder and served on the board of directors. He is a graduate of the Texas Agriculture Lifetime Leadership program.

## COMPENSATION OF DIRECTORS

Directors were compensated for their service to the association with an honorarium for meetings and a monthly retainer. The honorarium is \$800 per day for in-person board and committee meetings. Monthly retainers are paid to the chairman of the board at a rate of \$1,750, director-elected directors at a rate of \$1,500, vice chairman at a rate of \$1,300 and remaining stockholder-elected directors at a rate of \$1,000. Mileage for attending official meetings during 2025 was paid at the IRS-approved rate. Directors are reimbursed for certain expenses incurred while representing the association in an official capacity. A copy of the travel policy is available to stockholders of the association upon request. The aggregate compensation paid to directors in 2025, 2024 and 2023 was \$353,971, \$421,033 and \$400,441, respectively, and includes reimbursements for travel, subsistence and other related expenses paid to directors and on their behalf of \$49,021, \$72,033 and \$61,791 in 2025, 2024 and 2023, respectively. Additional details on director compensation follows:

<b>Director</b>	<b>Days in</b>		<b>Total Compensation in 2025</b>
	<b>Board and Committee Meetings</b>	<b>Other Official Activities</b>	
Reggie Underwood	23	21	\$ 56,400
Jeremy Brown	17	4	32,600
Terry Sherrill	14	6	34,100
Richard Barnett	9	10	27,400
Ryan Smith	13	-	22,600
Bryan Reinart	10	8	26,600
Tony Crumpton	11	-	26,900
Chuck Taylor	8	2	26,200
Jason Dobrovolny	13	-	22,500
Kinley Sorrells	14	7	29,650
			<u>\$ 304,950</u>

Additional details regarding director compensation paid for committee service (included in the table above) is as follows for 2025:

<b>Director</b>	<b>Committee</b>			<b>2025 Total</b>
	<b>Audit</b>	<b>Governance</b>	<b>Human Resource</b>	
Reggie Underwood	\$ 3,200	\$ 1,600	\$ 800	\$ 5,600
Ryan Smith	-	1,600	1,600	3,200
Terry Sherrill	3,200	-	-	3,200
Chuck Taylor	1,600	1,600	-	3,200
Jason Dobrovolny	2,400	-	-	2,400
Tony Crumpton	-	1,600	800	2,400
Jeremy Brown	-	1,600	1,600	3,200
Richard Barnett	2,400	-	-	2,400
Kinley Sorrells	-	-	800	800
Bryan Reinart	-	-	800	800
	<u>\$ 12,800</u>	<u>\$ 8,000</u>	<u>\$ 6,400</u>	<u>\$ 27,200</u>

## **COMPENSATION OF SENIOR OFFICERS**

Information regarding senior officer compensation is included in the Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at the association offices pursuant to §620.2(b).

## **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**

There has been no involvement in any certain legal proceedings due to bankruptcy, criminal or judgment findings against any senior officer or director serving for the association during the past five years.

## **RELATIONSHIP WITH INDEPENDENT AUDITOR**

The association board audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual consolidated financial statement audit included in this Annual Report. Total fees paid to PwC for professional services rendered during 2025 were \$141,092 for annual audit services and \$0 for non-audit services. Non-audit services include fees related to the financial statement disclosure checklist, which were approved by the association's audit committee.

## **RELATIONSHIPS WITH UNINCORPORATED BUSINESS ENTITIES (UBEs)**

The association committed to invest \$2.0 million alongside Farm Credit System partners in Pharos Capital Partners IV Fund. The RBICs will facilitate private equity investments in agriculture-related businesses that will create growth and job opportunities in rural America.

The association also holds a minority non-controlling interest in a limited liability company established to manage an unusual and complex collateral acquired through the loan collection process. The name of this LLC is PW PropCo Holdings, LLC.

## **FINANCIAL STATEMENTS**

The financial statements, together with the report thereon of PwC 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**

### **Objective**

The mission of the association's Young, Beginning, and Small Farmer and Rancher (YBS) program is to provide sound and constructive credit and related services to this segment of farmers and ranchers in the association's territory. The association maintains a YBS program for the long-term viability and benefit of the association, the communities we serve and the agricultural industry in general. Our objective is to increase our YBS market share in both numbers and volume by 4 percent annually.

The following definitions are used to identify young, beginning, and small agricultural applicants:

- A "Young" farmer/rancher is defined as a producer who is 35 or younger as of the date the loan was originally made.
- A "Beginning" borrower is a farmer/rancher who has 10 years or fewer of farming/ranching experience as of the date the loan was originally made.
- A "Small" producer is one who normally generates less than \$350,000 in annual gross sales of agricultural or aquatic products at the date the loan was originally made.
- Borrowers may qualify for a designation in more than one category dependent upon the above factors.

### Quantitative (lending metrics)

The association sets annual and long-term quantitative goals within its operational and strategic business plan for the number and volume of loans to this market segment, by category. Quarterly status reports are provided to the board of directors to monitor the association's performance in relation to these goals. The goals and year-end results are as follows:

Category (Dollars in thousands)	2025	
	Goal	Result
% Number Loans to Young	20.00%	16.38%
% Number Loans to Beginning	34.00%	28.35%
% Number Loans to Small	38.00%	31.20%
Volume to Young	\$ 37,100	\$ 21,856
Volume to Beginning	83,000	95,065
Volume to Small	100,700	60,827

Total new loan commitments to Young, Beginning, and Small producers totaled \$177,748,000 for 2025. (Each individual YBS loan is reported in each category for which it meets the criteria.)

### 2022 USDA Census of Agriculture

According to the 2022 USDA Census of Agriculture, there are a total of 40,744 farms operating within AgTexas territory with total farm acres of 31.8 million. Information from the most current United States Department of Agricultural Census Data 2022 (Ag Census) has been utilized in the table below to represent market information - specifically those operations qualifying as young, beginning, or small according to current FCA definitions. Market potential is displayed for the United States, Texas, and the 43-county chartered territory of the association. This data can bring context to the association's loan portfolio statistics as well as the association's YBS lending program goals.

	Total Farms (all)	Farms 'With Debt'	Farms (all) with 'Young' Producer	Farms (with Debt) & 'Young' Producer	Farms (all) with 'Beginning' Producer	Farms (with Debt) & 'Beginning' Producer	Farms (all) with 'Small' Producer	Farms (with Debt) & 'Small' Producer
USA	1,900,487	611,035 32%	221,233 12%	90,766 5%	630,116 33%	202,863 11%	1,614,764 85%	442,296 23%
Texas	230,662	54,968 24%	18,893 8%	5,549 2%	81,135 35%	21,243 9%	213,617 93%	47,181 20%
AgTexas Chartered Territory	40,744	10,882 27%	3,589 9%	1,202 3%	15,348 38%	4,214 10%	36,012 88%	8,345 20%

### 2022 USDA Census of Agriculture Definitions:

- Farm: Any place from which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the Census year.
- Farm Count: Number of farm operations.
- Farms with Debt: Farms that have at least \$1 in interest expenses.
- Young Farms: Farms in which one or more of the four operators listed on the Ag Census is 35 years of age or younger.
- Beginning Farms: Farms in which one or more of the four producers listed on the Ag Census have been operating on any operation for 10 years or less.
- Small Farms: Farms that have less than \$350,000 in total annual gross cash farm income (GCFI).
- GCFI: Gross Cash Farm Income, which includes the producer's sales of crops and livestock, fees for delivering commodities under production contracts, government payments, and farm-related income.

Based on the disclosed information summarized in the table, “Farms with Debt” represent those operations that borrow money and therefore represent the potential market share of loan customers for lenders in a geographic region. YBS lending goals for the association are not based on “number of farms” in the portfolio, rather “number of loans” and “volume of dollars” loaned to producers/operations classified as young, beginning, and/or small. Nevertheless, this market information can bring meaningful context to the association’s performance metrics toward its YBS lending goals. These performance metrics are reported in two ways: across the entire association’s loan portfolio, and then those loans specifically originated in the current reporting year. Ag Census data appears to suggest that the association’s goals and performance across all YBS lending categories exceeds statistical market expectations in its chartered territory.

A summary of the association’s portfolio as compared with information provided by the USDA Ag Census information for association territory is as follows:

<u>Category (Dollars in thousands)</u>	<u>2025</u>	
	<u>Goal</u>	<u>Result</u>
% Number Outstanding Loans to Young	19.00%	16.94%
% Number Outstanding Loans to Beginning	39.00%	34.36%
% Number Outstanding Loans to Small	43.00%	39.63%
Volume Outstanding to Young	\$ 373,900	\$ 343,482
Volume Outstanding to Beginning	695,700	663,322
Volume Outstanding to Small	622,700	566,032

### **Credit Administration**

Often, YBS borrowers do not have the financial strength or track record to meet our minimum underwriting standards. For many years, the association has applied a reduction in underwriting standards for any borrower who fit into the Y, B, and/or S category(ies). Though these less rigid underwriting standards will continue, the association in 2023 created an internal YBS committee as well. The committee was tasked with developing a branded program and implementing additional resources targeting the YBS sector of producers. The program will be explained in detail below, but essentially, the purpose of the committee was to create, implement and oversee the program. The goal of the program is to offer educational tools, grants and more robust services in general in an effort to better serve YBS producers. However, credit is typically not extended when all standards are below normal without backing from a capable guarantor or another acceptable arrangement. Programs such as the Farm Service Agency 90 percent guarantee program and the Texas Department of Agriculture 90 percent guarantee program should be considered in conjunction with consideration of reduced underwriting standards to provide greater flexibility in terms and loan structure. Moreover, the Texas Department of Agriculture (TDA) Guaranteed Loan Program provides YBS farmers and ranchers the opportunity to obtain guarantees as well as interest rebates.

Historically, relationship managers have worked with YBS applicants whenever necessary to explain the credit delivery process, prepare cash flows and conduct enterprise analysis and break-evens. Through the production cycle, staff members are available for consultation on decisions such as crop insurance needs, other insurance programs, leasing, hedging and evaluation of projected operational performance. It is common for the association to recommend other professionals such as the Extension Service and commodity marketing specialists to provide the support needed to YBS customers.

### **Coordination**

Further, the association will continue to utilize governmental programs, including FSA and TDA, as well as private sources in addition to coordinating credit and services with other System institutions, as applicable. The association maintains FSA Preferred Lender Status, and an excellent working relationship is maintained with most FSA loan personnel throughout the territory. Most private source support for YBS financing comes from family members through one or more of these methods: loan guarantees, use of equipment, equipment pledged as collateral, other forms of collateral and salary earned and/or paid from primary operation during the startup phase. Frequently, YBS operators get their start through inclusion in family partnerships or corporations.

## **Taking Root**

As mentioned above, an internal team of strategically selected staff members came together to form a committee that would focus on AgTexas' YBS efforts. The program includes a two-tiered approach, encompassing relaxed lending standards, enhanced educational opportunities, business tools and qualifying grants. In 2024, the committee successfully launched a pilot of this program with a borrower who completed the required educational components and received a \$10,000 grant.

Tier One encompasses the less rigid underwriting standards that the association has employed for years as well as educational resources. The more accommodating lending standards for any borrower who falls into the Y, B, and/or S category(ies) are as follows: owner equity from 50 percent reduced to 35 percent; current ratio from 1.25 reduced to 1.00; and primary collateral margin from 30 percent reduced to 20 percent. The educational resources included in Tier One are commodity-specific conferences, grower meetings, financial literacy workshops, industry forums, extension courses and similar resources of which the association is aware. FarmView Marketing email campaigns can be used to share information regarding these events with YBS members and prospective borrowers.

Tier Two offers expanded and reimbursable education offerings as well as a qualified grant opportunity. Both the Ag Biz Basics and Ag Biz Planner courses offered by Farm Credit University (FCU) are incentivized to YBS borrowers as the expense of these courses will be reimbursable by the association. Further, the association is proud to offer five \$10,000 grants each year to qualified YBS borrowers on a first-come, first-served basis. To be eligible for a grant, a borrower must show proof of completion and mastery (passing) of FCU's Ag Biz Planner course and must demonstrate financial literacy through development of a business plan that is to be submitted with the grant application. Grant recipients will have the opportunity to be featured across all advertising media, including social channels, the association's website, blogs, podcasts, etc.

## **Qualitative (non-lending metrics)**

### **Outreach**

- Tenth District Farm Credit Council's Young Leader Program – The association selects a representative to participate in the Tenth District Farm Credit Council's annual Young Leader Program. This group of Farm Credit stockholders from each association in the district possesses outstanding leadership potential. They travel to Washington, D.C., to interact with Farm Credit System leaders and decision-makers and meet with congressional representatives on Capitol Hill. Attendees tour the Federal Farm Credit Banks Funding Corporation.
- The association established Young AgLeaders (YAL) in 2016 in part to gain more feedback in the YBS sector. Per the charter, the YAL can have no fewer than six and no more than 10 members, with a goal of eight. These individuals represent the 43-county trade territory where the association provides service. Kody Bessent serves as CEO for Plains Cotton Growers in Lubbock, Texas, and has been appointed industry advisor on the YAL.
- College Career Fairs – Designed to give college students the opportunity to explore careers in the ag industry. It also gives various staff members a chance to promote the association and Farm Credit. Staff members are present at various career fairs throughout the association's territory.
- Extension Service and Other Educational Programs – Through its support, the association encourages attendance at educational programs offered throughout the territory, both monetarily and through staff involvement. YBS customers normally attend this type of function to learn about and stay up-to-date on the latest production technology. Programs added in 2016 include the Southwestern Cattle Raisers Ranch Gathering targeted toward young leaders in Central Texas as well as the Producers Trading Company marketing seminar.
- Ag in the Classroom – The association began sponsoring this organization in 2008. Ag in the Classroom provides resource materials to teachers so that they can incorporate agriculture into their day-to-day curriculums.

## **Sponsorship**

- Scholarships Texas State FFA Convention – In 2023, the association became a “co-title sponsor” of this event for the first time with Lone Star Ag Credit, now AgTrust Farm Credit.
- Texas Tech MILE Program – The Matador Institute of Leadership Engagement is a program for undergraduate students in the College of Ag & Natural Resources that seeks to develop participants’ personal and professional skills while exposing them to the key issues affecting local, state and national agriculture and policy. The program is designed to provide participants with a competitive edge when seeking career opportunities after graduation. The association has committed \$90,000 over five years as a sponsor for the program’s South Plains and Panhandle ag tours. These regional tours are part of the MILE program’s premier travel experience, exposing student members to each region’s industry sectors and community leadership.
- Texas Tech University Davis College, Excellence in Agricultural Finance Program – The association has supported TTU Davis College Excellence in Agricultural Finance Program through scholarship, mentorship and shadowing experiences for students who are interested in a career in agricultural lending.
- Texas and Southwestern Cattle Raisers Association Roundup – The Roundup is an opportunity for high school students to obtain in-depth insight into the beef industry. Attendees engage in progressive, thought-provoking activities including tours of cattle operations, beef processing facilities and legislative offices as well as interactive educational sessions simulating real-world experiences. The association contributed \$3,250 toward the Top Hand Scholarship, Chuck Wagon Sponsorship and Trail Boss Shirt Sponsorship. Two association employees attend the event as judges of the public speaking contest held at the end of the camp.
- Junior Livestock Shows – Monetary, service time and branded bottled water contributions are made to junior livestock shows throughout the association service area. Many of the FFA and 4-H student exhibitors at these shows come from agricultural families and will remain involved in farming and ranching in the future. Additionally, staff members at the branch level donate their time to help with the local shows and provide monetary support by purchasing animals.
- Amarillo Classic Junior Livestock Show – For the first time in 2025, the association served as the title sponsor of the Amarillo Classic Junior Livestock Show. The event drew strong participation from FFA and 4-H students across the region. The association staff were actively engaged throughout the show, assisting in the show ring, interacting with students and agricultural families, evaluating the AgTexas Herdsman Award and maintaining a visible presence during the event.
- Texas Agricultural Cooperative Council (TACC) meetings – Each year, the association sponsors the meal at local events conducted by the TACC. These events are well-attended by area YBS Agricultural Producers involved with their local cooperatives.
- Ag in the Bag – The association has been a sponsor of this organization since 2004. The purpose of Ag in the Bag is to educate elementary-age children on the importance of agriculture.
- National FFA Qualifiers Support – Starting in 2025, the association provided financial support to FFA students in the association service area who qualified to compete at the national level in the following areas: Career and Leadership Development Events, Leadership Development Events, Agricultural Proficiency, and the Agriscience Fair.
- Ag Youth of the Month Program (AYOTM) – Implemented in 2015, the program’s purpose is to recognize and support Ag youths while building relationships within the communities we serve. This program allows the association to honor students who excel in the classroom and as leaders in their FFA chapters and 4-H clubs. During November-April each year, high school senior students will be recognized as AgTexas’ Ag Youths of the Month.

- Ag Youth Distinguished Alumni Scholarship Program – Implemented in 2023, the program allows the association to build long-lasting relationships with students as they go through college and into their full-time careers. It is a separate, merit-based scholarship for which previous AYOTM students may apply.
- Ag Youth Leader of the Year – Implemented in 2024, the program allows the association to expand its “Ag Youth” program by honoring people who have dedicated their careers to educating, growing and leading the next generation of agriculture producers and/or advocates.
- West Texas A&M University (WTAMU)– Since fall 2012, the association has supported WTAMU through the endowment of a classroom in the agricultural building. This offers a means to reach out to Ag majors and facilitate services to future YBS borrowers.
- Farm Credit Lobby at the West Texas A&M University Research Feedlot Complex and Education Center – The association supported WTAMU through the Farm Credit Lobby, which will provide visible Farm Credit naming recognition within the new Research Feedlot Complex and Education Center. This investment creates ongoing opportunities to connect with and maintain visibility among future YBS borrowers and customers engaged with the center.

The association’s estimated non-lending expenditures related to supporting programs targeting the YBS market segment exceeded \$331,009 in 2025.

# AG TEXAS AgYouth LEADER of the YEAR

The 2025 banquet season included our recent expansion of our Ag Youth Program called the **Ag Youth Leader of the Year Award**. This award is nomination-based and specific to club leaders, extension agents, advisors, ag teachers, or anyone who has dedicated much of their life to growing the next generation of agriculturalists. We honored one individual in each of our three geographical regions. These honorees were chosen based on the impact they had on current and former students and parents, specific career achievements, and number of nominations. Each winner received a plaque, recognition at their corresponding Ag Youth Banquet, and \$1,000 individually as well as a matching donation of \$1,000 to their 4-H Club or FFA Chapter.

Our Ag Youth Leader of The Year recipients for the 2024-2025 cycle were --

- Taylor Christie** – Tahoka FFA
- Austin Heck** – Nazareth FFA
- Miranda Johnson** – Corsicana FFA

It was a privilege to meet and honor these advisors at our AgTexas regional banquets!



**CONGRATS**  
*Taylor*



*Austin*



*Miranda*

**Taylor Christie** is a passionate and driven agricultural science teacher that is in her fifth year of teaching. Over the past five years, she has earned honors such as Ferris ISD Rookie of the Year and Texas Sheep and Goat Raisers' Association Outstanding Agricultural Science Teacher, while leading students and teams to impressive state-level success, including a State Runner-up finish at the 2024 Texas FFA State LDE Contest. She is especially proud of helping first-generation students pursue agricultural degrees.

**Austin Heck** has had a dedicated career in agricultural education for the past 18 years with 17 of those years devoted to Nazareth ISD. Mr. Heck remains steadfast in his mission: to open doors for students and equip them with the skills and confidence to succeed in life. During his time teaching, he has had numerous state and national achievements in LDEs, CDEs, speaking contests, talent competitions, ag mechanics, and stock shows. He makes sure his students reach every opportunity available to them.

**Miranda Johnson** is in her 12th year of teaching, all of which have been spent serving as an ag teacher at Corsicana High School. In addition to teaching agricultural courses, Ms. Johnson has also served on the Area VIII Leadership Coordinators since 2017 and was honored with an Honorary American Degree from National FFA Organization in October 2024. She has developed an impressive record of student success, including state and national science fair finalists and champions, state officers, and numerous LDE and CDE qualifiers. She values the relationships built with students, families, and the community.

**OW STRONG – TOMORROW STRONG – TOMORRO**

AGTEXAS WILL CONTINUE OUR MISSION OF SERVING TOMORROW'S AGRICULTURE, TODAY.

# CONGRATS 57X

to Our 2024-2025 Ag Youths of the Month!

# AG TEXAS AgYouth of the MONTH

## PANHANDLE >



## SOUTH PLAINS >



## CENTRAL TX >



AG TEXAS AgYouth of the MONTH  
AG TEXAS AgYouth of the MONTH  
AG TEXAS AgYouth of the MONTH

### - TOMORROW STRONG - AgYouth STRONG -



# SCHOLARSHIPS! SCHOLARSHIPS! SCHOLARSHIPS!

TEXAS AG YOUTH of the MONTH

AG YOUTH STRONG

# CONGRATS 3X Ag Youth Distinguished Alumni Scholarship



**Creed Vineyard**  
2022-23 Ag Youth Alumni



\$ 2,000

**Ryleigh Whitaker**  
2023-24 Ag Youth Alumni



\$ 5,000



**Cole Hinds**  
2023-24 Ag Youth Alumni

\$ 10,000

## STAR AgVocate



This is our merit-based scholarship, designed to provide aid to former Ag Youth of the Month students with their continued collegiate endeavors. This Ag Youth alumni program is in its third year. In 2025, three college students were selected, one being our top-teir STAR AgVocate, Cole Hinds, who received a \$10,000 scholarship!

## CONGRATS 4X DIRECTOR SCHOLARSHIPS

Each year, our Board of Directors graciously offer \$2,000 Scholarships to college-bound children of AgTexas employees. Congrats to our 2025 recipients >



**Cadian Allen**



**Ryan Purdy**



**Archer Sharber**



**Kalder Halbrook**



SCHOLARSHIPS SCHOLARSHIPS SCHOLARS

# AGTEXAS 2025 FINANCIAL SUMMARY

Your association added a total of \$603 million in new loans during the year. This resulted in average loan volume of \$3,017 million (4.4% increase), with year-end recorded loan volume of \$3,331 million.

The portfolio growth resulted from new real estate term loans of \$222 million, short- and intermediate-term loans of \$73 million and the remainder of the growth in purchased and shared loans of \$117 million from other financial institutions.

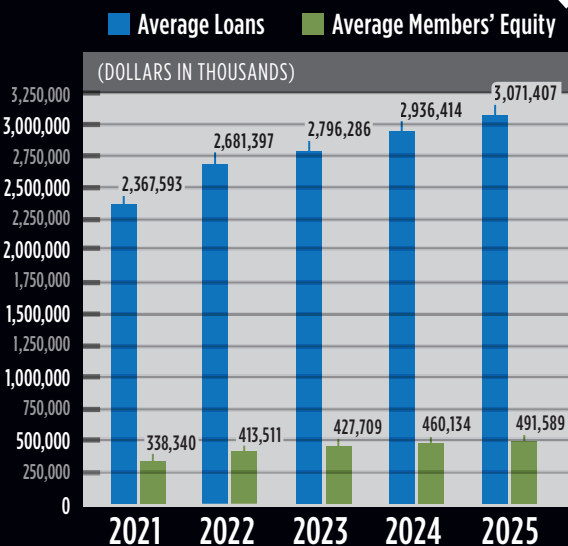


Net income was strong at \$62.6 million or a 1.8 percent return on average assets and a 12.7% return on members' equity. The association's capital ratios remain strong with the total capital ratio at 12.3%, after the accrual for a **\$35 million** patronage to be distributed in early 2026.

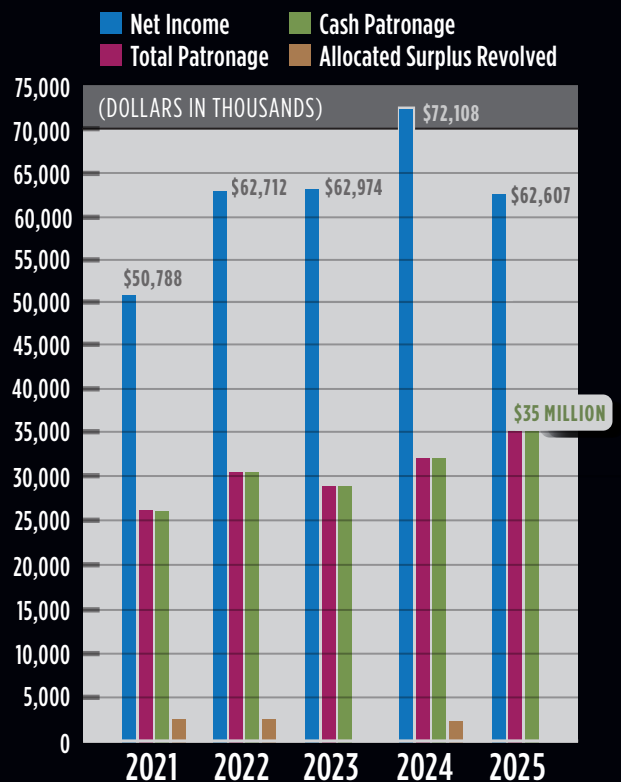
## Financial Highlights /2025/



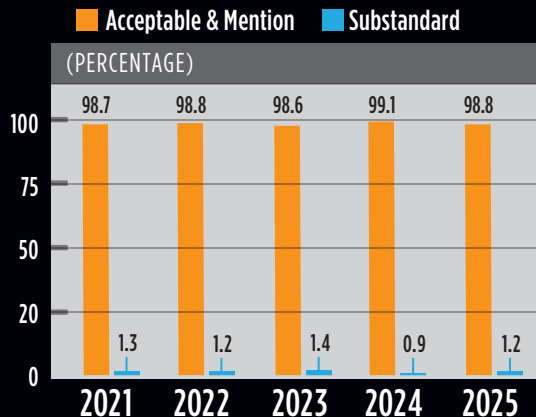
### AVERAGE LOANS & MEMBERS' EQUITY



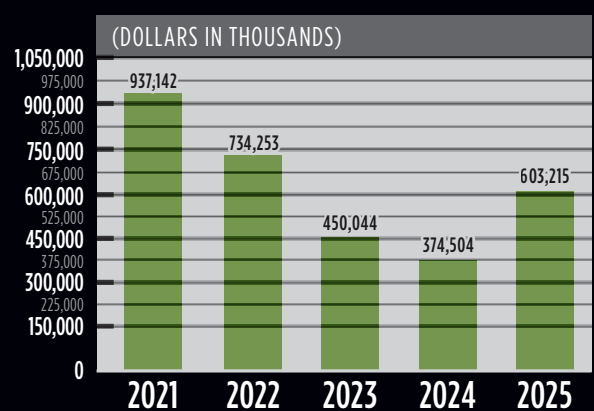
### ACA INCOME & DISTRIBUTIONS



### ACA CREDIT QUALITY



### NEW LOANS CLOSED INCLUDING INVESTMENTS



# AGTEXAS 2025 BOARD OF DIRECTORS

Together, AgTexas board members are responsible for the safe and sound operation of our association regardless of economic conditions in local, domestic and international markets. They are accountable to you, our stockholders. One fundamental responsibility is to establish policies that govern how the association carries out business, delegating day-to-day operations to management.

The board's effectiveness depends in part on how well they know the association. Each of our directors regularly attends training specific to their roles within the board and committees on which they serve. In addition, experts on commodities, regulatory specific and other relevant topics are invited to address the board at their meetings.

These individuals deserve our admiration and support for their willingness to serve. **Thank you**, AgTexas Board of Directors for helping us be Ag Strong.

**LEADER  
STRONG**  
— BOARD STRONG —

## Stockholder Directors



**Reggie Underwood**  
*Chair, Waxahachie*



**Jeremy Brown**  
*Vice Chair, Lubbock*



**Ricky Barnett**  
*Friona*



**Jason Dobrovlny**  
*Littlefield*



**Bryan Reinart**  
*Dimmitt*



**Ryan Smith**  
*Meadow*



**Kinley Sorrells**  
*Comanche*



## Board-Appointed Directors



**Tony Crumpton**  
*Lubbock*

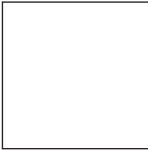


**Terry Sherrill**  
*Gruver*



**Chuck Taylor**  
*Amarillo*

**AgTexas** Farm Credit Services  
5004 N. Loop 289  
Lubbock, Texas 79416



# AG STRONG & RESILIENT



**YOUR PREMIER TX LAND LENDER**  
**AgTexas Offices**

**AMARILLO**  
2001 S. Soncy Road  
Amarillo, TX 79124  
806-376-4669

**\*BROWNFIELD**  
121 W. Broadway  
Brownfield, TX 79316  
806-637-3589

**BURLESON**  
117 S. Burleson Blvd.  
Burleson, TX 76028  
817-293-6103

**DUMAS**  
1315 E. 1st  
Dumas, TX 79029  
806-935-6851

**HEREFORD**  
1502 W. 1st St.  
Hereford, TX 79045  
806-641-1730

**HILLSBORO**  
1316 Corsicana Highway  
Hillsboro, TX 76645  
254-582-2471

**LEVELLAND**  
301 Hwy. 114  
Levelland, TX 79336  
806-894-6119

**LUBBOCK**  
5004 N. Loop 289  
Lubbock, TX 79416  
806-745-4575

**PLAINVIEW**  
104 I-27 Frontage  
Plainview, TX 79072  
806-296-2782

**SEMINOLE**  
2015 Hobbs Hwy.  
Seminole, TX 79360  
432-758-3201

**STEPHENVILLE**  
3145 W. Washington  
Stephenville, TX 76401  
254-965-3151



\*Location reduced from full-time operation to one day per week in October 2025 and is scheduled to permanently close in May 2026

**YOUR SUCCESS. OUR PURPOSE.**  
[agtexas.com](http://agtexas.com)