

AG 
TEXAS
FARM CREDIT SERVICES
Quarterly Report

**The First Quarter Ended
March 31, 2026**



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Report of Management

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

A handwritten signature in black ink, appearing to read "Kayla Robinson".

Kayla Robinson
Chief Executive Officer
April 29, 2026

A handwritten signature in black ink, appearing to read "Reggie Underwood".

Reggie Underwood
Chairman, Board of Directors
April 29, 2026

A handwritten signature in black ink, appearing to read "Jeff Fairchild".

Jeff Fairchild, Chief Financial Officer
April 29, 2026

Management’s Discussion & Analysis

(Dollars in thousands, except as noted)

The first quarter consolidated financial statements of AgTexas Farm Credit Services, including its wholly-owned subsidiaries AgTexas, PCA and AgTexas, FLCA (collectively referred to herein as the “**Association**”), is unaudited, but contains all adjustments necessary for a fair presentation of the interim financial condition and results of operations. The statements are prepared in conformity with generally accepted accounting principles and prevailing practices within the banking industry. In preparing these consolidated statements and meeting its responsibility for reliable financial information, management depends upon the Association’s accounting and internal control systems which have been designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded.

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

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of the Association for the three months ended March 31, 2026, and should be read in conjunction with the accompanying *unaudited consolidated financial statements* (“**CFS**”) and the *Association’s 2025 Annual Report to Stockholders* (“**2025 Annual Report**”). Management prepared the accompanying CFS under the oversight of the Association’s Audit Committee.

Significant Events.

The Association distributed patronage of approximately \$35 million in cash in the first quarter of 2026. This represented the 2025 patronage declared by the Association.

Loan and Investment Portfolio.

Total loans outstanding at March 31, 2026, including nonaccrual loans, were \$3,287,288 compared to \$3,331,146 at December 31, 2025, reflecting a decrease of 1.32 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.8 percent at March 31, 2026, compared to 0.8 percent at December 31, 2025.

The Association recorded \$420 in recoveries and \$222 in charge-offs for the three months ended March 31, 2026, and \$8 in recoveries and \$269 in charge-offs for the same period in 2025. The Association’s allowance for credit losses (“**ACL**”), which consists of the allowance for loan losses and the reserve for unfunded credit commitments, was 0.5 percent and 0.5 percent of total loans outstanding as of March 31, 2026, and December 31, 2025, respectively.

The financial performance of the Association may be significantly impacted by the quality of loans within the loan portfolio. Internal policies and procedures, as well as third party credit reviews and examinations help to ensure asset quality is properly reflected. Additional detail on credit quality is illustrated in the following table.

	March 31, 2026	March 31, 2025	December 31, 2025
Acceptable	95.4%	94.9%	95.9%
OAEM	2.5%	2.8%	2.9%
Substandard/doubtful	2.1%	2.3%	1.2%
	100.0%	100.0%	100.0%

Changes in the Association’s loan portfolio from December 31, 2025 to March 31, 2026 follow:

Loan Type	March 31, 2026		December 31, 2025	
	Amount	%	Amount	%
Real estate mortgage	\$ 1,531,349	46.6%	\$ 1,523,128	45.9%
Production and intermediate term	1,375,252	41.8%	1,425,140	42.8%
Agribusiness	278,528	8.5%	283,279	8.5%
Communication	32,187	1.0%	31,409	0.9%
Energy	7,653	0.2%	7,835	0.2%
Water and waste water	3,166	0.1%	2,932	0.1%
Rural residential real estate	7,363	0.2%	7,139	0.2%
Agricultural export finance	18,816	0.6%	17,572	0.5%
Lease receivables	4,427	0.1%	4,448	0.1%
Mission-related investments	28,547	0.9%	28,264	0.8%
Total	<u>\$ 3,287,288</u>	<u>100.0%</u>	<u>\$ 3,331,146</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.

Effective January 1, 2019, FCA new investment regulations provided authorization for the Association to invest in *Small Business Administration* (“**SBA**”) pool securities. As a part of the conditions of the authorization, the investments are required to be 100% unconditionally guaranteed by the federal government or its agencies. For more information and see Note 2 in the “Notes to Unaudited Consolidated Financial Statements”.

Risk Exposure. Nonperforming assets include nonperforming loans and other property owned. Nonperforming loans are comprised of nonaccrual and past due ≥ 90 days and still accruing interest. The following table illustrates the Association’s components and trends of nonperforming assets.

	March 31, 2026		December 31, 2025	
	Amount	%	Amount	%
Nonaccrual	\$ 26,455	86.9%	\$ 26,695	87.7%
90 days past due and still accruing interest	3,946	13.0%	3,705	12.2%
Other property owned, net	45	0.1%	45	0.1%
Total	<u>\$ 30,446</u>	<u>100.0%</u>	<u>\$ 30,445</u>	<u>100.0%</u>

Results of Operations. Changes in the Association’s results of operations for the three months ended March 31, 2026 and March 31, 2025 follow:

	For the three months ended	
	March 31, 2026	March 31, 2025
Interest income	\$ 53,153	\$ 50,552
Interest expense	(32,221)	(30,470)
(Provision for) reversal of loan losses	(1,798)	187
Net interest margin	19,134	20,269
Noninterest income	8,812	8,883
Noninterest expense	(12,977)	(11,608)
Net income	<u>\$ 14,969</u>	<u>\$ 17,544</u>

Net interest margin (interest income less interest expense) is the primary source of earnings and is driven by the relative volumes of interest-earning assets and interest-bearing liabilities, as well as yields on earning assets and rates on interest-bearing liabilities. Interest income and expense remained relatively stable, with a slight increase compared to the first quarter of 2025 due to higher average volume. Noninterest income remained consistent quarter over quarter. The increase in noninterest expense compared to the prior period was primarily attributable to IT charge in purchased services.

The effects of changes in average volumes, yields, and rates on interest margin follow:

	For the three months ended March 31, 2026		For the three months ended March 31, 2025	
	Average		Average	
	Balance	Interest	Balance	Interest
Total loans and investments	\$ 3,514,387	\$ 53,153	\$ 3,193,407	\$ 50,552
Interest-bearing liabilities	3,127,007	32,221	2,826,412	30,470
Impact of capital	\$ 387,380		\$ 366,995	
Net interest income		\$ 20,932		\$ 20,082

	2026	2025
	Average Yield	Average Yield
Yield on loans and investments	6.13%	6.42%
Cost of interest-bearing	4.18%	4.37%
Interest rate spread	1.95%	2.05%
Interest rate margin	2.42%	2.55%

	Three months ended March 31:		
	2026 vs. 2025		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income	\$ 5,081	\$ (2,480)	\$ 2,601
Interest expense	3,239	(1,488)	1,751
Net interest income	\$ 1,842	\$ (992)	\$ 850

The Association's return on average assets was 1.7% and 2.1% for the three months ended March 31, 2026 and 2025, respectively. The decrease in return on average assets for the three months is due to decreased net income related to decreased patronage income and insurance income, coupled with an increase in the provision for loan losses and IT service charge in purchased services. The Association's return on average equity was 12.3% and 15.2% for the three months ended March 31, 2026 and 2025, respectively. The change in return on average equity mirrors the change in return on average assets noted above.

Liquidity and Funding Sources. Interest rate risk ("IRR") inherent in the loan portfolio is substantially mitigated through the funding relationship with *Farm Credit Bank of Texas* ("FCBT"). FCBT manages IRR through direct loan pricing and asset/liability management. The Association's primary source of liquidity and funding is a direct note payable to FCBT. The following schedule summarizes the Association's borrowings:

	March 31, 2026	December 31, 2025
Note payable to FCBT	\$ 3,126,569	\$ 3,173,111
Accrued interest on note payable	10,928	11,381
Total	\$ 3,137,497	\$ 3,184,492

The Association operates under a *general financing agreement* ("GFA") with FCBT. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is through a direct loan from FCBT. The outstanding balance of \$3,126,569 as of March 31, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.19 percent at March 31, 2026. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to FCBT and is governed by the GFA. The decrease in note payable to FCBT since December 31, 2025, is due to decreased loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$376,077 at March 31, 2026. The maximum amount the Association may borrow from FCBT as of March 31, 2026, was \$3,532,611 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, 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.

Capital Resources. The Association's members' equity was \$502,308 and \$487,913 at March 31, 2026 and December 31, 2025, respectively, an \$14,395 increase, which approximates current earnings less preferred stock dividends. The Association's debt as a percentage of members' equity was 6.34:1 as of March 31, 2026, compared to 6.69:1 as of December 31, 2025. FCA regulations require

associations to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and *unallocated retained earnings and equivalents* (“**UREE**”) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. See note 4 in the “*Notes to Consolidated Financial Statements*”. As of March 31, 2026, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements. Refer to Note 1 – “Organization, Operations and Significant Accounting Policies” in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association’s consolidated financial position and results of operations and for critical accounting policies.

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

Annual and Quarterly Stockholder Report Availability. The annual and quarterly stockholder reports of the FCBT can be found at the FCBT’s website at www.farmcreditbank.com.

Annual and quarterly stockholder reports for the Association are available free of charge on the Association’s website www.agtexas.com or by *i*) writing to AgTexas Farm Credit Services, 5004 N. Loop 289, Lubbock, Texas 79416, *ii*) calling (806) 687-4068, or *iii*) e-mailing jeff.fairchild@agtexas.com.



Consolidated Balance Sheets
(Dollars in thousands)

	March 31, 2026	December 31, 2025
	Unaudited	Audited
<u>Assets</u>		
Cash	\$ 16	\$ 6
Investments (\$242,949 and \$247,595, at fair value)	243,018	247,665
Loans	3,287,288	3,331,146
Less: ACL- Loans	(15,800)	(14,220)
Net loans	3,271,488	3,316,926
Accrued interest receivable	52,188	56,684
Investment in and receivable from the FCBT:		
Capital stock	74,535	74,897
Other	9,640	25,355
Other property owned, net	45	45
Premises and equipment	24,892	24,759
Other assets	8,752	7,526
Total assets	<u>\$ 3,684,574</u>	<u>\$ 3,753,863</u>
<u>Liabilities</u>		
Note payable to the FCBT	\$ 3,126,569	\$ 3,173,111
Advance conditional payments	27,155	28,724
Accrued interest payable	10,928	11,381
Patronage and dividends payable	1,150	36,174
Accrued postretirement benefit liability	6,591	6,565
Other liabilities	9,873	9,995
Total liabilities	<u>3,182,266</u>	<u>3,265,950</u>
<u>Members' Equity</u>		
Capital stock and participation certificates	4,099	4,123
Preferred stock	80,000	80,000
Additional paid-in capital	72,711	72,711
Allocated retained earnings	14,851	14,851
Unallocated retained earnings	328,576	314,762
Accumulated other comprehensive income (loss)	2,071	1,466
Total members' equity	<u>502,308</u>	<u>487,913</u>
Total liabilities and members' equity	<u>\$ 3,684,574</u>	<u>\$ 3,753,863</u>

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



Unaudited Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	For the three months ended	
	March 31, 2026	March 31, 2025
	Unaudited	Unaudited
<u>Interest income</u>		
Loans	\$ 50,601	\$ 47,886
Investments	2,552	2,666
Total interest income	<u>53,153</u>	<u>50,552</u>
<u>Interest expense</u>		
Note payable to the FCBT	32,060	30,322
Advance conditional payments	161	148
Total interest expense	<u>32,221</u>	<u>30,470</u>
Net interest income	20,932	20,082
Provision for loan losses	<u>1,798</u>	<u>(187)</u>
Net interest (reversal of) income after provision for (reversal of) losses	<u>19,134</u>	<u>20,269</u>
<u>Noninterest income</u>		
FCBT patronage income	5,328	6,077
Loan fees	509	499
Fees for financially related services	601	812
Other property owned	-	1
Other	<u>2,374</u>	<u>1,494</u>
Total noninterest income	<u>8,812</u>	<u>8,883</u>
<u>Noninterest expenses</u>		
Salaries and employee benefits	8,141	7,647
Directors' expense	103	76
Purchased services	1,286	820
Travel	495	424
Occupancy and equipment	597	549
Communication	81	96
Advertising	290	204
Public and member relations	465	451
Federally regulated examination fees	245	232
FCSIC insurance premiums	667	590
Other components of net periodic postretirement benefit cost	90	113
Other noninterest expense	<u>517</u>	<u>406</u>
Total noninterest expenses	<u>12,977</u>	<u>11,608</u>
Net income	<u>14,969</u>	<u>17,544</u>
Other comprehensive income (loss):		
Change in postretirement benefit plans	(8)	-
Change in fair value of available for sale investments	613	(286)
Total other comprehensive income (loss)	<u>605</u>	<u>(286)</u>
Comprehensive income	<u>\$ 15,574</u>	<u>\$ 17,258</u>

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



Unaudited 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, 2024	\$ 4,178	\$ 80,000	\$ 72,711	\$ 14,851	\$ 291,779	\$ 39	\$ 463,558
Comprehensive income	-	-	-	-	17,544	(286)	17,258
Capital stock/participation certificates:							
Issued	185	-	-	-	-	-	185
Retired	(189)	-	-	-	-	-	(189)
Balance at March 31, 2025	<u>\$ 4,174</u>	<u>\$ 80,000</u>	<u>\$ 72,711</u>	<u>\$ 14,851</u>	<u>\$ 309,323</u>	<u>\$ (247)</u>	<u>\$ 480,812</u>
Balance at December 31, 2025	\$ 4,123	\$ 80,000	\$ 72,711	\$ 14,851	\$ 314,762	\$ 1,466	\$ 487,913
Comprehensive income	-	-	-	-	14,969	605	15,574
Capital stock/participation certificates:							
Issued	184	-	-	-	-	-	184
Retired	(208)	-	-	-	-	-	(208)
Preferred stock dividends:							
Paid or declared	-	-	-	-	(1,150)	-	(1,150)
Patronage dividends:							
Paid or accrued	-	-	-	-	(5)	-	(5)
Balance at March 31, 2026	<u>\$ 4,099</u>	<u>\$ 80,000</u>	<u>\$ 72,711</u>	<u>\$ 14,851</u>	<u>\$ 328,576</u>	<u>\$ 2,071</u>	<u>\$ 502,308</u>

Notes to Consolidated Financial Statements

(Dollars in thousands, except as noted)

Note 1: Organization, Operations and Significant Accounting Policies

AgTexas Farm Credit Services and its wholly-owned subsidiaries, *AgTexas, PCA* (“PCA”) and *AgTexas, FLCA* (“FLCA”), are collectively referred to herein as the “Association.” The Association provides financing and related services through FLCA and PCA. FLCA makes secured long-term agricultural real estate and rural home mortgage loans. PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

These notes and the encompassing unaudited consolidated financial statements for the Association (collectively referred to herein as “CFS”), include the accounts of PCA and FLCA. All significant intercompany balances and transactions are eliminated in consolidation. In management’s opinion, the CFS reflect all adjustments necessary to fairly state results for the interim periods presented, which are of a normal recurring nature.

The accompanying unaudited financial statements have been prepared in accordance with *accounting principles generally accepted in the U.S.* (“GAAP”) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025, as contained in the *2025 Annual Report to Stockholders* (“2025 Annual Report”).

In the opinion of management, the CFS contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with GAAP, except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by *Farm Credit Administration* (“FCA”), associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in the CFS. These CFS should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025 as contained in the 2025 Annual Report. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2026. Descriptions of the significant accounting policies are included in the 2025 Annual Report. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Significant Recent Accounting Pronouncements. In December 2025, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The update is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - Purchased Loans. The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In September 2025, the FASB issued ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where (a) capitalization occurs when management has authorized and committed to funding, and (b) it is probable that the project will be completed and the software used as

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

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intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient, which allows all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments also provide entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The Association adopted this guidance on January 1, 2026 under a prospective approach. The impact of adoption did not have an impact on the Associations financial condition, results of operations or cash flows.

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

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e).
- Include certain amounts that are already required to be disclosed under current GAAP 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 currently assessing the potential impact of this standard on its disclosures.

Rounding. Certain amounts in tables may not agree due to rounding.

Note 2: Investment Securities

Held to Maturity (“HTM”). Federal Agricultural Mortgage Corporation (“**Farmer Mac**”) guaranteed agricultural mortgage-backed securities (“**AMBS**”) comprise the Association’s HTM investment portfolio, and the Association services the underlying loans. Additional information follows:

	AMBS					Weighted Average Yield
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value		
March 31, 2026	\$ 69	\$ -	\$ (4)	\$ 65		4.73%
December 31, 2025	70	-	(3)	67		4.73%

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 have weighted average maturities of 5.86 years as of March 31, 2026, however, expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Available for sale (“AFS”). The Association’s AFS investment securities consist entirely of *Small Business Administration (“SBA”)* pool securities. A summary of the amortized cost and fair value of AFS investment securities is as follows:

	SBA Pool Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
March 31, 2026	\$ 241,713	\$ 1,766	\$ (530)	\$ 242,949	6.32%
December 31, 2025	246,973	1,372	(750)	247,595	6.83%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of AFS investments securities at March 31, 2026:

	SBA Pool Securities				
	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	Due After 10 Years	Total
Fair value	\$ -	\$ 4,732	\$ 31,783	\$ 206,434	\$ 242,949
Amortized cost	-	4,685	31,508	205,520	241,713
Weighted average yield	0.00%	7.25%	7.03%	6.19%	6.32%

Note 3: Loans and Allowance for Credit Losses (“ACL”)

Loans. Loan carrying amounts (outstanding principal adjusted as applicable for capitalized accrued interest, direct partial charge-offs, deferred fees or costs on originated loans, and unamortized purchase premiums and discounts; excludes uncapitalized accrued interest) by portfolio segment follows:

Loan Type	March 31, 2026		December 31, 2025	
	Amount	%	Amount	%
Real estate mortgage	\$ 1,531,349	46.6%	\$ 1,523,128	45.9%
Production and intermediate term	1,375,252	41.8%	1,425,140	42.8%
Agribusiness	278,528	8.5%	283,279	8.5%
Communication	32,187	1.0%	31,409	0.9%
Energy	7,653	0.2%	7,835	0.2%
Water and waste water	3,166	0.1%	2,932	0.1%
Rural residential real estate	7,363	0.2%	7,139	0.2%
Agricultural export finance	18,816	0.6%	17,572	0.5%
Lease receivables	4,427	0.1%	4,448	0.1%
Mission-related investments	28,547	0.9%	28,264	0.8%
Total	\$ 3,287,288	100.0%	\$ 3,331,146	100.0%

The Association may purchase or sell participations in loans to diversify risk, manage loan volume, and comply with FCA regulations. Participation carrying amount details as of March 31, 2026 follow:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 191,436	\$ 354,439	\$ 99,001	\$ -	\$ 290,437	\$ 354,439
Production and intermediate term	238,922	2,139,388	406	-	239,328	2,139,388
Agribusiness	213,622	43,004	557	-	214,179	43,004
Communication	32,187	-	-	-	32,187	-
Energy	7,653	-	-	-	7,653	-
Water and waste water	3,166	-	-	-	3,166	-
Agricultural export finance	18,816	-	-	-	18,816	-
Lease receivables	4,427	-	-	-	4,427	-
Mission-related investments	-	-	27,714	-	27,714	-
Total	\$ 710,229	\$ 2,536,831	\$ 127,678	\$ -	\$ 837,907	\$ 2,536,831

The Association is authorized under the Farm Credit Act to accept *advance conditional payments* (“ACPs”) from borrowers. To the extent the borrower’s access to such ACPs are restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were \$35,632 and \$47,234 at March 31, 2026 and December 31, 2025 respectively.

Credit Quality. Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by 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% of the original appraised value of the property taken as security or up to 97% 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 institution reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

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

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

The following table presents credit quality indicators by loan type and the related principal balance as of March 31, 2026:

	Amortized Cost									
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total	
	2026	2025	2024	2023	2022	Prior				
Real estate mortgage										
Acceptable	\$ 54,041	\$ 226,853	\$ 116,286	\$ 110,944	\$ 150,794	\$ 734,230	\$ 67,318	\$ 11,181	\$ 1,471,647	
OAEM	-	1,317	268	16,260	6,162	9,567	2,714	1,401	37,689	
Substandard/Doubtful	-	2,800	291	2,165	3,878	11,602	-	1,277	22,013	
	<u>54,041</u>	<u>230,970</u>	<u>116,845</u>	<u>129,369</u>	<u>160,834</u>	<u>755,399</u>	<u>70,032</u>	<u>13,859</u>	<u>1,531,349</u>	
Production and intermediate-term										
Acceptable	38,637	114,622	40,348	29,216	8,058	22,379	1,041,603	2,517	1,297,380	
OAEM	1,010	2,882	2,572	162	-	288	26,014	-	32,928	
Substandard/Doubtful	57	1,958	2,150	12,892	541	2,123	25,223	-	44,944	
	<u>39,704</u>	<u>119,462</u>	<u>45,070</u>	<u>42,270</u>	<u>8,599</u>	<u>24,790</u>	<u>1,092,840</u>	<u>2,517</u>	<u>1,375,252</u>	
Agribusiness										
Acceptable	6,445	56,052	24,768	13,588	30,771	26,793	107,766	336	266,519	
OAEM	496	1,529	2,144	3,081	62	111	1,517	327	9,267	
Substandard/Doubtful	-	-	-	-	1,938	-	804	-	2,742	
	<u>6,941</u>	<u>57,581</u>	<u>26,912</u>	<u>16,669</u>	<u>32,771</u>	<u>26,904</u>	<u>110,087</u>	<u>663</u>	<u>278,528</u>	
Communication										
Acceptable	-	4,243	4,394	12,093	1,319	9,457	681	-	32,187	
	<u>-</u>	<u>4,243</u>	<u>4,394</u>	<u>12,093</u>	<u>1,319</u>	<u>9,457</u>	<u>681</u>	<u>-</u>	<u>32,187</u>	
Energy										
Acceptable	-	-	1,939	2,998	-	2,716	-	-	7,653	
	<u>-</u>	<u>-</u>	<u>1,939</u>	<u>2,998</u>	<u>-</u>	<u>2,716</u>	<u>-</u>	<u>-</u>	<u>7,653</u>	
Water and waste water										
Acceptable	1,542	-	-	1,624	-	-	-	-	3,166	
	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>1,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,166</u>	
Rural home										
Acceptable	830	1,165	1,492	918	1,300	1,658	-	-	7,363	
	<u>830</u>	<u>1,165</u>	<u>1,492</u>	<u>918</u>	<u>1,300</u>	<u>1,658</u>	<u>-</u>	<u>-</u>	<u>7,363</u>	
Leases										
Acceptable	505	1,298	-	-	-	-	-	-	1,803	
OAEM	-	-	-	1,476	-	1,148	-	-	2,624	
	<u>505</u>	<u>1,298</u>	<u>-</u>	<u>1,476</u>	<u>-</u>	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>4,427</u>	
Agricultural export finance										
Acceptable	-	8,000	-	9,573	-	-	1,243	-	18,816	
	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>9,573</u>	<u>-</u>	<u>-</u>	<u>1,243</u>	<u>-</u>	<u>18,816</u>	
Mission related										
Acceptable	-	4,014	7,000	-	-	17,533	-	-	28,547	
	<u>-</u>	<u>4,014</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>17,533</u>	<u>-</u>	<u>-</u>	<u>28,547</u>	
Total										
Acceptable	102,000	416,247	196,227	180,954	192,242	814,766	1,218,611	14,034	3,135,081	
OAEM	1,506	5,728	4,984	20,979	6,224	11,114	30,245	1,728	82,508	
Substandard/Doubtful	57	4,758	2,441	15,057	6,357	13,725	26,027	1,277	69,699	
	<u>\$ 103,563</u>	<u>\$ 426,733</u>	<u>\$ 203,652</u>	<u>\$ 216,990</u>	<u>\$ 204,823</u>	<u>\$ 839,605</u>	<u>\$ 1,274,883</u>	<u>\$ 17,039</u>	<u>\$ 3,287,288</u>	

The charge-offs of principal during the three months ended March 31, 2026 are as follows:

	Amortized Cost									
	Gross Charge-offs by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total	
	2026	2025	2024	2023	2022	Prior				
Production and intermediate-term	\$ -	\$ 102	\$ 19	\$ -	\$ -	\$ 1	\$ 100	\$ -	\$ 222	
Total	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 222</u>	

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

	Amortized Cost								
	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
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
	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
	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
	48,112	28,765	16,919	41,512	13,889	23,709	109,709	664	283,279
Communications									
Acceptable	4,242	3,909	12,120	1,318	4,987	4,495	338	-	31,409
	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
	-	1,940	2,998	-	-	2,862	35	-	7,835
Water and waste water									
Acceptable	-	-	2,199	733	-	-	-	-	2,932
	-	-	2,199	733	-	-	-	-	2,932
Rural home									
Acceptable	1,386	1,548	1,066	1,317	644	1,178	-	-	7,139
	1,386	1,548	1,066	1,317	644	1,178	-	-	7,139
Leases									
Acceptable	1,327	-	-	-	-	-	-	-	1,327
OAEM	-	-	1,642	-	1,479	-	-	-	3,121
	1,327	-	1,642	-	1,479	-	-	-	4,448
Agricultural export finance									
Acceptable	8,000	-	9,572	-	-	-	-	-	17,572
	8,000	-	9,572	-	-	-	-	-	17,572
Mission related									
Acceptable	4,043	5,511	-	-	700	18,010	-	-	28,264
	4,043	5,511	-	-	700	18,010	-	-	28,264
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
	\$ 428,949	\$ 211,598	\$ 223,544	\$ 224,346	\$ 362,586	\$ 517,710	\$ 1,346,195	\$ 16,218	\$ 3,331,146

The charge-offs of principal for year ended December 31, 2025 are as follows:

	Amortized Cost								
	Gross Charge-offs 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

Accrued interest receivable on loans of \$49,801 and \$54,104 at March 31, 2026 and December 31, 2025, respectively, have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheets. The Association wrote off accrued interest receivable of \$19 and \$41 for the three months ended March 31, 2026 and 2025, respectively.

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

	March 31, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	\$ 6,767	\$ 6,630
Production and intermediate-term	19,641	20,018
Agribusiness	47	47
Total nonaccrual loans	<u>26,455</u>	<u>26,695</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	2,087	2,155
Production and intermediate-term	554	237
Mission-related investments	1,305	1,313
Accruing loans 90 days or more past due total	<u>3,946</u>	<u>3,705</u>
Other property owned	45	45
Total nonperforming assets	<u>\$ 30,446</u>	<u>\$ 30,445</u>
Nonaccrual loans as a percentage of total loans	0.8%	0.8%
Nonperforming assets as a percentage of total loans and other property owned	0.9%	0.9%
Nonperforming assets as a percentage of capital	6.1%	6.2%

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:

	March 31, 2026			Interest Income Recognized For The Three Months Ended March 31, 2026
	Amortized Cost			
	With Allowance	Without Allowance	Total	
Real estate mortgage	\$ 2,582	\$ 4,185	\$ 6,767	\$ -
Production and intermediate-term	4,978	14,663	19,641	18
Agribusiness	-	47	47	-
Total	<u>\$ 7,560</u>	<u>\$ 18,895</u>	<u>\$ 26,455</u>	<u>\$ 18</u>
	December 31, 2025			Interest Income Recognized For The Three Months Ended March 31, 2025
	Amortized Cost			
	With Allowance	Without Allowance	Total	
Real estate mortgage	\$ 1,960	\$ 4,670	\$ 6,630	\$ 1
Production and intermediate-term	5,457	14,561	20,018	11
Agribusiness	-	47	47	-
Total	<u>\$ 7,417</u>	<u>\$ 19,278</u>	<u>\$ 26,695</u>	<u>\$ 12</u>

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

March 31, 2026

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 5,690	\$ 7,433	\$ 13,123	\$ 1,518,226	\$ 1,531,349
Production and intermediate-term	904	18,322	19,226	1,356,026	1,375,252
Agribusiness	-	47	47	278,481	278,528
Communication	-	-	-	32,187	32,187
Energy	-	-	-	7,653	7,653
Water and waste water	-	-	-	3,166	3,166
Rural residential real estate	201	-	201	7,162	7,363
Agricultural export finance	-	-	-	18,816	18,816
Lease receivables	-	-	-	4,427	4,427
Mission-related investments	27	1,305	1,332	27,215	28,547
Total	\$ 6,822	\$ 27,107	\$ 33,929	\$ 3,253,359	\$ 3,287,288

December 31, 2025

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
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
Total	\$ 30,191	\$ 27,197	\$ 57,388	\$ 3,273,758	\$ 3,331,146

Allowance for Credit Losses. The credit risk rating methodology is a key component of the Association's ACL 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% of the Association's lending and leasing limit base but the Association's board of directors have generally established more restrictive lending limits.

A summary of changes in the ACL by portfolio segment are as follows:

<u>ACL-Loans</u>	December 31,				March 31,
	2025	Chargeoffs	Recoveries	Provision	2026
Real estate mortgage	\$ 6,340	\$ -	\$ 1	\$ (446)	\$ 5,895
Production and intermediate-term	6,339	(222)	419	1,885	8,421
Agribusiness	1,307	-	-	(43)	1,264
Communication	124	-	-	(11)	113
Energy	5	-	-	-	5
Water and waste-water	5	-	-	(2)	3
Rural residential real estate	11	-	-	(1)	10
Agricultural export finance	13	-	-	6	19
Lease receivables	76	-	-	(6)	70
Mission-related investments	-	-	-	-	-
Total ACL- Loans	14,220	(222)	420	1,382	15,800
<u>ACL-Unfunded Commitments</u>					
Real estate mortgage	83	-	-	(13)	70
Production and intermediate-term	474	-	-	400	874
Agribusiness	207	-	-	26	233
Communication	9	-	-	(2)	7
Energy	-	-	-	-	-
Water and waste-water	1	-	-	1	2
Rural residential real estate	-	-	-	-	-
Agricultural export finance	5	-	-	4	9
Lease receivables	-	-	-	-	-
Mission-related investments	-	-	-	-	-
Total ACL-Unfunded Commitments	779	-	-	416	1,195
Total ACL	\$ 14,999	\$ (222)	\$ 420	\$ 1,798	\$ 16,995

<u>ACL-Loans</u>	December 31,				March 31,
	2024	Chargeoffs	Recoveries	Provision	2025
Real estate mortgage	\$ 6,437	\$ (1)	\$ 3	\$ (373)	\$ 6,066
Production and intermediate-term	3,388	(268)	5	249	3,374
Agribusiness	1,614	-	-	(297)	1,317
Communication	78	-	-	(5)	73
Energy	7	-	-	(1)	6
Water and waste-water	15	-	-	(2)	13
Rural residential real estate	12	-	-	(2)	10
Agricultural export finance	10	-	-	(1)	9
Lease receivables	40	-	-	226	266
Mission-related investments	-	-	-	-	-
Total ACLL	11,601	(269)	8	(206)	11,134
<u>ACL- Unfunded Commitments</u>					
Real estate mortgage	32	-	-	10	42
Production and intermediate-term	461	-	-	65	526
Agribusiness	168	-	-	(53)	115
Communication	6	-	-	(1)	5
Energy	-	-	-	-	-
Water and waste-water	4	-	-	(1)	3
Rural residential real estate	-	-	-	-	-
Agricultural export finance	5	-	-	(1)	4
Lease receivables	-	-	-	-	-
Mission-related investments	-	-	-	-	-
Total ACL-Unfunded Commitments	676	-	-	19	695
Total ACL	\$ 12,277	\$ (269)	\$ 8	\$ (187)	\$ 11,829

There were no loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2026. Accordingly, the following table presents the amortized cost basis at the end of the respective reporting period for loan modifications during the three months ended March 31, 2025, disaggregated by loan type and type of modification granted.

	March 31, 2025	
	Term or Payment	Percent of
	Extensions	Total Loans
Production and intermediate-term	\$ 11,656	0.3%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2026 and 2025 was \$0 and \$345, respectively.

The following table presents the financial effect of modifications during the three months ended March 31, 2025:

	March 31, 2025	
	Term or Payment Extensions	
	Change in Weighted Average Maturity After Extension	
Production and intermediate-term	270 days	

None of the loans to borrowers experiencing financial difficulty that received a modification during the three months ended March 31, 2026 and 2025 defaulted in the period presented.

The following tables sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months ended March 31, 2026 and 2025:

	March 31, 2026		
	Payment Status of Loans Modified in The Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	\$ -	\$ -	\$ -

	March 31, 2025		
	Payment Status of Loans Modified in The Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	\$ 11,656	\$ -	\$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were \$0 at March 31, 2026 and \$953 at December 31, 2025.

Note 4: Capital

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

Regulatory Capitalization Requirements.

	Regulatory	Capital	Total	As of	As of
	Minimums	Conservation Buffer		March 31, 2026	December 31, 2025
Risk-adjusted:					
Common equity tier 1 ratio	4.5%	2.5%	7.0%	9.4%	9.7%
Tier 1 capital ratio	6.0%	2.5%	8.5%	11.6%	11.9%
Total capital ratio	8.0%	2.5%	10.5%	12.0%	12.3%
Permanent capital ratio	7.0%	0.0%	7.0%	11.7%	12.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.0%	1.0%	5.0%	11.6%	11.8%
UREE leverage ratio	1.5%	0.0%	1.5%	8.9%	9.0%

Following are the amounts included in the calculation of the capital ratios as of March 31, 2026:

	Regulatory Capital		Risk Weighted Assets/ Adjusted Average Total Assets	
	March 31, 2026	December 31, 2025	March 31, 2026	December 31, 2025
Risk-adjusted capital ratios				
Common equity tier 1 ratio	\$ 337,415	\$ 342,700	\$ 3,593,903	\$ 3,542,883
Tier 1 capital ratio	417,415	422,700	3,593,903	3,542,883
Total capital ratio	432,546	437,223	3,593,903	3,542,883
Permanent capital ratio	417,415	422,700	3,579,556	3,529,085
Non-risk-adjusted capital ratios				
Tier 1 leverage ratio	417,415	422,700	3,597,050	3,591,102
UREE leverage ratio	318,451	323,719	3,597,050	3,591,102

Preferred stock issuance. 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, payable 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, (iii) certain other limited circumstances detailed in the offering circular.

Note 5: Income taxes

The Association is subject to federal and certain other income taxes. The Association is eligible to operate as cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During 2026, the Association is participating in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management’s estimate, that they will not be realized. The subsidiary, AgTexas, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

Note 6: Fair Value Measurements

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

Assets and liabilities measured at fair value on a recurring basis are summarized below:

March 31, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	\$ 223	\$ -	\$ -	\$ 223
SBA pool securities	-	242,949	-	242,949
December 31, 2025				
Assets held in nonqualified benefit trusts	\$ 254	\$ -	\$ -	\$ 254
SBA pool securities	-	247,595	-	247,595

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

March 31, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 4,159	\$ 4,159
Other property owned	-	-	45	45
December 31, 2025				
Loans	\$ -	\$ -	\$ 4,102	\$ 4,102
Other property owned	-	-	45	45

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. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

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

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.

Loans Evaluated for Impairment. For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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

Note 7: Employee Benefit Plans

Employee Retirement Benefits. The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	2026	2025
Service cost	\$ 14	\$ 18
Interest cost	90	95
Amortization of prior service credits	-	-
Amortization of net actuarial loss	(8)	-
Net periodic benefit cost	<u>\$ 96</u>	<u>\$ 113</u>

The Association’s liability for the unfunded accumulated obligation for these benefits at March 31, 2026, was \$6,591 and is included in “Accrued postretirement benefit liability” in the balance sheets. The components of net periodic benefit cost other than the service cost component are included in the line item "Other components of net periodic postretirement benefit cost" in the income statements.

The structure of the Association’s defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (FCBT and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association contributed \$576 to the District’s defined benefit pension plan in 2026. Pension plan funding expense was \$134 and \$168 for the three months ended March 31, 2026 and 2025, respectively.

Note 8: Commitments and Contingent Liabilities

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

Note 9: Accumulated Other Comprehensive Income (Loss) (“AOCI”)

AOCI includes the accumulated balance of certain gains, losses or costs for which values are included in assets or liabilities on the balance sheets, but which have not yet been recognized in earnings. For the Association, these elements include unrealized gains or losses on the AFS investment securities and amortization of retirement benefit elements.

The following table summarizes the changes in the components of AOCI for the three months ended March 31, 2026 and 2025.

	Total	Unrealized Gain on SBA Pool Securities	Retirement Benefit Plans
AOCI at			
December 31, 2025	\$ 1,466	\$ 622	\$ 844
SBA pool securities:			
Net change in unrealized gains	605	613	(8)
AOCI at			
March 31, 2026	\$ 2,071	\$ 1,235	\$ 836
	Total	Unrealized Gain on SBA Pool Securities	Retirement Benefit Plans
AOCI at			
December 31, 2024	\$ 39	\$ 27	\$ 12
SBA pool securities:			
Net change in unrealized gains	(286)	(286)	-
AOCI at			
March 31, 2025	\$ (247)	\$ (259)	\$ 12

Note 10: Other Property Owned (“OPO”)

Revenues, expenses, gains and losses associated with OPO for the three months ended March 31, 2026 and 2025 are comprised as follow:

	March 31, 2026	March 31, 2025
Carrying value adjustments	\$ -	\$ -
Operating income (expense), net	-	1
Net gain (loss) on other property owned	\$ -	\$ 1

Note 11: 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. For the quarter ended March 31, 2026, no single customer accounted for more than 10% of the Association’s total revenues. Revenues are comprised of interest income and noninterest income.

The accounting policies for this segment are the same as those discussed in Note 2, "Summary of Significant Policies" in the 2025 Annual Report. 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.

Note 12: Subsequent Events

Association management has evaluated subsequent events through April 29, 2026 which is the date the CFS were issued or available to be issued, with no significant events to report.