AG TEXAS
FARM CREDIT SERVICES

Quarterly Report

The Second Quarter Ended
June 30, 2026

Table of Contents

Page

Report of Management

The undersigned certify that this quarterly report has been reviewed and 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 their knowledge and belief.

Kayla Robinson
Chief Executive Officer
July 22, 2026

Reggie Underwood
Chairman, Board of Directors
July 22, 2026

Jeff Fairchild
Chief Financial Officer
July 22, 2026

Management's Discussion and Analysis
(Dollars in thousands, except as noted)

The second 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 and six months ended June 30, 2026, and should be read in conjunction with the accompanying *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 Portfolio.

Total loans outstanding at June 30, 2026, including nonaccrual loans, were $3,317,757 compared to $3,331,146 at December 31, 2025, reflecting a decrease of 0.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.7 percent at June 30, 2026, compared to 0.8 percent at December 31, 2025.

The Association recorded $1,013 in recoveries and $313 in charge-offs for the six months ended June 30, 2026, and $10 in recoveries and $2,330 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 June 30, 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.

	June 30, 2026	June 30, 2025	December 31, 2025
Acceptable	95.3%	95.4%	95.9%
OAEM	2.6%	3.5%	2.9%
Substandard/doubtful	2.1%	1.1%	1.2%
	100.0%	100.0%	100.0%

Changes in the Association's loan portfolio from December 31, 2025 to June 30, 2026 follow:

Loan Type	June 30, 2026 Amount	%	December 31, 2025 Amount	%
Real estate mortgage	$ 1,494,640	45.1%	$ 1,523,128	45.9%
Production and intermediate-term	1,418,873	42.8%	1,425,140	42.8%
Agribusiness	304,441	9.2%	283,279	8.5%
Communication	33,383	1.0%	31,409	0.9%
Energy	7,628	0.2%	7,835	0.2%
Water and waste water	3,156	0.1%	2,932	0.1%
Rural residential real estate	6,965	0.2%	7,139	0.2%
Agricultural export finance	17,574	0.5%	17,572	0.5%
Lease receivables	3,922	0.1%	4,448	0.1%
Mission-related investments	27,175	0.8%	28,264	0.8%
Total	$ 3,317,757	100.0%	$ 3,331,146	100.0%

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 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 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 loans and loans past due ≥ 90 days and still accruing interest. The following table illustrates the Association's components and trends of nonperforming assets.

	June 30, 2026 Amount	%	December 31, 2025 Amount	%
Nonaccrual	$ 24,611	77.8%	$ 26,695	87.7%
90 days past due and still accruing interest	7,019	22.2%	3,705	12.2%
Other property owned, net	-	0.0%	45	0.1%
Total	$ 31,630	100.0%	$ 30,445	100.0%

Results of Operations. Changes in the Association's results of operations for the three and six months ended June 30, 2026 and June 30, 2025 follow:

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Interest income	$ 54,156	$ 51,055	$ 107,309	$ 101,607
Interest expense	(33,099)	(30,800)	(65,320)	(61,270)
(Provision for) reversal of loan losses	(283)	(2,335)	(2,081)	(2,148)
Net interest margin	20,774	17,920	39,908	38,189
Noninterest income	7,522	7,600	16,334	16,483
Noninterest expense	(12,902)	(10,835)	(25,879)	(22,443)
Net income	$ 15,394	$ 14,685	$ 30,363	$ 32,229

Net interest margin (interest income less interest expense) is the principal source of earnings and results from relative volumes of interest-earning assets and interest-bearing liabilities, yields on interest-earning assets, and rates on interest-bearing liabilities. Interest income and expense remained relatively stable, with a slight increase compared to the second quarter of 2025 due to higher average volume. Noninterest income remained consistent quarter over quarter. The increase in noninterest expense compared 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 six months ended June 30, 2026		For the six months ended June 30, 2025	
	Average Balance	Interest	Average Balance	Interest
Total loans and investments	$ 3,535,327	$ 107,309	$ 3,190,350	$ 101,607
Interest-bearing liabilities	3,150,675	65,320	2,827,021	61,270
Impact of capital	$ 384,652		$ 363,329	
Net interest income		$ 41,989		$ 40,337

	2026 Average Yield	2025 Average Yield
Yield on loans and investments	6.12%	6.42%
Cost of interest-bearing	4.18%	4.37%
Interest rate spread	1.94%	2.05%
Interest rate margin	2.40%	2.55%

	Six months ended June 30: 2026 vs. 2025 Increase (decrease) due to		
	Volume	Rate	Total
Interest income	$ 10,983	$ (5,281)	$ 5,702
Interest expense	7,014	(2,964)	4,050
Net interest income	$ 3,969	$ (2,317)	$ 1,652

The Association's return on average assets ("**ROA**") was 1.7% and 1.8% for the quarters ended June 30, 2026 and 2025, respectively, and 1.7% and 2.0% for the six months ended June 30, 2026 and 2025, respectively. The decrease was primarily due to lower patronage and insurance income, higher provision for loan losses, and increased IT service charges.

The Association's return on average equity was 12.2% and 12.1% for the quarters ended June 30, 2026 and 2025, respectively, and 12.2% and 13.6% for the six months ended June 30, 2026 and 2025, respectively. The slight increase for the three-month period was mainly due to higher net income, while the decrease for the six-month period was consistent with the ROA discussion 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 following schedule summarizes the Association's borrowings:

	June 30, 2026	December 31, 2025
Note payable to FCBT	$ 3,135,658	$ 3,173,111
Accrued interest on note payable	10,885	11,381
Total	$ 3,146,543	$ 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 $3,135,658 as of June 30, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.23 percent at June 30, 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, was $383,406 at June 30, 2026. The maximum amount the Association may borrow from FCBT as of June 30, 2026, was $3,539,278 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 $516,062 and $487,913 at June 30, 2026 and December 31, 2025, respectively, a $28,149 increase, which approximates current earnings less preferred stock dividends. The Association's debt as a percentage of members' equity was 6.20:1 as of June 30, 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 Unaudited Consolidated Financial Statements.* As of June 30, 2026, the Association exceeded all regulatory capital requirements.

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

Relationship With 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 for FCBT are also available on its 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)

	June 30, 2026 Unaudited	December 31, 2025 Audited
Assets		
Cash	$ 15	$ 6
Investments ($235,468 and $247,595, at fair value)	235,534	247,665
Loans	3,317,757	3,331,146
Less: ACL- Loans	(16,344)	(14,220)
Net loans	3,301,413	3,316,926
Accrued interest receivable	51,923	56,684
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	80,111	74,897
Other	14,999	25,355
Other property owned, net	-	45
Premises and equipment	24,761	24,759
Other assets	7,084	7,526
Total assets	$ 3,715,840	$ 3,753,863
Liabilities		
Note payable to the Farm Credit Bank of Texas	$ 3,135,658	$ 3,173,111
Advance conditional payments	35,199	28,724
Accrued interest payable	10,885	11,381
Patronage and dividends payable	1,150	36,174
Accrued postretirement benefit liability	6,613	6,565
Other liabilities	10,273	9,995
Total liabilities	3,199,778	3,265,950
Members' Equity		
Capital stock and participation certificates	4,094	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	342,820	314,762
Accumulated other comprehensive income	1,586	1,466
Total members' equity	516,062	487,913
Total liabilities and members' equity	$ 3,715,840	$ 3,753,863

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		For the six months ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Interest income				
Loans	$ 51,769	$ 48,316	$ 102,370	$ 96,202
Investments	2,387	2,739	4,939	5,405
Total interest income	54,156	51,055	107,309	101,607
Interest expense				
Note payable to the Farm Credit Bank of Texas	32,895	30,575	64,955	60,897
Advance conditional payments	204	225	365	373
Total interest expense	33,099	30,800	65,320	61,270
Net interest income	21,057	20,255	41,989	40,337
Provision for (reversal of) loan losses	283	2,335	2,081	2,148
Net interest income after provision for (reversal of) losses	20,774	17,920	39,908	38,189
Noninterest income				
Farm Credit Bank of Texas patronage income	5,702	6,093	11,030	12,170
Loan fees	432	499	941	998
Fees for financially related services	332	315	933	1,127
Other property owned	27	-	27	1
Other	1,029	693	3,403	2,187
Total noninterest income	7,522	7,600	16,334	16,483
Noninterest expenses				
Salaries and employee benefits	7,869	7,613	16,010	15,278
Directors' expense	98	79	201	155
Purchased services	1,319	219	2,605	1,039
Travel	585	453	1,080	877
Occupancy and equipment	816	549	1,413	1,098
Communication	103	87	184	183
Advertising	348	254	638	458
Public and member relations	324	301	789	752
Federally regulated examination fees	172	177	417	409
FCSIC insurance premiums	673	594	1,340	1,184
Other components of net periodic postretirement benefit cost	74	95	164	190
Other noninterest expense	521	414	1,038	820
Total noninterest expenses	12,902	10,835	25,879	22,443
Net income	15,394	14,685	30,363	32,229
Other comprehensive income (loss):				
Change in postretirement benefit plans	(8)	-	(16)	-
Change in fair value of available for sale investments	(477)	768	136	482
Total other comprehensive income (loss)	(485)	768	120	482
Comprehensive income	$ 14,909	$ 15,453	$ 30,483	$ 32,711

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 Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2024	$ 4,178	$ 80,000	$ 72,711	$ 14,851	$ 291,779	$ 39	$ 463,558
Comprehensive income	-	-	-	-	32,229	482	32,711
Capital stock/participation certificates:							
Issued	346	-	-	-	-	-	346
Retired	(420)	-	-	-	-	-	(420)
Preferred stock dividends:							
Paid or declared	-	-	-	-	(2,300)	-	(2,300)
Balance at June 30, 2025	$ 4,104	$ 80,000	$ 72,711	$ 14,851	$ 321,708	$ 521	$ 493,895
Balance at December 31, 2025	$ 4,123	$ 80,000	$ 72,711	$ 14,851	$ 314,762	$ 1,466	$ 487,913
Comprehensive income	-	-	-	-	30,363	120	30,483
Capital stock/participation certificates:							
Issued	358	-	-	-	-	-	358
Retired	(387)	-	-	-	-	-	(387)
Preferred stock dividends:							
Paid or declared	-	-	-	-	(2,300)	-	(2,300)
Patronage dividends:							
Paid or accrued	-	-	-	-	(5)	-	(5)
Balance at June 30, 2026	$ 4,094	$ 80,000	$ 72,711	$ 14,851	$ 342,820	$ 1,586	$ 516,062

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

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 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				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
June 30, 2026	$ 66	$ -	$ (3)	$ 63	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 contractual weighted average maturities of 5.59 years as of June 30, 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
June 30, 2026	$ 234,709	$ 1,360	$ (601)	$ 235,468	6.31%
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 June 30, 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	$ -	$ 4,954	$ 37,176	$ 193,338	$ 235,468
Amortized cost	-	4,930	36,978	192,801	234,709
Weighted average yield	0.00%	7.18%	7.13%	6.13%	6.31%

Note 3: Loans and allowance for credit loss (“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:

	June 30, 2026		December 31, 2025	
Loan Type	Amount	%	Amount	%
Real estate mortgage	$ 1,494,640	45.1%	$ 1,523,128	45.9%
Production and intermediate-term	1,418,873	42.8%	1,425,140	42.8%
Agribusiness	304,441	9.2%	283,279	8.5%
Communication	33,383	1.0%	31,409	0.9%
Energy	7,628	0.2%	7,835	0.2%
Water and waste water	3,156	0.1%	2,932	0.1%
Rural residential real estate	6,965	0.2%	7,139	0.2%
Agricultural export finance	17,574	0.5%	17,572	0.5%
Lease receivables	3,922	0.1%	4,448	0.1%
Mission-related investments	27,175	0.8%	28,264	0.8%
Total	$ 3,317,757	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 June 30, 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	$ 180,699	$ 345,819	$ 93,205	$ -	$ 273,904	$ 345,819
Production and intermediate-term	235,656	2,265,492	345	-	236,001	2,265,492
Agribusiness	212,751	43,073	557	-	213,308	43,073
Communication	33,383	-	-	-	33,383	-
Energy	7,628	-	-	-	7,628	-
Water and waste water	3,156	-	-	-	3,156	-
Agricultural export finance	17,574	-	-	-	17,574	-
Lease receivables	3,922	-	-	-	3,922	-
Mission-related investments	-	-	26,390	-	26,390	-
Total	$ 694,769	$ 2,654,384	$ 120,497	$ -	$ 815,266	$ 2,654,384

The Association is authorized under the Farm Credit Act to accept *advance conditional payments* ("**ACPs**") from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $45,512 and $47,233 at June 30, 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 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 June 30, 2026:

	Amortized Cost								
	Term Loans by Origination Year						Revolving	Revolving Loans	
	2026	2025	2024	2023	2022	Prior	Loans	Converted to Term	Total
Real estate mortgage									
Acceptable	$ 94,138	$ 221,354	$ 111,256	$ 105,352	$ 146,165	$ 685,158	$ 59,284	$ 13,171	$ 1,435,878
OAEM	-	3,056	-	14,730	5,920	11,315	2,066	1,354	38,441
Substandard/Doubtful	-	2,705	1,375	2,328	3,801	8,835	-	1,277	20,321
	94,138	227,115	112,631	122,410	155,886	705,308	61,350	15,802	1,494,640
Production and intermediate-term									
Acceptable	69,799	105,155	34,897	21,200	7,309	19,406	1,079,322	2,502	1,339,590
OAEM	1,601	1,543	2,076	160	-	280	29,915	-	35,575
Substandard/Doubtful	66	4,107	2,209	12,780	526	2,053	21,967	-	43,708
	71,466	110,805	39,182	34,140	7,835	21,739	1,131,204	2,502	1,418,873
Agribusiness									
Acceptable	35,848	55,873	21,579	13,403	25,782	25,893	114,526	302	293,206
OAEM	-	1,470	2,141	-	61	108	47	311	4,138
Substandard/Doubtful	496	-	-	3,036	1,772	-	1,090	703	7,097
	36,344	57,343	23,720	16,439	27,615	26,001	115,663	1,316	304,441
Communication									
Acceptable	1,341	4,017	4,383	12,022	1,279	4,961	908	-	28,911
OAEM	-	-	-	-	-	4,472	-	-	4,472
	1,341	4,017	4,383	12,022	1,279	9,433	908	-	33,383
Energy									
Acceptable	-	-	1,939	2,998	-	2,662	29	-	7,628
	-	-	1,939	2,998	-	2,662	29	-	7,628
Water and waste water									
Acceptable	1,532	-	-	1,624	-	-	-	-	3,156
	1,532	-	-	1,624	-	-	-	-	3,156
Rural home									
Acceptable	1,223	1,043	809	808	1,279	1,603	-	-	6,765
Substandard/Doubtful	-	-	200	-	-	-	-	-	200
	1,223	1,043	1,009	808	1,279	1,603	-	-	6,965
Agricultural export finance									
Acceptable	-	8,000	-	9,574	-	-	-	-	17,574
	-	8,000	-	9,574	-	-	-	-	17,574
Leases									
Acceptable	495	1,271	-	-	-	-	-	-	1,766
OAEM	-	-	-	1,331	-	825	-	-	2,156
	495	1,271	-	1,331	-	825	-	-	3,922
Mission related									
Acceptable	-	3,985	6,943	-	-	16,247	-	-	27,175
	-	3,985	6,943	-	-	16,247	-	-	27,175
Total									
Acceptable	204,376	400,698	181,806	166,981	181,814	755,930	1,254,069	15,975	3,161,649
OAEM	1,601	6,069	4,217	16,221	5,981	17,000	32,028	1,665	84,782
Substandard/Doubtful	562	6,812	3,784	18,144	6,099	10,888	23,057	1,980	71,326
	$ 206,539	$ 413,579	$ 189,807	$ 201,346	$ 193,894	$ 783,818	$ 1,309,154	$ 19,620	$ 3,317,757

Gross charge-offs during the six months ended June 30, 2026 are as follows:

	Amortized Cost								
	Gross Charge-offs by Origination Year							Revolving Loans	
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Converted to Term	Total
Real estate mortgage	$ -	$ -	$ -	$ 13	$ -	$ 64	$ -	$ -	$ 77
Production and intermediate-term	-	102	19	-	14	1	100	-	236
Total	$ -	$ 102	$ 19	$ 13	$ 14	$ 65	$ 100	$ -	$ 313

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

Gross charge-offs for year ended December 31, 2025 are as follows:

	Amortized Cost								
	Gross Charge-offs by Origination Year							Revolving Loans Converted to Term	
	2025	2024	2023	2022	2021	Prior	Revolving Loans		Total
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 $49,587 and $54,075 at June 30, 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 $26 and $203 for the six months ended June 30, 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.

	June 30, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	$ 6,086	$ 6,630
Production and intermediate-term	18,525	20,018
Agribusiness	-	47
Total nonaccrual loans	24,611	26,695
Accruing loans 90 days or more past due:		
Real estate mortgage	2,769	2,155
Production and intermediate-term	4,013	237
Mission-related investments	237	1,313
Accruing loans 90 days or more past due total	7,019	3,705
Other property owned	-	45
Total nonperforming assets	$ 31,630	$ 30,445
Nonaccrual loans as a percentage of total loans	0.7%	0.8%
Nonperforming assets as a percentage of total loans and other property owned	1.0%	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:

	June 30, 2026			Interest Income Recognized	
	Amortized Cost				
	With Allowance	Without Allowance	Total	For the three months ended June 30, 2026	For the six months ended June 30, 2026
Real estate mortgage	$ 1,966	$ 4,120	$ 6,086	$ -	$ 9
Production and intermediate-term	4,042	14,483	18,525	98	116
Total	$ 6,008	$ 18,603	$ 24,611	$ 98	$ 125

	December 31, 2025			Interest Income Recognized	
	Amortized Cost				
	With Allowance	Without Allowance	Total	For the three months ended June 30, 2025	For the six months ended June 30, 2025
Real estate mortgage	$ 1,960	$ 4,670	$ 6,630	$ 51	$ 52
Production and intermediate-term	5,457	14,561	20,018	35	46
Agribusiness	-	47	47	-	-
Total	$ 7,417	$ 19,278	$ 26,695	$ 86	$ 98

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

June 30, 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	$ 22,252	$ 7,451	$ 29,703	$ 1,464,937	$ 1,494,640
Production and intermediate-term	5,641	21,421	27,062	1,391,811	1,418,873
Agribusiness	-	-	-	304,441	304,441
Communication	-	-	-	33,383	33,383
Energy	-	-	-	7,628	7,628
Water and waste water	-	-	-	3,156	3,156
Rural residential real estate	200	-	200	6,765	6,965
Agricultural export finance	-	-	-	17,574	17,574
Lease receivables	-	-	-	3,922	3,922
Mission-related investments	1,748	237	1,985	25,190	27,175
Total	$ 29,841	$ 29,109	$ 58,950	$ 3,258,807	$ 3,317,757

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 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% of the Association's lending and leasing limit base but the Association's boards of directors have generally established more restrictive lending limits.

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

ACL-Loans	December 31, 2025	Chargeoffs	Recoveries	Provision	June 30, 2026
Real estate mortgage	$ 6,340	$ (77)	$ 1	$ (426)	$ 5,838
Production and intermediate-term	6,339	(236)	1,012	1,804	8,919
Agribusiness	1,307	-	-	75	1,382
Communication	124	-	-	(21)	103
Energy	5	-	-	-	5
Water and waste-water	5	-	-	-	5
Rural residential real estate	11	-	-	8	19
Agricultural export finance	13	-	-	-	13
Lease receivables	76	-	-	(16)	60
Mission-related investments	-	-	-	-	-
Total ACL- Loans	14,220	(313)	1,013	1,424	16,344
ACL-Unfunded Commitments					
Real estate mortgage	83	-	-	(12)	71
Production and intermediate-term	474	-	-	650	1,124
Agribusiness	207	-	-	18	225
Communication	9	-	-	(5)	4
Energy	-	-	-	-	-
Water and waste-water	1	-	-	-	1
Rural residential real estate	-	-	-	-	-
Agricultural export finance	5	-	-	6	11
Lease receivables	-	-	-	-	-
Mission-related investments	-	-	-	-	-
Total ACL-Unfunded Commitments	779	-	-	657	1,436
Total ACL	$ 14,999	$ (313)	$ 1,013	$ 2,081	$ 17,780

ACL- Loans	December 31, 2024	Chargeoffs	Recoveries	Provision	June 30, 2025
Real estate mortgage	$ 6,437	$ (72)	$ 4	$ (1,125)	$ 5,244
Production and intermediate-term	3,388	(2,249)	6	3,487	4,632
Agribusiness	1,614	(9)	-	(423)	1,182
Communication	78	-	-	(1)	77
Energy	7	-	-	(1)	6
Water and waste-water	15	-	-	(1)	14
Rural residential real estate	12	-	-	(2)	10
Agricultural export finance	10	-	-	(1)	9
Lease receivables	40	-	-	204	244
Mission-related investments	-	-	-	-	-
Total ACL- Loans	11,601	(2,330)	10	2,137	11,418
ACL- Unfunded Commitments					
Real estate mortgage	32	-	-	3	35
Production and intermediate-term	461	-	-	49	510
Agribusiness	168	-	-	(36)	132
Communication	6	-	-	(1)	5
Energy	-	-	-	-	-
Water and waste-water	4	-	-	(2)	2
Rural residential real estate	-	-	-	-	-
Agricultural export finance	5	-	-	(2)	3
Lease receivables	-	-	-	-	-
Mission-related investments	-	-	-	-	-
Total ACL-Unfunded Commitments	676	-	-	11	687
Total ACL	$ 12,277	$ (2,330)	$ 10	$ 2,148	$ 12,105

There were no loan modifications granted to borrowers experiencing financial difficulty during the six months ended June 30, 2026. Accordingly, the following table presents the amortized cost basis at the end of the respective reporting period for loan modifications during the six months ended June 30, 2025, disaggregated by loan type and type of modification granted.

	June 30, 2025	
	Term or Payment Extensions	Percent of Total Loans
Production and intermediate-term	$ 11,661	0.4%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six months ended June 30, 2026 and 2025 was $0 and $576, respectively.

The following table presents the financial effect of the modifications during the six months ended June 30, 2025:

June 30, 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 six months ended June 30, 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 June 30, 2026 and 2025:

June 30, 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	$ 189	$ -	$ -

June 30, 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	$ 11,661	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $0 at June 30, 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 capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association’s capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total	As of June 30, 2026	As of December 31, 2025
Risk-adjusted:					
Common equity tier 1 ratio	4.5%	2.5%	7.0%	9.5%	9.7%
Tier 1 capital ratio	6.0%	2.5%	8.5%	11.7%	11.9%
Total capital ratio	8.0%	2.5%	10.5%	12.2%	12.3%
Permanent capital ratio	7.0%	0.0%	7.0%	11.8%	12.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.0%	1.0%	5.0%	11.7%	11.8%
UREE leverage ratio	1.5%	0.0%	1.5%	9.0%	9.0%

Following are the amounts included in the calculation of the capital ratios as of June 30, 2026 and December 31, 2025:

	Regulatory Capital		Risk Weighted Assets/ Adjusted Average Total Assets	
	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
Risk-adjusted capital ratios				
Common equity tier 1 ratio	$ 345,297	$ 342,700	$ 3,625,545	$ 3,542,883
Tier 1 capital ratio	425,297	422,700	3,625,545	3,542,883
Total capital ratio	442,565	437,223	3,625,545	3,542,883
Permanent capital ratio	425,297	422,700	3,609,474	3,529,085
Non-risk-adjusted capital ratios				
Tier 1 leverage ratio	425,297	422,700	3,622,677	3,591,102
UREE leverage ratio	326,351	323,719	3,622,677	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 a 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 institution 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, 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:

June 30, 2026	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 271	$ -	$ -	$ 271
SBA pool securities	-	235,468	-	235,468

December 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
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:

June 30, 2026	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 2,400	$ 2,400

December 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
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 six months ended June 30:

	2026	2025
Service cost	$ 27	$ 36
Interest cost	180	190
Amortization of net actuarial loss	(16)	-
Net periodic benefit cost	$ 191	$ 226

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2026, was $6,613 and is included in "Accrued postretirement benefit liability" in the balance sheet. 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 (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association contributed $537 to the District's defined benefit pension plan in 2026. Pension plan funding expense was $269 and $336 for the six months ended June 30, 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 six months ended June 30, 2026 and 2025.

	Total	Unrealized Gain (loss) on SBA Pool Securities	Retirement Benefit Plans
AOCI at			
December 31, 2025	$ 1,466	$ 622	$ 844
SBA pool securities:			
Net change in unrealized gains	136	136	-
Retirement benefit plans:			
Amortization of net actuarial loss	(16)	-	(16)
AOCI at			
June 30, 2026	$ 1,586	$ 758	$ 828

	Total	Unrealized Gain (loss) on SBA Pool Securities	Retirement Benefit Plans
AOCI at			
December 31, 2024	$ 39	$ 27	$ 12
SBA pool securities:			
Net change in unrealized gains	482	482	-
AOCI at			
June 30, 2025	$ 521	$ 509	$ 12

Note 10: *Other Property Owned* ("OPO")

Revenues, expenses, gains and losses associated with OPO for the six months ended June 30, 2026 and 2025 are comprised as follow:

	June 30, 2026	June 30, 2025
Gain on sale	$ 27	$ -
Operating income (expense), net	-	1
Net gain (loss) on other property owned	$ 27	$ 1

Note 11: Segment Reporting

The Association's operations fall under one reportable segment. As per regulation and as discussed in Note 1, the Association's 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 six months ended June 30, 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 July 22, 2026, which is the date the CFS were issued or available to be issued, with no significant events to report.