AgTexas Farm Credit Services

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This report does not constitute a rating action.

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Ratings Score Snapshot

SACP: bbb

Anchor	bbb+	
Business position	Constrained	-2
Capital and earnings	Very strong	2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Holding company ICR
BBB/Stable/--

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Robust capital ratios	Highly concentrated geographic footprint
Stable access to low-cost matched funding through Farm Credit Bank of Texas	Concentrated exposure to agricultural sector
History of stable profitability	Limited scale compared with peers

AgTexas Farm Credit Services (AgTexas), an agricultural lender operating within the Farm Credit Bank of Texas (FCBT) district, has a history of stable operating performance. We expect the association's record of strong capital ratios and stable earnings, low credit losses, and access to low-cost FCBT funding to continue over the next two years.

AgTexas has concentrated loan exposures to the agricultural industry and very limited geographic diversity. Its limited geographic footprint in Texas and heavy concentration in the livestock and dairy sectors increase its risk from industry cyclicality. However, credit quality remains strong: Nonperforming assets (NPAs) are below 1% despite increasing recently, and net charge-offs (NCOs) have stayed under 10 basis points (bps) over the last five years. High levels of direct government payments to farmers in the form of supplemental and ad hoc disaster assistance and continued strong land values have supported this good credit quality.

Our ratings on AgTexas reflect its Farm Credit System (FCS) membership, which provides stable, low-cost funding through its FCBT credit line. AgTexas' credit line with the FCBT is its primary funding source. While we view on-balance-sheet liquidity as thin, we expect access to FCBT funding to remain secure. By match-funding loans with low-cost borrowings, the association largely neutralizes interest rate risk and maintains a stable net interest margin (NIM).

While AgTexas benefits from FCS membership, we assign no rating uplift for potential government support. We believe the likelihood of direct U.S. government intervention during financial stress is low because AgTexas' role is of limited importance to the government since another entity could assume its business, and there is no precedent for such direct support to an association.

Outlook

The stable outlook indicates S&P Global Ratings' expectation that the association will maintain a very strong capital position, including an S&P Global Ratings risk-adjusted capital (RAC) ratio above 15%, good loan performance, and access to low-cost funding from the FCBT over at least the next two years.

Downside scenario

We could lower the ratings if AgTexas' RAC ratio declines below 15% on a sustained basis, asset quality deteriorates meaningfully, or in the unlikely event the association were to lose its access to low-cost funding from the FCBT. However, we think it is very unlikely that AgTexas would lose its FCBT funding.

Upside scenario

While less likely over the next two years, we could raise our ratings if AgTexas expands its geographic reach and further diversifies its loan portfolio while maintaining a very strong RAC ratio.

Anchor: Equal To That Of U.S. Banks

Our starting point--or anchor--for our rating on AgTexas is 'bb+', in line with that for other U.S. companies that we rate under our nonbank financial institutions criteria. Because of AgTexas' public policy role, access to government-related entity (GRE) funding, and its regulated status, we raise its anchor to 'bbb+', three notches above our anchor for other finance companies and equal to that of U.S. banks. This is to account for the Farm Credit Administration's regulatory oversight and the association's favorable funding through its position in the FCS.

Business Position: Limited Geographic Reach And Concentrated Agricultural Industry Exposure Act As Constraints

AgTexas' limited geographic footprint in Texas and its concentration in agriculture, particularly to livestock and dairy, are only partially offset by in its service territory market share and reasonable revenue diversification.

AgTexas operates through two subsidiaries, AgTexas PCA (PCA) and AgTexas FCLA (FCLA), offering loans, lease programs, insurance programs, and treasury management services. PCA provides short- and intermediate-term agricultural production loans, while FCLA specializes in secured long-term agricultural real estate and rural home mortgages.

We think AgTexas' experienced management and organic growth strategy supports its stability. AgTexas has a history of solid loan performance, consistent earnings, and low credit losses.

AgTexas operates in 43 counties, primarily in the Texas Panhandle but also in the Central and South Plains regions, which together comprise about 75% its loans. The rest consists of loans primarily in other Texas counties and to a lesser extent participations in other FCS entities around the U.S., providing some geographic diversification. While its charter limits operations to Texas and the agricultural industry, we view this concentration somewhat negatively due to the potential for volatility in agricultural commodities.

Capital And Earnings: Earnings Support Very Strong Capital Ratios

AgTexas' stable profitability and strong regulatory capital ratios support its capital and earnings, in our view. We expect its RAC ratio (14.4% at mid-year 2026) to rebound to over 15% over the next 12 months. Due to patronage being distributed by AgTexas to its members toward the end of each year, capital ratios have typically been strongest in the second and third quarters of the year with seasonal weakness at year-end.

Although its Tier 1 capital ratio fell around 1 percentage point year-over-year to 11.7% as of June 30, 2026, we anticipate solid earnings, modest organic annual loan growth, and consistent patronage levels (about 50% of earnings) will drive a recovery. Additionally, AgTexas can manage capital via guarantees, increased loan sales, and FCBT participation pools (a specialized financial structure to buy, package, and share large scale agricultural and rural infrastructure loans with other lending institutions).

We expect AgTexas' earnings to remain healthy, with revenue growth aligned with loan growth, well-managed expenses and provisions, and stable net interest margins. Stable earnings are further supported by significant noninterest income, which accounted for around 28% of total revenue in the first six months of 2026 (near its 30% historical average). About 68% of this noninterest income stemmed from patronage dividends related to AgTexas' direct note balance with the FCBT and the amount of loan volume it sold to its funding bank.

'While its co-op structure means earnings aren't the sole objective, AgTexas maintains healthy profitability, with a return on average assets (ROAA) of 1.6% in the first half of 2026. The efficiency ratio rose to approximately 44% in the first half of 2026-- from its historical average of 39%-- primarily due to increased spending on purchased services, mainly technology.

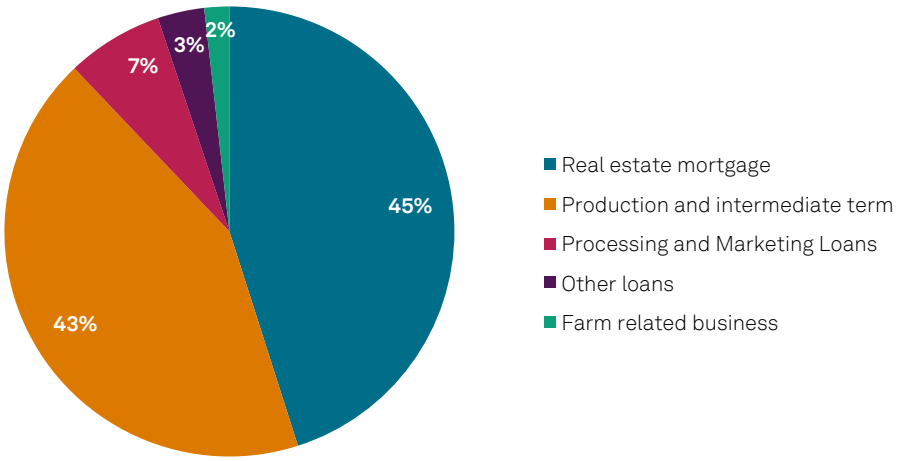
Given AgTexas' stable earnings, conservative financial policies, moderate expected loan growth, and capital management levers, we believe it can maintain its current patronage policy without straining capital ratios. The association pays members approximately 50% of annual earnings in cash patronage plus allocated surplus, having moved away from stock patronage since 2021.

The primary driver for moving toward all-cash patronage models and away from retaining profits as stock patronage centers on enhancing local liquidity by lowering an effective borrower member's effective interest rate upfront, which provides member-owners with liquidity they need to recover any resulting tax liability and immediate capital to reinvest into their operations. However, to remain competitive with peers, AgTexas may eventually resume paying a portion of its patronage in stock.

Risk Position: Solid Credit Quality With Agricultural Loan Concentration

AgTexas' risk position benefits from its long history of low credit losses and conservative lending, though its agricultural focus and limited geographic diversity increase its susceptibility to regional or sector volatility. Major exposures include livestock (36%) and dairy (16%). To mitigate these concentration risks, the association uses stress testing and exposure limits as a percentage of capital to assess and limit exposures. To date, no material losses or limit violations have occurred.

AgTexas Farm Credit Services--Loan composition as of June 30, 2026



Source: S&P Global Ratings. Data sourced from AgTexas Farm Credit Services' June 2026 Call Report.

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AgTexas continues to have good asset quality despite an increase in NPAs to 0.95% as of June 30, 2026 (from 0.91% at year-end 2025 and 0.27% at year-end 2024). The increase was due to an increase in nonaccrual loans from credit quality deterioration impacting a limited number of borrowers. However, credit losses remain minimal with AgTexas' NCO ratio improving to 0.04% in first-half 2026 from 0.07% in 2025 and averaging just 0.01% over the past five years.

Continued low charge-offs despite a rise in NPAs is supported by the low overall debt to assets ratio in the agricultural sector and the fact that roughly half of the association's loans are

secured by farmland, which has remained relatively stable following strong post-pandemic appreciation. These metrics continue to compare favorably with rated peers like Capital Farm Credit, American AgCredit, and Compeer Financial.

We believe AgTexas faces little asset sensitivity risk due to the matched funding provided through its general funding agreement (GFA) with FCBT, which significantly reduces the likelihood of asset-liability mismatches.

Funding And Liquidity: Stable, Though Concentrated Access To Low-Cost Matched Funding

In our view, AgTexas' funding and liquidity are sufficient for its short- and long-term needs. As a FCBT district member, AgTexas meets all funding needs through a single wholesale note with the FCBT, governed by a three-year term GFA. This is AgTexas' sole source of funding and is accessible by complying monthly with certain performance covenants and submission of a borrowing base. While this funding source is concentrated, we believe risk of disruption is low given AgTexas' strong historical loan performance and consistent GFA compliance.

We view AgTexas' liquidity less favorably than some peers due to its limited on-balance-sheet liquidity, characterized by minimal cash balances and a small investment portfolio. As of June 30, 2026, the investment portfolio--primarily made up of Small Business Administration (SBA) securities--totaled 7.8% of total assets. This limited on-balance-sheet liquidity is reflected in our calculation of its broad liquid assets to short-term wholesale funding ratio, which has historically been very low and was 0.23x as of June 30, 2026.

While we expect AgTexas to maintain low on-balance-sheet liquidity, we believe its GFA with FCBT provides sufficient liquidity. AgTexas' GFA with the FCBT was recently renewed for three years through Sept. 30, 2029, with its direct note commitment at $4.15 billion.

Support: No Uplift For Likelihood Of Government Support

While our rating incorporates the funding benefits AgTexas receives as an FCS member, we think the likelihood is low of the U.S. federal government providing direct extraordinary support to AgTexas in the event of financial distress.

Our assessment is AgTexas' role is of limited importance to the federal government, creating a limited government link. Its members privately own AgTexas and the government has no history of providing direct extraordinary government support to similar associations. Therefore, the issuer credit rating does not incorporate any uplift for extraordinary government support.

Climate And Other Evolving Factors

AgTexas' climate and other evolving factors are overall neutral to our rating. Social factors are a credit positive. As an association in the FCS, AgTexas benefits from low-cost funding to support rural communities and agriculture. Its cooperative structure prioritizes access and benefits for its member-owners and leads it to maintain strong risk-adjusted capital with less focus on short-term profitability. However, these benefits are offset by climate-related risks, such as weather and drought, on its members.

Additional Rating Factors

We rate AgTexas' preferred shares 'BB' (three notches below the issuer credit rating due to deferral and noncoupon payment risk, plus one notch for structural subordination).

Key Statistics

AgTexas Farm Credit Services Key Figures

Mil. $	2026*	2025	2024	2023	2022
Adjusted assets	3,716	3,754	3,420	3,265	2,996
Customer loans (gross)	3,318	3,331	3,045	2,921	2,747
Adjusted common equity§	436	408	384	350	320
Operating revenues	58	113	114	108	105
Noninterest expenses	26	45	41	42	41
Core earnings	28	60	68	58	57

*2026 data is for the 6 months to end-June. §Adjusted common equity, incorporates updates to "Risk-Adjusted Capital Framework Methodology" effective May 5, 2026, but applied as of Dec. 31, 2025. Calculations reflect S&P Global Ratings' adjustments to reported figures.

AgTexas Farm Credit Services Business Position

(%)	2026*	2025	2024	2023	2022
Return on average common equity	13.3	15.2	18.4	17.3	18.5

*2026 data is for the 6 months to end-June. N.M.--Not meaningful.

AgTexas Farm Credit Services Capital And Earnings

(%)	2026*	2025	2024	2023	2022
Tier 1 capital ratio	11.7	11.9	12.7	12.7	12.6
S&P Global Ratings' RAC ratio before diversification	14.4	13.7	14.5	14.0	14.3
Adjusted common equity/total adjusted capital	84.5	83.6	82.7	81.4	80.0
Net interest income/operating revenues	72.0	72.6	71.3	70.4	63.2
Fee income/operating revenues	3.2	4.4	4.6	7.8	9.6
Market-sensitive income/operating revenues	--	0.2	0.5	0.1	0.2
Cost to income ratio	44.4	39.9	36.1	38.7	39.4
Preprovision operating income/average assets	1.7	1.9	2.2	2.1	2.2
Core earnings/average managed assets	1.5	1.7	2.0	1.9	1.9

*2026 data is for the 6 months to end-June. N.M.--Not meaningful.

AgTexas Farm Credit Services Risk Position

(%)	2026*	2025	2024	2023	2022
Growth in customer loans	(0.8)	9.4	4.3	6.3	1.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	45.9	45.9	46.0	48.9	49.7
Total managed assets/adjusted common equity (x)	8.5	9.2	8.9	9.3	9.4
New loan loss provisions/average customer loans	0.1	0.2	0.0	0.1	0.0
Net charge-offs/average customer loans	0.0	0.1	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	1.0	0.9	0.3	0.3	1.2

AgTexas Farm Credit Services Risk Position

Loan loss reserves/gross nonperforming assets	51.7	46.8	143.1	123.5	24.6

*2026 data is for the 6 months to end-June.

AgTexas Farm Credit Services Funding And Liquidity

(%)	2026*	2025	2024	2023	2022
Long-term funding ratio	71.6	71.4	71.6	71.5	71.5
Stable funding ratio	74.6	74.1	74.0	74.1	72.2
Short-term wholesale funding/funding base	33.0	33.0	33.0	33.0	33.0
Broad liquid assets/short-term wholesale funding (x)	0.2	0.2	0.2	0.2	0.2
Broad liquid assets/total assets	6.3	6.6	6.3	5.8	4.3
Short-term wholesale funding/total wholesale funding	32.2	32.2	32.1	32.1	32.0

*2026 data is for the 6 months to end-June. N.M.--Not meaningful.

Rating Component Scores

Issuer Credit Rating	BBB/Stable/--
SACP	bbb
Anchor	bbb+
Business position	Constrained (-2)
Capital and earnings	Very Strong (2)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital Methodology And Assumptions, Oct. 13, 2025
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- U.S. Government Support To Agricultural Sector, Strong Land Values To Keep Farm Credit System Steady, Sept. 23, 2026
- AgTexas Farm Credit Services, Nov. 13, 2025
- Federal Farm Credit Banks, Nov. 13, 2025

Ratings Detail (as of September 09, 2026)*

AgTexas Farm Credit Services	
Issuer Credit Rating	BBB/Stable/--
Preferred Stock	BB
Issuer Credit Ratings History	
23-Sep-2021	BBB/Stable/--
Sovereign Rating	
United States	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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