

**PLAINS LAND BANK, FLCA**

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**2025  
Quarterly Report  
First Quarter**



**For the Quarter Ended March 31, 2025**

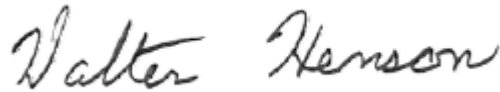
## REPORT OF MANAGEMENT

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.

There are no significant changes in the Association's internal controls over financial reporting or in other factors that could significantly affect such controls during the quarter.



Kay Lynn McLaughlin, Chief Executive Officer  
*May 8, 2025*



Walter "Rusty" Henson, Chairman, Board of Directors  
*May 8, 2025*



Brooke Alvis, Chief Financial Officer  
*May 8, 2025*

# *First Quarter 2025 Financial Report*

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## **PLAINS LAND BANK, FLCA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of the Plains Land Bank, FLCA, referred to as the Association, for the quarter ended March 31, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024, Annual Report to Stockholders.

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

The financial statements comprise the operations of the FLCA. The financial statements were prepared under the oversight of the Association's audit committee.

### **Significant Events:**

In January 2025, a patronage of \$10,000,000 was declared. An adjustment of \$63 was made, and \$10,000,063 was subsequently disbursed in March 2025.

### **Conditions in the Texas District:**

The Texas District continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of financial and macroeconomic volatility. Despite the challenging operating environment, credit quality in the Texas District has remained strong. Risk factors such as high production costs, elevated cost of debt and trade uncertainty are paramount drivers of credit quality.

Trade uncertainty has been rattling the markets with the United States announcing the imposition of tariffs on all imports. Retaliatory measures have been taken by certain countries and negotiations are taking place. On April 9, 2025, the Administration announced a 90-day suspension of additional tariffs beyond the base 10 percent tariff applicable to all countries. The tariff suspension did not apply to China and duties were hiked to 125 percent. For Canada and Mexico, goods covered by the U.S., Canada and Mexico trade agreement will continue to have preferential treatment.

The percentage change in the Consumer Price Index for All Urban Consumers decelerated for a second consecutive month in March to 2.4 percent and was similarly down from 3.5 percent year-over-year (YoY). Inflation remains persistently above the Federal Reserve's long-term target of approximately 2.0 percent but has made significant progress from the peak of 9.1 percent reached in 2022. The target federal funds range was unchanged at 4.25 – 4.50 percent during the January and March 2025 meetings of the Federal Open Market Committee (FOMC), but the target range has decreased by 1.0 percent YoY.

On March 27, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the fourth quarter of 2024. Real GDP increased at an annual rate of 2.4 percent, down from 3.1 percent during the previous quarter and down from 3.2 percent during the year-ago period. The deceleration in real GDP in the fourth quarter of 2024 primarily reflected downturns in investments and exports that were partially offset by an increase in consumer spending. Within the Texas District, the fourth quarter 2024 annualized real GDP growth rate ranged from a low of 2.6 percent in New Mexico to a high of 4.2 percent in Mississippi. Texas' real GDP grew at an annual rate of 3.5 percent in the fourth quarter, above the national average of 2.4 percent. In general, real GDP growth decelerated in the Texas District over the fourth quarter of 2024.

The Bureau of Labor Statistics announced on April 4, 2025, that the U.S. unemployment rate was 4.2 percent in March 2025, ticking up from the prior quarter (4.1 percent) and higher than a year ago (3.9 percent). The March 2025 state unemployment rates in the Texas District ranged from a low of 3.3 percent in Alabama to a high of 4.4 percent in Louisiana. The Texas unemployment rate remained steady at 4.1 percent month-over-month (MoM) in February 2025. Overall, unemployment rates in the Texas District remain relatively stable, increasing quarter-over-quarter (QoQ) only in Mississippi.

In terms of relevant Texas District commodities, the quarterly average spot price of West Texas Intermediate crude oil increased QoQ by about 1.5 percent, reflecting high fuel demand driven by the winter heating season and by colder than normal temperatures, while YoY the price decreased by about 7.0 percent. The March 2025 S&P Global Agricultural Commodity Price Watch (S&P Global) estimated that the U.S. average farm prices of key Texas District crops (e.g., corn, soybeans and wheat) increased in the first quarter of 2025, while cotton prices declined. Quarterly average livestock prices (e.g., steers, barrows/gilts and broilers) were estimated to have increased QoQ and YoY in March 2025, as demand remained historically strong and supply was tight. Regarding dairy prices, the quarterly average farm level milk price was estimated to have decreased QoQ by less than 5.0 percent but increased YoY by more than 10.0 percent. S&P Global similarly reported that the U.S. egg supply is recovering from the avian flu outbreaks, but sustained production growth is needed for price normalization. In terms of lumber, the quarterly average front-month random length lumber futures prices increased QoQ and YoY.

On March 31, 2025, the U.S. Department of Agriculture released its 2025 Farm Prospective Plantings report, the first official survey-based estimates of U.S. farmers' planting intentions in 2025. Per the report, prospective plantings are mixed across the Texas District. Corn planting intentions are up YoY in all Texas District states from 13 percent in Louisiana to 41 percent in Mississippi, compared

to a 5 percent increase for the U.S. Change in wheat planted area for the Texas District is minimal and in line with the rest of the U.S. Planting intentions for cotton are down in all Texas District states from 8 percent in Texas to 39 percent in New Mexico, compared to a 12 percent decrease for the U.S. The Texas District is a major cotton grower, representing more than 50 percent of the U.S. cotton production. These estimates are derived via a survey of farmers' intentions and are subject to change throughout the season.

The combined Drought Monitor for the five Texas District states as of March 25, 2025, indicates that drought conditions categorized as severe, extreme and exceptional more than doubled from the prior quarter, reaching about 39 percent. Additionally, drought in these three categories was about three times greater than the year-ago period.

The Texas District's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Texas District's borrowers primarily rely on non-farm sources of income to repay their loans.

#### Loan Portfolio:

Total loans outstanding at March 31, 2025, including nonaccrual loans and sales contracts, were \$1,122,626,274 compared to \$1,090,802,146 at December 31, 2024, reflecting an increase of 2.9 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.1 percent at March 31, 2025, compared to 0.2 percent at December 31, 2024.

The Association recorded \$13,746 in recoveries and \$60,562 in charge-offs for the quarter ended March 31, 2025. No recoveries and \$13,746 in charge-offs were recorded for the same period in 2024. The Association's allowance for credit losses on loans was 0.2 percent outstanding as of March 31, 2025, and December 31, 2024.

#### Risk Exposure:

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

	High-Risk Assets			
	March 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Nonaccrual	\$ 917,262	43.6%	\$ 2,104,362	100.0%
90 days past due and still accruing interest	1,188,352	56.4%	-	0.0%
<b>Total</b>	<b>\$ 2,105,614</b>	<b>100.0%</b>	<b>\$ 2,104,362</b>	<b>100.0%</b>

#### Results of Operations:

The Association had net income of \$6,387,080 for the three months ended March 31, 2025, as compared to net income of \$5,466,879 for the same period in 2024, reflecting an increase of \$920,201, or 16.8 percent, primarily due to an increase in net interest income. Net interest income was \$8,008,469 for the three months ended March 31, 2025, compared to \$7,278,814 for the same period in 2024.

	Three Months Ended			
	March 31, 2025		March 31, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,113,187,227	\$ 17,723,979	\$ 1,037,419,510	\$ 16,038,645
Interest-bearing liabilities	970,845,460	9,715,510	901,670,060	8,759,831
Impact of capital	\$ 142,341,767		\$ 135,749,450	
Net interest income		<b>\$ 8,008,469</b>		<b>\$ 7,278,814</b>
	2025		2024	
	Average Yield		Average Yield	
Yield on loans	6.46%		6.22%	
Cost of interest-bearing liabilities	4.06%		3.91%	
Interest rate spread	2.40%		2.31%	
Net interest income as a percentage of average earning assets	2.92%		2.82%	

**Three Months Ended**  
**March 31, 2025 vs. March 31, 2024**

	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 1,162,048	\$ 523,286	\$ 1,685,334
Interest expense	666,927	288,752	955,679
Net interest income	<u>\$ 495,121</u>	<u>\$ 234,534</u>	<u>\$ 729,655</u>

Interest income for the three months ended March 31, 2025, increased by \$1,685,334, or 10.5 percent, from the same period of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three months ended March 31, 2025, increased by \$955,679, or 10.9 percent, from the same period of 2024 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the first quarter of 2025 was \$1,113,187,227, compared to \$1,037,419,510 in the first quarter of 2024. The average net interest rate spread on the loan portfolio for the first quarter of 2025 was 2.40 percent, compared to 2.31 percent in the first quarter of 2024.

The Association's return on average assets for the three months ended March 31, 2025, was 2.22 percent compared to 2.03 percent for the same period in 2024. The Association's return on average equity for the three months ended March 31, 2025, was 14.19 percent, compared to 13.05 percent for the same period in 2024.

**Liquidity and Funding Sources:**

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

	March 31, 2025	December 31, 2024
Note payable to the Bank	\$ 977,019,731	\$ 955,638,863
Accrued interest on note payable	3,382,800	3,250,966
Total	<u>\$ 980,402,531</u>	<u>\$ 958,889,829</u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2025. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$977,019,731 as of March 31, 2025, is recorded as a liability on the Association's Balance Sheet. The note carried a weighted average interest rate of 4.06 percent at March 31, 2025. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to the Association's increase in accrual loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$144,956,100 at March 31, 2025. The maximum amount the Association may borrow from the Bank as of March 31, 2025, was \$1,140,638,374 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The Association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the Association was 2.00 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Association increased to 2.50 percent of the average borrowings from the Bank, annualized semi-annually. This resulted in an increased investment in the Bank of \$5,578,305 in March 2025.

**Capital Resources:**

The Association's capital position decreased by \$3,603,654 at March 31, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 5.43:1 as of March 31, 2025, compared to 5.16:1 as of December 31, 2024.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2025, 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 financial position and results of operations and for critical accounting policies.

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

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2024 Annual Report of Association more fully describe the Association's relationship with the Bank.

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Plains Land Bank, FLCA, 600 S. Tyler St., Suite 700, Amarillo, Texas 79101 or calling (806) 331-0926. The annual and quarterly stockholder reports for the Association are also available on its website at [www.plainslandbank.com](http://www.plainslandbank.com). Copies of the Association's quarterly stockholder reports can also be requested by e-mailing [kmclaughlin@plainslandbank.com](mailto:kmclaughlin@plainslandbank.com).

PLAINS LAND BANK, FLCA

BALANCE SHEETS

	<b>March 31, 2025</b>	December 31, 2024
	<b>(unaudited)</b>	
<b><u>ASSETS</u></b>		
Cash	\$ 11,942	\$ 10,665
Loans	1,122,626,274	1,090,802,146
Less: allowance for credit losses on loans	<u>2,580,265</u>	<u>2,665,538</u>
Net loans	1,120,046,009	1,088,136,608
Accrued interest receivable	24,531,848	31,108,121
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	26,605,756	21,052,161
Other	1,430,023	6,895,375
Premises and equipment, net	2,787,603	2,782,943
Other assets	<u>1,888,748</u>	<u>293,045</u>
Total assets	<u>\$ 1,177,301,929</u>	<u>\$ 1,150,278,918</u>
<b><u>LIABILITIES</u></b>		
Note payable to the Farm Credit Bank of Texas	\$ 977,019,731	\$ 955,638,863
Accrued interest payable	3,382,800	3,250,966
Drafts outstanding	284,604	751,536
Other liabilities	<u>13,608,194</u>	<u>4,027,299</u>
Total liabilities	<u>994,295,329</u>	<u>963,668,664</u>
<b><u>MEMBERS' EQUITY</u></b>		
Capital stock and participation certificates	2,491,875	2,478,720
Unallocated retained earnings	180,338,685	183,951,668
Accumulated other comprehensive income	<u>176,040</u>	<u>179,866</u>
Total members' equity	<u>183,006,600</u>	<u>186,610,254</u>
Total liabilities and members' equity	<u>\$ 1,177,301,929</u>	<u>\$ 1,150,278,918</u>

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended	
	March 31,	
	2025	2024
<b><u>INTEREST INCOME</u></b>		
Loans	\$ 17,723,979	\$ 16,038,645
<b><u>INTEREST EXPENSE</u></b>		
Note payable to the Farm Credit Bank of Texas	9,715,510	8,759,831
Net interest income	<u>8,008,469</u>	<u>7,278,814</u>
<b><u>(CREDIT LOSS REVERSAL) PROVISION FOR CREDIT LOSSES</u></b>	<u>(39,833)</u>	<u>29,556</u>
Net interest income after (credit loss reversal) provision for credit losses	<u>8,048,302</u>	<u>7,249,258</u>
<b><u>NONINTEREST INCOME</u></b>		
Income from the Farm Credit Bank of Texas:		
Patronage income	860,019	762,633
Loan fees	58,396	45,461
Financially related services income	2,185	1,874
Other noninterest income	308,390	162,071
Total noninterest income	<u>1,228,990</u>	<u>972,039</u>
<b><u>NONINTEREST EXPENSES</u></b>		
Salaries and employee benefits	1,594,350	1,549,596
Directors' expense	128,731	158,284
Purchased services	226,309	172,044
Travel	62,004	77,351
Occupancy and equipment	165,760	133,614
Communication	26,368	28,059
Advertising	112,687	106,095
Public and member relations	84,275	100,714
Supervisory and exam expense	103,229	97,280
Insurance fund premiums	318,896	285,041
Other noninterest expense	67,603	46,340
Total noninterest expenses	<u>2,890,212</u>	<u>2,754,418</u>
<b>NET INCOME</b>	<u>6,387,080</u>	<u>5,466,879</u>
Other comprehensive income:		
Change in postretirement benefit plans	<u>(3,826)</u>	<u>(8,657)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 6,383,254</u>	<u>\$ 5,458,222</u>

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Unallocated Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance at December 31, 2023	\$ 2,351,245	\$ 169,804,879	\$ 247,598	\$ 172,403,722
Comprehensive income (loss)	-	5,466,879	(8,657)	5,458,222
Capital stock/participation certificates issued	68,235	-	-	68,235
Capital stock/participation certificates retired	(48,140)	-	-	(48,140)
Patronage cash dividends	-	(9,498,352)	-	(9,498,352)
Balance at March 31, 2024	<u>\$ 2,371,340</u>	<u>\$ 165,773,406</u>	<u>\$ 238,941</u>	<u>\$ 168,383,687</u>
Balance at December 31, 2024	\$ 2,478,720	\$ 183,951,668	\$ 179,866	\$ 186,610,254
Comprehensive income (loss)	-	6,387,080	(3,826)	6,383,254
Capital stock/participation certificates issued	103,400	-	-	103,400
Capital stock/participation certificates retired	(90,245)	-	-	(90,245)
Patronage cash dividends	-	(10,000,063)	-	(10,000,063)
<b>Balance at March 31, 2025</b>	<u><b>\$ 2,491,875</b></u>	<u><b>\$ 180,338,685</b></u>	<u><b>\$ 176,040</b></u>	<u><b>\$ 183,006,600</b></u>

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

**PLAINS LAND BANK, FLCA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

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

The Plains Land Bank, FLCA (Federal Land Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, the southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltrie, Oldham, Potter, Randall, and Roberts in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with 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, 2024, as contained in the 2024 Annual Report to Stockholders.

In the opinion of management, the accompanying unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods and confirm with GAAP, except for the inclusion of a statement of cash flows. GAAP requires 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 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 these financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Stockholders. 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, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

**Recently Adopted or Issued Accounting Pronouncements**

There have been no recently adopted or issued accounting pronouncements that are expected to have a material impact on the Association's financial condition, results of operations, or cash flows. Refer to Note 2, "Summary of Significant Accounting Policies," in the 2024 Annual Report to Stockholders for disclosures of previously issued and adopted accounting pronouncements.

**NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:**

A summary of loans follows:

<u>Loan Type</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage	\$ 991,576,814	\$ 963,970,782
Agribusiness:		
Processing and marketing	44,955,948	43,699,073
Farm-related business	13,263,524	13,864,019
Loans to cooperatives	7,819,033	4,572,329
Rural residential real estate	19,934,404	19,817,453
Energy	13,671,541	14,108,306
Communication	12,650,967	12,698,681
Production and intermediate-term	12,394,767	11,429,533
International	4,664,983	4,930,276
Water and wastewater	1,694,293	1,711,694
Total	<u>\$ 1,122,626,274</u>	<u>\$ 1,090,802,146</u>

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

The following table presents information regarding the balances of participations purchased and sold at March 31, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Agribusiness	\$ 45,669,381	\$ -	\$ -	\$ -	\$ 45,669,381	\$ -
Energy	13,671,541	-	-	-	13,671,541	-
Communication	12,650,967	-	-	-	12,650,967	-
Production and intermediate-term	12,394,767	-	-	-	12,394,767	-
Real estate mortgage	10,342,846	39,577,703	5,628,404	-	15,971,250	39,577,703
International	4,664,983	-	-	-	4,664,983	-
Water and wastewater	1,694,293	-	-	-	1,694,293	-
Rural residential real estate	393,621	481,325	-	-	393,621	481,325
Total	\$ 101,482,399	\$ 40,059,028	\$ 5,628,404	\$ -	\$ 107,110,803	\$ 40,059,028

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 \$6,122,208 and \$6,319,844 at March 31, 2025, and December 31, 2024, respectively.

### Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in the Association’s outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, associations that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional 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 amortized cost loan balance as of March 31, 2025:

March 31, 2025	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans Amortized	Total
	2025	2024	2023	2022	2021	Prior	Basis	Cost Basis	
<b>Real estate mortgage</b>									
Acceptable	\$ 66,226,409	\$ 143,198,194	\$ 120,389,997	\$ 136,332,565	\$ 147,872,089	\$ 306,131,550	\$ 46,952,152	\$ 4,262,245	\$ 971,365,201
OAEM	3,014,804	3,127,570	869,364	625,013	-	3,528,476	-	227,695	11,392,922
Substandard/Doubtful	-	-	1,800,165	1,445,427	2,804,656	2,302,895	98,919	366,629	8,818,691
	<u>\$ 69,241,213</u>	<u>\$ 146,325,764</u>	<u>\$ 123,059,526</u>	<u>\$ 138,403,005</u>	<u>\$ 150,676,745</u>	<u>\$ 311,962,921</u>	<u>\$ 47,051,071</u>	<u>\$ 4,856,569</u>	<u>\$ 991,576,814</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ 60,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,562
<b>Agribusiness</b>									
Acceptable	\$ 794,432	\$ 4,252,092	\$ 8,317,347	\$ 17,899,364	\$ 6,794,994	\$ 9,491,595	\$ 14,775,354	\$ -	\$ 62,325,178
OAEM	-	-	-	2,386,963	-	-	759,954	-	3,146,917
Substandard/Doubtful	-	-	-	-	-	566,410	-	-	566,410
	<u>\$ 794,432</u>	<u>\$ 4,252,092</u>	<u>\$ 8,317,347</u>	<u>\$ 20,286,327</u>	<u>\$ 6,794,994</u>	<u>\$ 10,058,005</u>	<u>\$ 15,535,308</u>	<u>\$ -</u>	<u>\$ 66,038,505</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Rural residential real estate</b>									
Acceptable	\$ 225,445	\$ 3,856,044	\$ 1,505,402	\$ 3,630,748	\$ 2,948,523	\$ 6,913,645	\$ -	\$ -	\$ 19,079,807
OAEM	-	-	-	-	356,118	498,479	-	-	854,597
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 225,445</u>	<u>\$ 3,856,044</u>	<u>\$ 1,505,402</u>	<u>\$ 3,630,748</u>	<u>\$ 3,304,641</u>	<u>\$ 7,412,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,934,404</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Energy</b>									
Acceptable	\$ -	\$ -	\$ 1,998,309	\$ -	\$ -	\$ 11,530,170	\$ 143,062	\$ -	\$ 13,671,541
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,998,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,530,170</u>	<u>\$ 143,062</u>	<u>\$ -</u>	<u>\$ 13,671,541</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Communication</b>									
Acceptable	\$ -	\$ 4,645,914	\$ 3,448,279	\$ 1,378,112	\$ -	\$ 3,178,662	\$ -	\$ -	\$ 12,650,967
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,645,914</u>	<u>\$ 3,448,279</u>	<u>\$ 1,378,112</u>	<u>\$ -</u>	<u>\$ 3,178,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,650,967</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Production and Intermediate-term</b>									
Acceptable	\$ 213,237	\$ -	\$ -	\$ -	\$ -	\$ 670,085	\$ 11,511,445	\$ -	\$ 12,394,767
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 213,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,085</u>	<u>\$ 11,511,445</u>	<u>\$ -</u>	<u>\$ 12,394,767</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>International</b>									
Acceptable	\$ -	\$ -	\$ 4,414,121	\$ -	\$ -	\$ -	\$ 250,862	\$ -	\$ 4,664,983
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,414,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,862</u>	<u>\$ -</u>	<u>\$ 4,664,983</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Water and wastewater</b>									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ 1,677,615	\$ -	\$ 16,678	\$ -	\$ 1,694,293
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,677,615</u>	<u>\$ -</u>	<u>\$ 16,678</u>	<u>\$ -</u>	<u>\$ 1,694,293</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Loans</b>									
Acceptable	\$ 67,459,523	\$ 155,952,244	\$ 140,073,455	\$ 159,240,789	\$ 159,293,221	\$ 337,915,707	\$ 73,649,553	\$ 4,262,245	\$ 1,097,846,737
OAEM	3,014,804	3,127,570	869,364	3,011,976	356,118	4,026,955	759,954	227,695	15,394,436
Substandard/Doubtful	-	-	1,800,165	1,445,427	2,804,656	2,869,305	98,919	366,629	9,385,101
	<u>\$ 70,474,327</u>	<u>\$ 159,079,814</u>	<u>\$ 142,742,984</u>	<u>\$ 163,698,192</u>	<u>\$ 162,453,995</u>	<u>\$ 344,811,967</u>	<u>\$ 74,508,426</u>	<u>\$ 4,856,569</u>	<u>\$ 1,122,626,274</u>
Total gross charge-offs for the current period	\$ -	\$ -	\$ 60,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,562

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

December 31, 2024	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans Amortized	Total
	2024	2023	2022	2021	2020	Prior	Basis	Cost Basis	
<b>Real estate mortgage</b>									
Acceptable	\$ 152,081,186	\$ 129,696,434	\$ 143,044,938	\$ 153,965,975	\$ 128,971,292	\$ 191,036,596	\$ 41,889,585	\$ 4,499,290	\$ 945,185,296
OAEM	-	233,725	-	632,899	1,949,965	857,324	98,911	-	3,772,824
Substandard/Doubtful	3,165,852	3,355,693	2,061,386	2,454,712	943,769	1,998,672	648,676	383,902	15,012,662
	<u>\$ 155,247,038</u>	<u>\$ 133,285,852</u>	<u>\$ 145,106,324</u>	<u>\$ 157,053,586</u>	<u>\$ 131,865,026</u>	<u>\$ 193,892,592</u>	<u>\$ 42,637,172</u>	<u>\$ 4,883,192</u>	<u>\$ 963,970,782</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 13,104	\$ 13,746	\$ -	\$ -	\$ 26,850
<b>Agribusiness</b>									
Acceptable	\$ 4,266,288	\$ 8,380,582	\$ 18,323,086	\$ 6,993,274	\$ 3,136,419	\$ 6,139,305	\$ 11,374,162	\$ -	\$ 58,613,116
OAEM	-	-	2,394,170	-	566,315	-	561,820	-	3,522,305
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 4,266,288</u>	<u>\$ 8,380,582</u>	<u>\$ 20,717,256</u>	<u>\$ 6,993,274</u>	<u>\$ 3,702,734</u>	<u>\$ 6,139,305</u>	<u>\$ 11,935,982</u>	<u>\$ -</u>	<u>\$ 62,135,421</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Rural residential real estate</b>									
Acceptable	\$ 3,422,337	\$ 1,826,626	\$ 3,709,252	\$ 2,837,610	\$ 3,037,274	\$ 4,226,369	\$ -	\$ -	\$ 19,059,468
OAEM	-	-	-	500,084	173,949	83,952	-	-	757,985
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 3,422,337</u>	<u>\$ 1,826,626</u>	<u>\$ 3,709,252</u>	<u>\$ 3,337,694</u>	<u>\$ 3,211,223</u>	<u>\$ 4,310,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,817,453</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Energy</b>									
Acceptable	\$ -	\$ 1,998,162	\$ -	\$ -	\$ -	\$ 11,737,403	\$ 372,741	\$ -	\$ 14,108,306
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,998,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,737,403</u>	<u>\$ 372,741</u>	<u>\$ -</u>	<u>\$ 14,108,306</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Communication</b>									
Acceptable	\$ 4,657,082	\$ 3,456,894	\$ 1,397,947	\$ -	\$ 3,186,758	\$ -	\$ -	\$ -	\$ 12,698,681
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 4,657,082</u>	<u>\$ 3,456,894</u>	<u>\$ 1,397,947</u>	<u>\$ -</u>	<u>\$ 3,186,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,698,681</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Production and intermediate-term</b>									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,071	\$ 10,759,462	\$ -	\$ 11,429,533
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,071</u>	<u>\$ 10,759,462</u>	<u>\$ -</u>	<u>\$ 11,429,533</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>International</b>									
Acceptable	\$ -	\$ 4,413,999	\$ -	\$ -	\$ -	\$ -	\$ 516,277	\$ -	\$ 4,930,276
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,413,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 516,277</u>	<u>\$ -</u>	<u>\$ 4,930,276</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Water and wastewater</b>									
Acceptable	\$ -	\$ -	\$ -	\$ 1,681,696	\$ -	\$ -	\$ 29,998	\$ -	\$ 1,711,694
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,681,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,998</u>	<u>\$ -</u>	<u>\$ 1,711,694</u>
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Loans</b>									
Acceptable	\$ 164,426,893	\$ 149,772,697	\$ 166,475,223	\$ 165,478,555	\$ 138,331,743	\$ 213,809,744	\$ 64,942,225	\$ 4,499,290	\$ 1,067,736,370
OAEM	-	233,725	2,394,170	1,132,983	2,690,229	941,276	660,731	-	8,053,114
Substandard/Doubtful	3,165,852	3,355,693	2,061,386	2,454,712	943,769	1,998,672	648,676	383,902	15,012,662
	<u>\$ 167,592,745</u>	<u>\$ 153,362,115</u>	<u>\$ 170,930,779</u>	<u>\$ 169,066,250</u>	<u>\$ 141,965,741</u>	<u>\$ 216,749,692</u>	<u>\$ 66,251,632</u>	<u>\$ 4,883,192</u>	<u>\$ 1,090,802,146</u>
Total gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 13,104	\$ 13,746	\$ -	\$ -	\$ 26,850

The following table shows the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2025, and December 31, 2024:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage		
Acceptable	98.0 %	98.0 %
OAEM	1.1	0.4
Substandard/doubtful	0.9	1.6
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	94.4	94.3
OAEM	4.8	5.7
Substandard/doubtful	0.8	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	95.7	96.2
OAEM	4.3	3.8
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Energy		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
International		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Water and wastewater		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	97.8	97.9
OAEM	1.4	0.7
Substandard/doubtful	0.8	1.4
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$24,531,848 and \$31,108,121 at March 31, 2025, and December 31, 2024, respectively, have been excluded from the amortized cost of loans and reported separately in the Balance Sheets. The Association wrote off \$0 and \$13,746 accrued interest receivable during the three months ended March 31, 2025, and 2024, respectively.

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

	March 31, 2025	December 31, 2024
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 917,262	\$ 2,104,362
<b>Accruing loans 90 days or more past due:</b>		
Real estate mortgage	\$ 1,188,352	\$ -
<b>Total nonperforming assets</b>	<b>\$ 2,105,614</b>	<b>\$ 2,104,362</b>
Nonaccrual loans as a percentage of total loans	0.1%	0.2%
Nonperforming assets as a percentage of total loans and other property owned	0.2%	0.2%
Nonperforming assets as a percentage of capital	1.2%	1.1%

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

	March 31, 2025			Interest Income Recognized For the Three Months Ended March 31, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
<b>Nonaccrual loans:</b>				
Real estate mortgage	\$ -	\$ 917,262	\$ 917,262	\$ 20,159
<b>Total nonaccrual loans</b>	<b>\$ -</b>	<b>\$ 917,262</b>	<b>\$ 917,262</b>	<b>\$ 20,159</b>
	December 31, 2024			Interest Income Recognized For the Three Months Ended March 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 2,104,362	\$ 2,104,362	\$ -
<b>Total nonaccrual loans</b>	<b>\$ -</b>	<b>\$ 2,104,362</b>	<b>\$ 2,104,362</b>	<b>\$ -</b>

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

March 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	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 30,410,945	\$ 1,241,833	\$ 31,652,778	\$ 959,924,036	\$ 991,576,814	\$ 1,188,352
Processing and marketing	-	-	-	44,955,948	44,955,948	-
Farm-related business	-	-	-	13,263,524	13,263,524	-
Loans to cooperatives	-	-	-	7,819,033	7,819,033	-
Rural residential real estate	389,595	-	389,595	19,544,809	19,934,404	-
Energy	-	-	-	13,671,541	13,671,541	-
Communication	-	-	-	12,650,967	12,650,967	-
Production and intermediate term	-	-	-	12,394,767	12,394,767	-
International	-	-	-	4,664,983	4,664,983	-
Water and wastewater	-	-	-	1,694,293	1,694,293	-
<b>Total</b>	<b>\$ 30,800,540</b>	<b>\$ 1,241,833</b>	<b>\$ 32,042,373</b>	<b>\$ 1,090,583,901</b>	<b>\$ 1,122,626,274</b>	<b>\$ 1,188,352</b>
December 31, 2024	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	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 1,889,751	\$ 967,156	\$ 2,856,907	\$ 961,113,875	\$ 963,970,782	\$ -
Processing and marketing	-	-	-	43,699,073	43,699,073	-
Farm-related business	-	-	-	13,864,019	13,864,019	-
Loans to cooperatives	-	-	-	4,572,329	4,572,329	-
Rural residential real estate	245,858	-	245,858	19,571,595	19,817,453	-
Energy	-	-	-	14,108,306	14,108,306	-
Communication	-	-	-	12,698,681	12,698,681	-
Production and intermediate term	-	-	-	11,429,533	11,429,533	-
International	-	-	-	4,930,276	4,930,276	-
Water and wastewater	-	-	-	1,711,694	1,711,694	-
<b>Total</b>	<b>\$ 2,135,609</b>	<b>\$ 967,156</b>	<b>\$ 3,102,765</b>	<b>\$ 1,087,699,381</b>	<b>\$ 1,090,802,146</b>	<b>\$ -</b>

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

### Loan Modifications to Borrowers Experiencing Financial Difficulties

The following tables show the amortized cost basis of the outstanding loans reflected in the Association's Balance Sheets at the end of the respective reporting periods for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted:

	For the Three Months Ended March 31, 2025 <sup>(1)</sup>		
	Combination		
	Term Extension & Payment Deferral	Percentage of Total by Loan Type	
Real estate mortgage	\$ 887,706	0.09%	
<b>Total</b>	<b>\$ 887,706</b>	<b>0.09%</b>	

	For the Three Months Ended March 31, 2024 <sup>(1)</sup>		
	Combination		
	Term Extension & Payment Deferral	Percentage of Total by Loan Type	
Real estate mortgage	\$ -	\$ -	
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	

(1) Excludes loans that were modified during the period but were paid off, sold or charged-off prior to period end

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2025, and 2024 was \$53,030 and \$0, respectively.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025, and 2024:

	Financial Effect	
	Combination – Term Extension and Payment Deferral (Change in the weighted average maturity after modification) (in days)	
	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024
Real estate mortgage	61	-

	Financial Effect	
	Combination – Term Extension and Payment Deferral (Change in the weighted average payment after modification) (in days)	
	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024
Real estate mortgage	61	-

There were no loans to borrowers experiencing financial difficulties that defaulted during the three months ended March 31, 2025, or 2024.

The following tables set forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2025, and 2024, respectively:

	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
Real estate mortgage	\$ 4,353,998	\$ -	\$ -
<b>Total</b>	<b>\$ 4,353,998</b>	<b>\$ -</b>	<b>\$ -</b>

March 31, 2024

Payment Status of Loans Modified in the Past 12 Months

	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	\$ 3,694,827	\$ -	\$ -
Total	\$ 3,694,827	\$ -	\$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2025, were \$713 and \$0 at December 31, 2024, respectively.

**Allowance for Credit Losses**

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of the Association's lending and leasing limit base, but the Association's board of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Communication	Production and Intermediate-Term	International	Water and wastewater	Total
<b>Allowance for credit losses on loans:</b>									
Balance at December 31, 2024	\$ 2,470,834	\$ 113,720	\$ 59,687	\$ 2,180	\$ 11,134	\$ 5,736	\$ 1,354	\$ 893	\$ 2,665,538
Charge-offs	(60,562)	-	-	-	-	-	-	-	(60,562)
Recoveries	13,746	-	-	-	-	-	-	-	13,746
Provision for credit losses (Credit loss reversal)	(37,822)	2,552	(3,249)	(35)	814	(613)	(74)	(30)	(38,457)
Balance at March 31, 2025	\$ 2,386,196	\$ 116,272	\$ 56,438	\$ 2,145	\$ 11,948	\$ 5,123	\$ 1,280	\$ 863	\$ 2,580,265
<b>Allowance for credit losses on unfunded commitments:</b>									
Balance at December 31, 2024	\$ 21,379	\$ 31,323	\$ -	\$ 424	\$ 754	\$ 3,458	\$ 1,170	\$ 1,023	\$ 59,531
Provision for unfunded commitments	6,652	(7,591)	-	16	41	(284)	(121)	(89)	(1,376)
Balance at March 31, 2025	\$ 28,031	\$ 23,732	\$ -	\$ 440	\$ 795	\$ 3,174	\$ 1,049	\$ 934	\$ 58,155
<b>Total allowance for credit losses</b>	<b>\$ 2,414,227</b>	<b>\$ 140,004</b>	<b>\$ 56,438</b>	<b>\$ 2,585</b>	<b>\$ 12,743</b>	<b>\$ 8,297</b>	<b>\$ 2,329</b>	<b>\$ 1,797</b>	<b>\$ 2,638,420</b>

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Communication	Production and Intermediate-Term	International	Water and wastewater	Total
<b>Allowance for credit losses on loans:</b>									
Balance at December 31, 2023	\$ 2,153,596	\$ 106,660	\$ 51,833	\$ 128,539	\$ 11,657	\$ 6,995	\$ 1,723	\$ 2,371	\$ 2,463,374
Charge-offs	(13,746)	-	-	-	-	-	-	-	(13,746)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	35,098	6,002	(604)	(171)	(486)	(328)	(178)	(673)	38,660
Balance at March 31, 2024	\$ 2,174,948	\$ 112,662	\$ 51,229	\$ 128,368	\$ 11,171	\$ 6,667	\$ 1,545	\$ 1,698	\$ 2,488,288
<b>Allowance for credit losses on unfunded commitments:</b>									
Balance at December 31, 2023	\$ 29,335	\$ 58,220	\$ -	\$ 479	\$ -	\$ 3,924	\$ 1,948	\$ 1,149	\$ 95,055
Provision for unfunded commitments	(6,191)	(2,204)	-	18	-	(553)	(215)	41	(9,104)
Balance at March 31, 2024	\$ 23,144	\$ 56,016	\$ -	\$ 497	\$ -	\$ 3,371	\$ 1,733	\$ 1,190	\$ 85,951
<b>Total allowance for credit losses</b>	<b>\$ 2,198,092</b>	<b>\$ 168,678</b>	<b>\$ 51,229</b>	<b>\$ 128,865</b>	<b>\$ 11,171</b>	<b>\$ 10,038</b>	<b>\$ 3,278</b>	<b>\$ 2,888</b>	<b>\$ 2,574,239</b>

**Discussion of Changes in Allowance for Credit Losses**

The allowance for credit losses (ACL) decreased by \$86,649 to \$2,638,420 at March 31, 2025, as compared to \$2,725,069 at December 31, 2024. This is largely due to payoffs and improved credit quality, partially offset by an increase in new originations.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years, followed by a mean revision of one year. The economic scenarios utilized in the March 31, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporates macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

**NOTE 3 — LEASES:**

The components of lease expense were as follows:

Classification	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Operating lease cost	\$ 47,913	\$ 31,917
Net lease cost	\$ 47,913	\$ 31,917

Other information related to leases was as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2025</b>	March 31, 2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 33,595	\$ 33,145
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 1,574,607	\$ 140,048

Lease term and discount rate are as follows:

	<b>March 31, 2025</b>	December 31, 2024
Weighted average remaining lease term in years		
Operating leases	9.92	0.43
Weighted average discount rate		
Operating leases	4.05%	3.39%

Future minimum lease payments under non-cancellable leases as of March 31, 2025, were as follows:

	Operating Leases
2025	\$ 177,119
2026	176,040
2027	180,432
2028	184,920
2029	189,504
Thereafter	1,074,960
Total lease payments	\$ 1,982,975
Less: interest	359,869
Total	\$ 1,623,106

In 2024, the Association entered into a 10-year operating lease agreement for its administrative office, commencing on March 1, 2025. The term of the new lease requires average monthly lease payments over 10 years of \$16,129. The Association recognized a right-of-use asset and a lease liability of \$1,570,313. The right-of-use asset and lease liability are included in the line items "other assets" and "other liabilities," respectively, in the Balance Sheets.

#### **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 credit losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an Association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

	<b>March 31, 2025</b>	December 31, 2024
Capital stock and participation certificates	\$ 2,491,875	\$ 2,478,720
Accumulated other comprehensive income	176,040	179,866
Unallocated retained earnings	180,338,685	183,951,668
Total Capital	\$ 183,006,600	\$ 186,610,254

## Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of March 31, 2025	As of December 31, 2024
Common equity tier 1 ratio	7.00%	13.83%	14.18%
Tier 1 capital ratio	8.50%	13.83%	14.18%
Total capital ratio	10.50%	14.07%	14.43%
Permanent capital ratio	7.00%	13.87%	14.21%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	13.96%	14.32%
UREE leverage ratio	1.50%	13.74%	14.10%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2025, and December 31, 2024, respectively, are as follows:

March 31, 2025	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 179,796,970	\$ 179,796,970	\$ 179,796,970	\$ 179,796,970
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,492,926	2,492,926	2,492,926	2,492,926
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,712,596	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(22,850,184)	(22,850,184)	(22,850,184)	(22,850,184)
	\$ 159,439,712	\$ 159,439,712	\$ 162,152,308	\$ 159,439,712
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,175,444,793	\$ 1,175,444,793	\$ 1,175,444,793	\$ 1,175,444,793
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(22,850,184)	(22,850,184)	(22,850,184)	(22,850,184)
Allowance for credit losses on loans	-	-	-	(2,652,767)
	\$ 1,152,594,609	\$ 1,152,594,609	\$ 1,152,594,609	\$ 1,149,941,842

December 31, 2024	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 178,196,590	\$ 178,196,590	\$ 178,196,590	\$ 178,196,590
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,463,587	2,463,587	2,463,587	2,463,587
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,825,842	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(20,104,903)	(20,104,903)	(20,104,903)	(20,104,903)
	\$ 160,555,274	\$ 160,555,274	\$ 163,381,116	\$ 160,555,274
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,152,437,159	\$ 1,152,437,159	\$ 1,152,437,159	\$ 1,152,437,159
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(20,104,903)	(20,104,903)	(20,104,903)	(20,104,903)
Allowance for credit losses on loans	-	-	-	(2,761,672)
	\$ 1,132,332,256	\$ 1,132,332,256	\$ 1,132,332,256	\$ 1,129,570,584

	March 31, 2025		December 31, 2024	
	Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	\$ 179,796,970	\$ 179,796,970	\$ 178,196,590	\$ 178,196,590
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,492,926	-	2,463,587	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(22,850,184)	(22,850,184)	(20,104,903)	(20,104,903)
	\$ 159,439,712	\$ 156,946,786	\$ 160,555,274	\$ 158,091,687
Denominator:				
Total Assets	\$ 1,165,412,872	\$ 1,165,412,872	\$ 1,143,319,811	\$ 1,143,319,811
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital	(22,883,881)	(22,883,881)	(22,395,860)	(22,395,860)
	\$ 1,142,528,991	\$ 1,142,528,991	\$ 1,120,923,951	\$ 1,120,923,951

The Association's accumulated other comprehensive income relates entirely to its non-pension other postretirement benefits. Amortization of actuarial gain are reflected in “salaries and employee benefits” in the Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income for the three months ended March 31:

	<u>2025</u>	<u>2024</u>
Accumulated other comprehensive income at January 1	\$ 179,866	\$ 247,598
Amortization of actuarial gain included in salaries and employee benefits	<u>(3,826)</u>	<u>(8,657)</u>
Other comprehensive income	<u>(3,826)</u>	<u>(8,657)</u>
Accumulated other comprehensive income at March 31	<u>\$ 176,040</u>	<u>\$ 238,941</u>

## NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2024 Annual Report to Stockholders for a more complete description.

There were no assets or liabilities measured at fair value on a non-recurring basis as of March 31, 2025, or December 31, 2024.

March 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ -	\$ -
December 31, 2024				
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ -	\$ -

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

### Valuation Techniques

As more fully discussed in Note 13 to the 2024 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association’s assets and liabilities. For a more complete description, see the 2024 Annual Report to Stockholders.

#### Loans

Fair value is estimated by discounting the expected future cash flows using the Association’s current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association’s current loan origination rates as well as management’s estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

#### Loans Evaluated for Impairment

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

### *Other Property Owned*

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

### *Note Payable to the Bank*

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

### **NOTE 6 — EMPLOYEE BENEFIT PLANS:**

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

<b>Three months ended March 31:</b>	<b>Pension Benefits</b>	
	<b>2025</b>	<b>2024</b>
Service cost	\$ 1,368	\$ 1,116
Interest cost	13,328	13,086
Amortization of net actuarial gain	(3,826)	(8,657)
<b>Net periodic benefit cost</b>	<b>\$ 10,870</b>	<b>\$ 5,545</b>

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2025, was \$1,023,291 and is included in "other liabilities" on the Balance Sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the Statements of Comprehensive Income.

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2024, that it expected to contribute \$47,120 to the District's defined benefit pension plan in 2025. As of March 31, 2025, \$19,257 of contributions have been made. The Association presently anticipates contributing an additional \$57,771 to fund the defined benefit pension plan in 2025 for a total of \$77,028.

### **NOTE 7 — 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 8 — SUBSEQUENT EVENTS:**

The Association has evaluated subsequent events through May 8, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 8, 2025.