

PLAINS LAND BANK, FLCA

**2025
Quarterly Report
Second Quarter**



For the Quarter Ended June 30, 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
August 8, 2025



Jerrell K. Key, Chairman, Board of Directors
August 8, 2025



Brooke Alvis, Chief Financial Officer
August 8, 2025

Second 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 Plains Land Bank, FLCA, referred to as the Association, for the quarter ended June 30, 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.

In May 2025, the Association relocated its corporate headquarters and administrative office to its new leased space in Amarillo, Texas.

Conditions in the Texas District:

The Bank 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 at the Bank has remained strong. Risk factors such as high production costs, elevated cost of debt and trade uncertainty are negatively impacting performance across many sectors.

The U.S. tariff landscape continues to be dynamic. The official deadline for the most recent round of negotiations of reciprocal tariff rates or new rates was extended from July 9, 2025, to August 1, 2025. The implementation of most of the new country-specific tariffs for nearly seventy countries (including the European Union, Japan and India) is expected to start on August 7, 2025. In the case of China, the tariff pause was extended until August 12, 2025. Canada and Mexico trade remains largely governed by the United States-Mexico-Canada (USMCA) agreement, mostly tariff-free, but different tariffs apply to products outside the USMCA agreement. A 35 percent tariff has been implemented on most Canadian goods that are not part of the USMCA agreement, while Mexico has been granted a 90-day reprieve on higher tariffs to allow for further negotiation.

The percentage change in the Consumer Price Index (inflation) for All Urban Consumers increased month-over-month (MOM) in the last two months through June 2025. However, inflation declined year-over-year (YOY) from 3.0 percent in June 2024 to 2.7 percent in June 2025. Inflation remains above the Federal Reserve's long-term target of approximately 2.0 percent but has made progress YOY as well as from the peak of 9.1 percent reached in 2022. The Federal Open Market Committee has maintained the target federal funds range at 4.25 – 4.50 percent since late 2024.

On June 26, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the first quarter of 2025. Real GDP contracted at an annual rate of 0.5 percent, down from increases of 2.4 percent during the previous quarter and from 1.6 percent in the year-ago period. The deceleration in real GDP in the first quarter of 2025 primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment and consumer spending. Within the Texas District, the first quarter 2025 annualized real GDP growth rates ranged from a decline of 2.1 percent in New Mexico to an increase of 1.0 percent in Alabama. Texas' real GDP contracted at an annual rate of 0.1 percent in the first quarter. In general, real GDP declined in three of the five Texas District states over the first quarter of 2025.

The Bureau of Labor Statistics announced on July 3, 2025, that the U.S. unemployment rate was 4.1 percent in June 2025, slightly down from 4.2 percent reached since March 2025 but higher than the year-ago rate of 4.0 percent. June 2025 state unemployment rates in the Texas District ranged from a low of 3.2 percent in Alabama to a high of 4.5 percent in Louisiana. The Texas unemployment rate marginally declined YOY from 4.1 percent to 4.0 percent in June 2025. Overall, the unemployment rates in the Texas District remain relatively stable.

In terms of relevant Texas District commodities, the quarterly average West Texas Intermediate (WTI) crude oil spot price decreased quarter over quarter (QOQ) by about 10.0 percent and YOY by more than 20.0 percent through June 2025. The Energy Information Administration's July 2025 Short Term Energy Outlook indicates that the WTI crude oil spot price will average about \$65 per barrel in 2025 and nearly \$55 per barrel in 2026. The crude oil price is expected to decline due to factors such as rising global oil inventories and reduced geopolitical tensions in the Middle East. The July 2025 edition of S&P Global Agricultural Commodity Price Watch estimated that U.S. average farm prices of key Texas District crops (e.g., cotton, corn, soybeans and wheat) were mixed in the second quarter of 2025. Average corn, soybeans and cotton farm prices increased QOQ by less than 3.0 percent while the wheat farm price is estimated to have remained steady during the second quarter of 2025. YOY, the average farm price of corn is estimated to have increased in the second quarter of 2025. The average prices of soybeans and cotton experienced double digit YOY price decreases.

Quarterly average cattle and broiler prices were estimated to have increased QOQ and YOY through June 2025, as demand remains strong and supply is tight. However, barrows and gilts prices declined QOQ and YOY. Regarding dairy prices, the quarterly average farm-level milk price was estimated to have decreased by close to 10.0 percent QOQ and nearly 3.0 percent YOY. Weaker domestic demand, especially for fluid milk and cream products, and an export slowdown coupled with higher output (supply) associated with favorable weather in key dairy regions led to higher per-cow productivity and lower prices. In terms of lumber, the quarterly average front-month random length lumber futures price decreased QOQ through June 2025, but increased YOY by around 30 percent.

On June 30, 2025, the U.S. Department of Agriculture (USDA) released its 2025 Acreage report. Corn acreage is estimated to increase in four out of five Texas District states. Texas plants more than 50 percent of the Texas District’s corn, and corn acreage in Texas is up by 7 percent in 2025. The Texas District’s soybean planted area is estimated to be down by about 9 percent in 2025. Mississippi plants more than 50 percent of the soybeans in the Texas District, and the area planted in Mississippi is down by nearly 11 percent in 2025. The Texas District’s wheat area planted is estimated to remain steady in 2025; however, area harvested is forecasted to decline by more than 25 percent, primarily in Texas. The cotton area planted in the Texas District states is estimated to decline by at least 15 percent except for the area planted in Texas that is estimated to decline by about 4 percent. Overall, estimates from the June 2025 Acreage report indicate that farmers are planting more corn but fewer soybeans, wheat, and cotton acres than last year. These estimates are derived via a USDA survey conducted from May 30, 2025, to June 16, 2025, and are subject to change throughout the season.

The combined Drought Monitor for the five Texas District states as of July 15, 2025, indicates that drought conditions categorized as severe, extreme and exceptional considerably improved from the prior quarter. The drought area in these three categories (driven by New Mexico and Texas) improved during the first half of July 2025, while it deteriorated over the same period last year. However, drought in these three categories remains considerably above the year-ago period (i.e., near 22 percent this year compared to less than 15 percent last year).

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 June 30, 2025, including nonaccrual loans and sales contracts, were \$1,184,546,872 compared to \$1,090,802,146 at December 31, 2024, reflecting an increase of 8.6 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.1 percent at June 30, 2025, compared to 0.2 percent at December 31, 2024.

The Association recorded \$13,746 in recoveries and \$191,255 in charge-offs for the six months ended June 30, 2025, and no recoveries and \$13,746 in charge-offs for the same period in 2024. The Association’s allowance for credit losses on loans was 0.3 percent and 0.2 percent of total loans outstanding as of June 30, 2025, and December 31, 2024, respectively.

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			
	June 30, 2025		December 31, 2024	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 1,495,933	32.7%	\$ 2,104,362	100.0%
90 days past due and still accruing interest	3,082,485	67.3%	-	0.0%
Total	<u>\$ 4,578,418</u>	<u>100.0%</u>	<u>\$ 2,104,362</u>	<u>100.0%</u>

Results of Operations:

The Association had net income of \$5,956,883 and \$12,343,963 for the three and six months ended June 30, 2025, as compared to net income of \$5,871,715 and \$11,338,594 for the same periods in 2024, reflecting increases of 1.5 percent and 8.9 percent, respectively, primarily due to an increase in net interest income. Net interest income was \$8,360,617 and \$16,369,086 for the three and six months ended June 30, 2025, compared to \$7,523,039 and \$14,801,853 for the same periods in 2024.

	Six Months Ended			
	June 30, 2025		June 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,138,200,446	\$ 36,625,336	\$ 1,048,429,625	\$ 32,811,593
Interest-bearing liabilities	996,250,748	20,256,250	911,928,400	18,009,740
Impact of capital	<u>\$ 141,949,698</u>		<u>\$ 136,501,225</u>	
Net interest income		<u>\$ 16,369,086</u>		<u>\$ 14,801,853</u>

	2025	2024
	Average Yield	Average Yield
Yield on loans	6.49%	6.29%
Cost of interest-bearing liabilities	4.10%	3.97%
Interest rate spread	2.39%	2.32%
Net interest income as a percentage of average earning assets	2.90%	2.84%

	Six Months Ended		
	June 30, 2025 vs. June 30, 2024		
	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 2,800,087	\$ 1,013,656	\$ 3,813,743
Interest expense	1,660,041	586,469	2,246,510
Net interest income	<u>\$ 1,140,046</u>	<u>\$ 427,187</u>	<u>\$ 1,567,233</u>

Interest income for the three and six months ended June 30, 2025, increased by \$2,128,409 and \$3,813,743, or 12.7 percent and 11.6 percent, from the same periods of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and six months ended June 30, 2025, increased by \$1,290,831 and \$2,246,510, or 14.0 percent and 12.5 percent, from the same periods of 2024 primarily due to an increase in interest rates and an increase in average debt volume. Average loan volume for the second quarter of 2025 was \$1,162,938,795, compared to \$1,059,439,740 in the second quarter of 2024. The average net interest rate spread on the loan portfolio for the second quarter of 2025 was 2.38 percent, compared to 2.34 percent in the second quarter of 2024.

The Association's return on average assets for the six months ended June 30, 2025, and 2024 was 2.09 percent. The Association's return on average equity for the six months ended June 30, 2025, was 13.50 percent, compared to 13.42 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.

	June 30, 2025	December 31, 2024
Note payable to the Bank	\$ 1,042,479,812	\$ 955,638,863
Accrued interest on note payable	3,568,587	3,250,966
Total	<u>\$ 1,046,048,399</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 \$1,042,479,812 as of June 30, 2025, is recorded as a liability on the Association's Balance Sheet. The note carried a weighted average interest rate of 4.10 percent at June 30, 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 \$141,557,424 at June 30, 2025. The maximum amount the Association may borrow from the Bank as of June 30, 2025, was \$1,201,978,535 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 borrowings 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, equalized semi-annually in March and December. This resulted in an increased investment in the Bank of \$5,578,305 in March 2025. The semi-annual equalization will occur in June and December for subsequent years.

Capital Resources:

The Association's capital position increased by \$2,382,988 at June 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 5.56:1 as of June 30, 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 June 30, 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.

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. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing balvis@plainslandbank.com.

PLAINS LAND BANK, FLCA

BALANCE SHEETS

	June 30, 2025 (unaudited)	December 31, 2024
<u>ASSETS</u>		
Cash	\$ 5,482	\$ 10,665
Loans	1,184,546,872	1,090,802,146
Less: allowance for credit losses on loans	<u>3,196,523</u>	<u>2,665,538</u>
Net loans	1,181,350,349	1,088,136,608
Accrued interest receivable	24,320,687	31,108,121
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	26,510,906	21,052,161
Other	2,539,076	6,895,375
Premises and equipment, net	2,876,851	2,782,943
Other assets	<u>1,894,722</u>	<u>293,045</u>
Total assets	<u>\$ 1,239,498,073</u>	<u>\$ 1,150,278,918</u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 1,042,479,812	\$ 955,638,863
Accrued interest payable	3,568,587	3,250,966
Drafts outstanding	67,416	751,536
Other liabilities	<u>4,389,016</u>	<u>4,027,299</u>
Total liabilities	<u>1,050,504,831</u>	<u>963,668,664</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	2,525,460	2,478,720
Unallocated retained earnings	186,295,568	183,951,668
Accumulated other comprehensive income	<u>172,214</u>	<u>179,866</u>
Total members' equity	<u>188,993,242</u>	<u>186,610,254</u>
Total liabilities and members' equity	<u>\$ 1,239,498,073</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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<u>INTEREST INCOME</u>				
Loans	\$ 18,901,357	\$ 16,772,948	\$ 36,625,336	\$ 32,811,593
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	10,540,740	9,249,909	20,256,250	18,009,740
Net interest income	8,360,617	7,523,039	16,369,086	14,801,853
<u>PROVISION FOR CREDIT LOSSES</u>	753,710	221,194	713,877	250,750
Net interest income after provision for credit losses	7,606,907	7,301,845	15,655,209	14,551,103
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	868,617	775,994	1,728,636	1,538,627
Loan fees	170,849	105,182	229,245	150,643
Financially related services income	2,625	3,109	4,810	4,982
Gain on sale of premises and equipment, net	57,412	35,286	57,412	35,286
Other noninterest income	67,429	313,046	375,819	475,117
Total noninterest income	1,166,932	1,232,617	2,395,922	2,204,655
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	1,622,063	1,532,039	3,216,413	3,081,636
Directors' expense	105,407	108,262	234,138	266,546
Purchased services	130,540	166,145	356,849	338,188
Travel	53,867	52,542	115,871	129,893
Occupancy and equipment	230,516	137,567	396,276	271,180
Communication	39,657	33,747	66,025	61,807
Advertising	123,612	91,111	236,299	197,205
Public and member relations	84,029	112,424	168,304	213,138
Supervisory and exam expense	79,053	97,280	182,282	194,560
Insurance fund premiums	244,559	218,774	563,455	503,815
Other noninterest expense	103,653	112,856	171,256	159,196
Total noninterest expenses	2,816,956	2,662,747	5,707,168	5,417,164
<u>NET INCOME</u>	5,956,883	5,871,715	12,343,963	11,338,594
Other comprehensive income:				
Change in postretirement benefit plans	(3,826)	(8,657)	(7,652)	(17,314)
<u>COMPREHENSIVE INCOME</u>	\$ 5,953,057	\$ 5,863,058	\$ 12,336,311	\$ 11,321,280

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)	-	11,338,594	(17,314)	11,321,280
Capital stock/participation certificates issued	151,235	-	-	151,235
Capital stock/participation certificates retired	(89,260)	-	-	(89,260)
Patronage cash dividends	-	(9,498,352)	-	(9,498,352)
Balance at June 30, 2024	<u>\$ 2,413,220</u>	<u>\$ 171,645,121</u>	<u>\$ 230,284</u>	<u>\$ 174,288,625</u>
Balance at December 31, 2024	\$ 2,478,720	\$ 183,951,668	\$ 179,866	\$ 186,610,254
Comprehensive income (loss)	-	12,343,963	(7,652)	12,336,311
Capital stock/participation certificates issued	202,000	-	-	202,000
Capital stock/participation certificates retired	(155,260)	-	-	(155,260)
Patronage cash dividends	-	(10,000,063)	-	(10,000,063)
Balance at June 30, 2025	<u>\$ 2,525,460</u>	<u>\$ 186,295,568</u>	<u>\$ 172,214</u>	<u>\$ 188,993,242</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 U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under GAAP and the rules of the Farm Credit Administration (FCA). This report 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 conform 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>June 30, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage	\$ 1,049,196,115	\$ 963,970,782
Agribusiness:		
Processing and marketing	47,527,267	43,699,073
Farm-related business	15,163,982	13,864,019
Loans to cooperatives	7,563,911	4,572,329
Rural residential real estate	19,777,872	19,817,453
Energy	13,728,132	14,108,306
Production and intermediate-term	12,724,892	11,429,533
Communication	12,603,253	12,698,681
International	5,512,913	4,930,276
Water and wastewater	748,535	1,711,694
Total	<u>\$ 1,184,546,872</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 June 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Agribusiness	\$ 50,109,459	\$ -	\$ -	\$ -	\$ 50,109,459	\$ -
Real estate mortgage	14,314,364	38,754,814	5,543,500	-	19,857,864	38,754,814
Energy	13,728,132	-	-	-	13,728,132	-
Production and intermediate-term	12,724,892	-	-	-	12,724,892	-
Communication	12,603,253	-	-	-	12,603,253	-
International	5,512,913	-	-	-	5,512,913	-
Water and wastewater	748,535	-	-	-	748,535	-
Rural residential real estate	374,219	-	-	-	374,219	-
Total	<u>\$ 110,115,767</u>	<u>\$ 38,754,814</u>	<u>\$ 5,543,500</u>	<u>\$ -</u>	<u>\$ 115,659,267</u>	<u>\$ 38,754,814</u>

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 \$6,555,908 and \$6,319,844 at June 30, 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, 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 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 June 30, 2025:

June 30, 2025	Term Loans						Revolving Loans	Revolving Loans	Total
	Amortized Cost by Origination Year						Amortized Cost	Converted to Term Loans Amortized Cost Basis	
	2025	2024	2023	2022	2021	Prior			
Real estate mortgage									
Acceptable	\$ 158,415,062	\$ 138,729,599	\$ 112,943,263	\$ 129,467,703	\$ 144,752,129	\$ 291,081,126	\$ 47,983,867	\$ 4,694,566	\$ 1,028,067,315
OAEM	3,014,868	3,127,570	635,940	625,031	-	3,119,074	-	-	10,522,483
Substandard/Doubtful	392,435	1,127,318	2,032,535	1,736,056	2,409,791	2,809,254	98,928	-	10,606,317
	<u>\$ 161,822,365</u>	<u>\$ 142,984,487</u>	<u>\$ 115,611,738</u>	<u>\$ 131,828,790</u>	<u>\$ 147,161,920</u>	<u>\$ 297,009,454</u>	<u>\$ 48,082,795</u>	<u>\$ 4,694,566</u>	<u>\$ 1,049,196,115</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ 191,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,255
Agribusiness									
Acceptable	\$ 5,492,010	\$ 4,550,122	\$ 8,260,256	\$ 17,716,494	\$ 5,870,053	\$ 9,309,100	\$ 15,291,424	\$ -	\$ 66,489,459
OAEM	-	-	-	2,379,756	-	-	819,440	-	3,199,196
Substandard/Doubtful	-	-	-	-	-	566,505	-	-	566,505
	<u>\$ 5,492,010</u>	<u>\$ 4,550,122</u>	<u>\$ 8,260,256</u>	<u>\$ 20,096,250</u>	<u>\$ 5,870,053</u>	<u>\$ 9,875,605</u>	<u>\$ 16,110,864</u>	<u>\$ -</u>	<u>\$ 70,255,160</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural residential real estate									
Acceptable	\$ 897,137	\$ 3,810,609	\$ 1,371,946	\$ 3,387,137	\$ 2,871,382	\$ 6,885,103	\$ -	\$ -	\$ 19,223,314
OAEM	-	-	-	-	384,315	170,243	-	-	554,558
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 897,137</u>	<u>\$ 3,810,609</u>	<u>\$ 1,371,946</u>	<u>\$ 3,387,137</u>	<u>\$ 3,255,697</u>	<u>\$ 7,055,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,777,872</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy									
Acceptable	\$ -	\$ -	\$ 1,998,459	\$ -	\$ -	\$ 11,407,349	\$ 322,324	\$ -	\$ 13,728,132
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,998,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,407,349</u>	<u>\$ 322,324</u>	<u>\$ -</u>	<u>\$ 13,728,132</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,099	\$ 12,054,793	\$ -	\$ 12,724,892
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,099</u>	<u>\$ 12,054,793</u>	<u>\$ -</u>	<u>\$ 12,724,892</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communication									
Acceptable	\$ -	\$ 4,634,745	\$ 3,439,666	\$ 1,358,275	\$ -	\$ 3,170,567	\$ -	\$ -	\$ 12,603,253
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,634,745</u>	<u>\$ 3,439,666</u>	<u>\$ 1,358,275</u>	<u>\$ -</u>	<u>\$ 3,170,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,603,253</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
International									
Acceptable	\$ -	\$ -	\$ 5,512,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,512,913
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,512,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,512,913</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,535	\$ -	\$ 748,535
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,535</u>	<u>\$ -</u>	<u>\$ 748,535</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans									
Acceptable	\$ 164,804,209	\$ 151,725,075	\$ 133,526,503	\$ 151,929,609	\$ 153,493,564	\$ 322,523,344	\$ 76,400,943	\$ 4,694,566	\$ 1,159,097,813
OAEM	3,014,868	3,127,570	635,940	3,004,787	384,315	3,289,317	819,440	-	14,276,237
Substandard/Doubtful	392,435	1,127,318	2,032,535	1,736,056	2,409,791	3,375,759	98,928	-	11,172,822
	<u>\$ 168,211,512</u>	<u>\$ 155,979,963</u>	<u>\$ 136,194,978</u>	<u>\$ 156,670,452</u>	<u>\$ 156,287,670</u>	<u>\$ 329,188,420</u>	<u>\$ 77,319,311</u>	<u>\$ 4,694,566</u>	<u>\$ 1,184,546,872</u>
Total gross charge-offs for the current period	\$ -	\$ -	\$ 191,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,255

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	Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior	Amortized Cost Basis	Converted to Term Loans Amortized Cost Basis	
Real estate mortgage									
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
Production and intermediate-term									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agribusiness									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communication									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural residential real estate									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
International									
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans									
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 June 30, 2025, and December 31, 2024:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage		
Acceptable	98.0 %	98.0 %
OAEM	1.0	0.4
Substandard/doubtful	1.0	1.6
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	94.6	94.3
OAEM	4.6	5.7
Substandard/doubtful	0.8	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	97.2	96.2
OAEM	2.8	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>
Production and intermediate-term		
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>
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	97.9	97.9
OAEM	1.2	0.7
Substandard/doubtful	0.9	1.4
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$24,320,687 and \$31,108,121 at June 30, 2025, and December 31, 2024, has been excluded from the amortized cost of loans and reported separately in the Balance Sheets. The Association wrote off accrued interest receivable against interest income of \$32,495 during the three and six months ended June 30, 2025. During the three and six months ended June 30, 2024, the Association wrote off accrued interest receivable against interest income of \$0 and \$4,194, 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:

	June 30, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	\$ 1,495,933	\$ 2,104,362
Accruing loans 90 days or more past due:		
Real estate mortgage	3,082,485	-
Total nonperforming assets	\$ 4,578,418	\$ 2,104,362
Nonaccrual loans as a percentage of total loans	0.1%	0.2%
Nonperforming assets as a percentage of total loans and other property owned	0.4%	0.2%
Nonperforming assets as a percentage of capital	2.4%	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:

	June 30, 2025			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025
Nonaccrual loans:					
Real estate mortgage	\$ 563,763	\$ 932,170	\$ 1,495,933	\$ 5,521	\$ 25,680
Total nonaccrual loans	\$ 563,763	\$ 932,170	\$ 1,495,933	\$ 5,521	\$ 25,680

	December 31, 2024			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 2,104,362	\$ 2,104,362	\$ -	\$ -
Total nonaccrual loans	\$ -	\$ 2,104,362	\$ 2,104,362	\$ -	\$ -

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

June 30, 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 Past Due and Accruing
Real estate mortgage	\$ 7,768,619	\$ 4,271,849	\$ 12,040,468	\$ 1,037,155,647	\$ 1,049,196,115	\$ 3,082,485
Processing and marketing	423,889	-	423,889	47,103,378	47,527,267	-
Farm-related business	-	-	-	15,163,982	15,163,982	-
Loans to cooperatives	-	-	-	7,563,911	7,563,911	-
Rural residential real estate	708,183	-	708,183	19,069,689	19,777,872	-
Energy	-	-	-	13,728,132	13,728,132	-
Production and intermediate-term	-	-	-	12,724,892	12,724,892	-
Communication	-	-	-	12,603,253	12,603,253	-
International	-	-	-	5,512,913	5,512,913	-
Water and wastewater	-	-	-	748,535	748,535	-
Total	\$ 8,900,691	\$ 4,271,849	\$ 13,172,540	\$ 1,171,374,332	\$ 1,184,546,872	\$ 3,082,485

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 Past Due 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	-
Production and intermediate-term	-	-	-	11,429,533	11,429,533	-
Communication	-	-	-	12,698,681	12,698,681	-
International	-	-	-	4,930,276	4,930,276	-
Water and wastewater	-	-	-	1,711,694	1,711,694	-
Total	\$ 2,135,609	\$ 967,156	\$ 3,102,765	\$ 1,087,699,381	\$ 1,090,802,146	\$ -

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 June 30, 2025 ⁽¹⁾				
Combination				
	Payment Deferral	Term Extension & Payment Deferral	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 1,189,363	\$ -	\$ 1,189,363	0.11%
Total	\$ 1,189,363	\$ -	\$ 1,189,363	0.11%

For the Six Months Ended June 30, 2025 ⁽¹⁾				
Combination				
	Payment Deferral	Term Extension & Payment Deferral	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 1,189,363	\$ 921,470	\$ 2,110,833	0.20%
Total	\$ 1,189,363	\$ 921,470	\$ 2,110,833	0.20%

For the Three Months Ended June 30, 2024 ⁽¹⁾				
Combination				
	Payment Deferral	Term Extension & Payment Deferral	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 3,165,852	\$ -	\$ 3,165,852	0.34%
Total	\$ 3,165,852	\$ -	\$ 3,165,852	0.34%

For the Six Months Ended June 30, 2024 ⁽¹⁾				
Combination				
	Payment Deferral	Term Extension & Payment Deferral	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 3,165,852	\$ -	\$ 3,165,852	0.34%
Total	\$ 3,165,852	\$ -	\$ 3,165,852	0.34%

(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 June 30, 2025, and 2024 was \$0 and \$120,740, respectively. Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six months ended June 30, 2025, and 2024 was \$50,614 and \$120,740, respectively.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025, and 2024:

Financial Effect			
Payment Deferral (Change in the weight average payment after modifications)(in days)			
	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025	
Real estate mortgage	210	210	
Combination – Term Extension and Payment Deferral (Change in the weighted average maturity after modification)(in days)			
	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025	
Real estate mortgage	-	61	
Combination – Term Extension and Payment Deferral (Change in the weighted average payment after modification)(in days)			
	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025	
Real estate mortgage	-	61	

	Financial Effect	
	Payment Deferral (Change in the weight average payment after modifications)(in days)	
	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Real estate mortgage	120	120
	Combination – Term Extension and Payment Deferral (Change in the weighted average maturity after modification)(in days)	
	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Real estate mortgage	-	-
	Combination – Term Extension and Payment Deferral (Change in the weighted average payment after modification)(in days)	
	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Real estate mortgage	-	-

There were no loans to borrowers experiencing financial difficulties that defaulted during the three and six months ended June 30, 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 June 30, 2025, and 2024, respectively:

		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
Real estate mortgage	\$	560,374	\$ 667,665	\$ 1,189,363
Total	\$	560,374	\$ 667,665	\$ 1,189,363

		June 30, 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	\$	6,333,811	\$ -	\$ -
Total	\$	6,333,811	\$ -	\$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 2025, were \$713 and \$0 at December 31, 2024.

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Production and Intermediate-Term	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at March 31, 2025	\$ 2,386,196	\$ 116,272	\$ 56,438	\$ 2,145	\$ 5,123	\$ 11,948	\$ 1,280	\$ 863	\$ 2,580,265
Charge-offs	(130,693)	-	-	-	-	-	-	-	(130,693)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	712,521	28,426	489	(107)	3,320	1,403	97	802	746,951
Balance at June 30, 2025	\$ 2,968,024	\$ 144,698	\$ 56,927	\$ 2,038	\$ 8,443	\$ 13,351	\$ 1,377	\$ 1,665	\$ 3,196,523
Allowance for credit losses on unfunded commitments:									
Balance at March 31, 2025	\$ 28,031	\$ 23,732	\$ -	\$ 440	\$ 3,174	\$ 795	\$ 1,049	\$ 934	\$ 58,155
Provision for unfunded commitments (Credit loss reversal)	2,283	3,022	-	(2)	1,960	48	(87)	(465)	6,759
Balance at June 30, 2025	\$ 30,314	\$ 26,754	\$ -	\$ 438	\$ 5,134	\$ 843	\$ 962	\$ 469	\$ 64,914
Total allowance for credit losses	\$ 2,998,338	\$ 171,452	\$ 56,927	\$ 2,476	\$ 13,577	\$ 14,194	\$ 2,339	\$ 2,134	\$ 3,261,437

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Production and Intermediate-Term	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at December 31, 2024	\$ 2,470,834	\$ 113,720	\$ 59,687	\$ 2,180	\$ 5,736	\$ 11,134	\$ 1,354	\$ 893	\$ 2,665,538
Charge-offs	(191,255)	-	-	-	-	-	-	-	(191,255)
Recoveries	13,746	-	-	-	-	-	-	-	13,746
Provision for credit losses (Credit loss reversal)	674,699	30,978	(2,760)	(142)	2,707	2,217	23	772	708,494
Balance at June 30, 2025	\$ 2,968,024	\$ 144,698	\$ 56,927	\$ 2,038	\$ 8,443	\$ 13,351	\$ 1,377	\$ 1,665	\$ 3,196,523
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2024	\$ 21,379	\$ 31,323	\$ -	\$ 424	\$ 3,458	\$ 754	\$ 1,170	\$ 1,023	\$ 59,531
Provision for unfunded commitments (Credit loss reversal)	8,935	(4,569)	-	14	1,676	89	(208)	(554)	5,383
Balance at June 30, 2025	\$ 30,314	\$ 26,754	\$ -	\$ 438	\$ 5,134	\$ 843	\$ 962	\$ 469	\$ 64,914
Total allowance for credit losses	\$ 2,998,338	\$ 171,452	\$ 56,927	\$ 2,476	\$ 13,577	\$ 14,194	\$ 2,339	\$ 2,134	\$ 3,261,437

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Production and Intermediate- Term	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at March 31, 2024	\$ 2,174,948	\$ 112,662	\$ 51,229	\$ 128,368	\$ 6,667	\$ 11,171	\$ 1,545	\$ 1,698	\$ 2,488,288
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	216,384	13,099	6,988	193	(947)	(4,239)	16	(244)	231,250
Balance at June 30, 2024	\$ 2,391,332	\$ 125,761	\$ 58,217	\$ 128,561	\$ 5,720	\$ 6,932	\$ 1,561	\$ 1,454	\$ 2,719,538
Allowance for credit losses on unfunded commitments:									
Balance at March 31, 2024	\$ 23,144	\$ 56,016		\$ 497	\$ 3,371	\$ -	\$ 1,733	\$ 1,190	\$ 85,951
Provision for unfunded commitments (Credit loss reversal)	(3,365)	(6,458)	-	(77)	(196)	55	(70)	55	(10,056)
Balance at June 30, 2024	\$ 19,779	\$ 49,558	\$ -	\$ 420	\$ 3,175	\$ 55	\$ 1,663	\$ 1,245	\$ 75,895
Total allowance for credit losses	\$ 2,411,111	\$ 175,319	\$ 58,217	\$ 128,981	\$ 8,895	\$ 6,987	\$ 3,224	\$ 2,699	\$ 2,795,433

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Energy	Production and Intermediate- Term	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at December 31, 2023	\$ 2,153,596	\$ 106,660	\$ 51,833	\$ 128,539	\$ 6,995	\$ 11,657	\$ 1,723	\$ 2,371	\$ 2,463,374
Charge-offs	(13,746)	-	-	-	-	-	-	-	(13,746)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	251,482	19,101	6,384	22	(1,275)	(4,725)	(162)	(917)	269,910
Balance at June 30, 2024	\$ 2,391,332	\$ 125,761	\$ 58,217	\$ 128,561	\$ 5,720	\$ 6,932	\$ 1,561	\$ 1,454	\$ 2,719,538
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2023	\$ 29,335	\$ 58,220	\$ -	\$ 479	\$ 3,924	\$ -	\$ 1,948	\$ 1,149	\$ 95,055
Provision for unfunded commitments (Credit loss reversal)	(9,556)	(8,662)	-	(59)	(749)	55	(285)	96	(19,160)
Balance at June 30, 2024	\$ 19,779	\$ 49,558	\$ -	\$ 420	\$ 3,175	\$ 55	\$ 1,663	\$ 1,245	\$ 75,895
Total allowance for credit losses	\$ 2,411,111	\$ 175,319	\$ 58,217	\$ 128,981	\$ 8,895	\$ 6,987	\$ 3,224	\$ 2,699	\$ 2,795,433

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses (ACL) increased by \$536,368 to \$3,261,437 at June 30, 2025, as compared to \$2,725,069 at December 31, 2024. This is largely due to new loan volume and decreased credit quality.

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. The economic scenarios utilized in the June 30, 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		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating lease cost	\$ 59,110	\$ 31,917	\$ 106,821	\$ 63,835
Net lease cost	\$ 59,110	\$ 31,917	\$ 106,821	\$ 63,835

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 26,688	\$ 33,445	\$ 60,284	\$ 66,590
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases			\$ 1,526,881	\$ 109,199

Lease term and discount rate are as follows:

	June 30, 2025	December 31, 2024
Weighted average remaining lease term in years		
Operating leases	9.90	0.43
Weighted average discount rate		
Operating leases	4.06%	3.39%

Future minimum lease payments under non-cancellable leases as of June 30, 2025, were as follows:

	Operating Leases
2025	\$ 86,400
2026	176,040
2027	180,432
2028	184,920
2029	189,504
Thereafter	1,110,912
Total lease payments	\$ 1,928,208
Less: interest	355,792
Total	\$ 1,572,416

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. On March 1, 2025, the Association recognized a right-of-use asset and a lease liability of \$1,570,313. However, due to construction delays, the commencement date was modified to May 1, 2025, which subsequently adjusted the value of the right-of-use asset and lease liability to \$1,572,926. 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 the 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.

	June 30, 2025	December 31, 2024
Capital stock and participation certificates	\$ 2,525,460	\$ 2,478,720
Accumulated other comprehensive income	172,214	179,866
Unallocated retained earnings	186,295,568	183,951,668
Total Capital	\$ 188,993,242	\$ 186,610,254

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of June 30, 2025	As of December 31, 2024
Common equity tier 1 ratio	7.00%	13.23%	14.18%
Tier 1 capital ratio	8.50%	13.23%	14.18%
Total capital ratio	10.50%	13.45%	14.43%
Permanent capital ratio	7.00%	13.26%	14.21%
<hr/>			
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	13.34%	14.32%
UREE leverage ratio	1.50%	13.13%	14.10%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2025, and December 31, 2024, respectively, are as follows:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
June 30, 2025				
Numerator:				
Unallocated retained earnings	\$ 182,555,662	\$ 182,555,662	\$ 182,555,662	\$ 182,555,662
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,514,877	2,514,877	2,514,877	2,514,877
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,596,663	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(26,604,702)	(26,604,702)	(26,604,702)	(26,604,702)
	<u>\$ 158,465,837</u>	<u>\$ 158,465,837</u>	<u>\$ 161,062,500</u>	<u>\$ 158,465,837</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,224,266,391	\$ 1,224,266,391	\$ 1,224,266,391	\$ 1,224,266,391
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(26,604,702)	(26,604,702)	(26,604,702)	(26,604,702)
Allowance for credit losses on loans	-	-	-	(2,538,433)
	<u>\$ 1,197,661,689</u>	<u>\$ 1,197,661,689</u>	<u>\$ 1,197,661,689</u>	<u>\$ 1,195,123,256</u>
December 31, 2024				
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)
	<u>\$ 160,555,274</u>	<u>\$ 160,555,274</u>	<u>\$ 163,381,116</u>	<u>\$ 160,555,274</u>
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)
	<u>\$ 1,132,332,256</u>	<u>\$ 1,132,332,256</u>	<u>\$ 1,132,332,256</u>	<u>\$ 1,129,570,584</u>
June 30, 2025				
	Tier 1 leverage ratio	UREE leverage ratio	December 31, 2024	
			Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	\$ 182,555,662	\$ 182,555,662	\$ 178,196,590	\$ 178,196,590
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,514,877	-	2,463,587	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(26,604,702)	(26,604,702)	(20,104,903)	(20,104,903)
	<u>\$ 158,465,837</u>	<u>\$ 155,950,960</u>	<u>\$ 160,555,274</u>	<u>\$ 158,091,687</u>
Denominator:				
Total Assets	\$ 1,215,458,938	\$ 1,215,458,938	\$ 1,143,319,811	\$ 1,143,319,811
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital	(27,474,372)	(27,474,372)	(22,395,860)	(22,395,860)
	<u>\$ 1,187,984,566</u>	<u>\$ 1,187,984,566</u>	<u>\$ 1,120,923,951</u>	<u>\$ 1,120,923,951</u>

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 six months ended June 30:

	<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>(7,652)</u>	<u>(17,314)</u>
Other comprehensive income	<u>(7,652)</u>	<u>(17,314)</u>
Accumulated other comprehensive income at June 30	<u>\$ 172,214</u>	<u>\$ 230,284</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.

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

June 30, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 504,908	\$ 504,908
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 and six months ended June 30:

	Pension Benefits	
	2025	2024
Three months ended June 30:		
Service cost	\$ 1,369	\$ 1,117
Interest cost	13,329	13,087
Amortization of net actuarial gain	<u>(3,826)</u>	<u>(8,657)</u>
Net periodic benefit cost	<u>\$ 10,872</u>	<u>\$ 5,547</u>
	Pension Benefits	
	2025	2024
Six months ended June 30:		
Service cost	\$ 2,737	\$ 2,233
Interest cost	26,657	26,173
Amortization of net actuarial gain	<u>(7,652)</u>	<u>(17,314)</u>
Net periodic benefit cost	<u>\$ 21,742</u>	<u>\$ 11,092</u>

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2025, was \$1,027,143 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 June 30, 2025, \$38,514 of contributions have been made. The Association presently anticipates contributing an additional \$38,514 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 August 8, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 8, 2025.