

PLAINS LAND BANK, FLCA

**2025
Quarterly Report
Third Quarter**



For the Quarter Ended September 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.

/s/ Kay Lynn McLaughlin
Kay Lynn McLaughlin, Chief Executive Officer
November 6, 2025

/s/ Jerrell K. Key
Jerrell K. Key, Chairman, Board of Directors
November 6, 2025

/s/ Brooke Alvis
Brooke Alvis, Chief Financial Officer
November 6, 2025

Third 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 September 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 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 at the Texas District remains stable. Risk factors such as persistently high inflation, elevated cost of debt and uncertainty from an unprecedented trade policy are negatively impacting performance across many sectors.

The U.S. tariff landscape continues to be dynamic. On September 25, 2025, Reuters reported that the U.S. implemented a trade agreement with the European Union (EU), reducing tariffs on EU autos and auto parts from 25 to 15 percent, retroactive to August 1. 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 suspension of reciprocal tariffs on China is in effect until November 10, 2025, as negotiations continue. Tariffs are exerting pressure on U.S. row crops by increasing production costs and dampening export demand. Through September 30, 2025, these effects have largely been offset through government support payments.

On October 1, 2025, the federal government of the United States began a shutdown. A government shutdown occurs when Congress fails to pass appropriations legislation (bills) for the upcoming fiscal year (e.g., 2026), which begins on October 1. The resulting impacts of the prolonged shutdown on the agricultural sector remain unclear at this time.

The percentage change in the Consumer Price Index (inflation) for All Urban Consumers increased month-over-month (MOM) for a second consecutive month in September to 3.0 percent from 2.9 percent in August 2025 and 2.7 percent in the prior quarter (June 2025). Year-over-year (YOY), inflation increased from 2.4 to 3.0 percent and remains above the Federal Reserve's long-term target of approximately 2.0 percent. The Federal Open Market Committee reduced the target federal funds range by another 25 basis points to 3.75-4.00 percent during the October 29, 2025, meeting, favoring the maximum employment goal of the dual mandate and judging that the downside risks to employment rose in recent months.

On September 25, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the second quarter of 2025. U.S. real GDP increased at an annual rate of 3.8 percent, up from a revised 0.6 percent decrease in the prior quarter and from a 3.6 percent increase in the year-ago period. The higher real GDP growth in the second quarter of 2025, primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports. Within the Texas District, annualized real GDP growth in the second quarter of 2025, ranged from a decline of 0.9 percent in Mississippi to an increase of 6.8 percent in Texas. In general, real GDP increased quarter-over-quarter (QOQ) in all Texas District states, except for Mississippi. However, real GDP growth decelerated compared to the same period a year ago in all Texas District states, except for Texas.

The Bureau of Labor Statistics indicates that the U.S. unemployment rate was 4.3 percent in August 2025, slightly up from 4.2 percent reached in the previous month and during the same month last year. The August 2025 state unemployment rates in the Texas District ranged from a low of 2.9 percent in Alabama to a high of 4.4 percent in Louisiana. The Texas unemployment rate marginally declined YOY from 4.2 percent to 4.1 percent in August 2025. Overall, the unemployment rates in the Texas District remain relatively stable. September data has been delayed due to the government shutdown.

In terms of relevant Texas District commodities, the quarterly average West Texas Intermediate (WTI) crude oil spot price increased QOQ by nearly 2.0 percent but decreased YOY by about 14.0 percent as of the third quarter of 2025. The Energy Information Administration's October 2025 Short Term Energy Outlook indicates that the WTI crude oil spot price will average slightly above \$65 per barrel in 2025 and about \$48 per barrel in 2026. The crude oil price is expected to decline due to factors such as an expected

increase in production from both the Organization of Petroleum Exporting Countries (OPEC+) and non-OPEC+ countries (e.g., Brazil, Canada, Guyana and the U.S.). The U.S. benchmark Henry Hub natural gas price averaged \$3.66 per million British thermal units (MMBtu) in the first half of 2025, 67 percent higher than the 2024 annual average of \$2.19/MMBtu.

The October 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) decreased QOQ in the third quarter of 2025. Additionally, average soybeans, cotton and wheat farm prices also decreased YOY as of the third quarter of 2025, except for corn farm prices that increased YOY by about 1 percent. Quarterly average cattle and hog prices increased QOQ and YOY during the third quarter of 2025, as demand remains strong and supply is tight. Conversely, average broilers and dairy prices declined QOQ and YOY. In terms of lumber, the physical cash price, as compiled by Barchart, decreased QOQ in September 2025 but increased YOY by around 16 percent.

On September 3, 2025, the U.S. Department of Agriculture (USDA) released its latest 2025 Farm Income Forecast. Net farm income (nominal), a broad measure of profits, is forecasted at \$179.8 billion in 2025 after increasing \$52 billion or 40.7 percent relative to 2024. Total crop receipts are forecasted to decrease YOY by 2.5 percent to \$236.6 billion in 2025, due to lower receipts for soybeans, corn and wheat. However, total animal and animal product receipts are projected to increase YOY by 11.2 percent to \$298.6 billion in 2025, as receipts for cattle, eggs, hogs, broilers and turkeys are forecasted to rise. Total production expenses are forecasted to increase YOY by 2.6 percent to \$467.4 billion in 2025. Farm sector assets and equity are both forecasted to increase by 4.7 percent. Farm sector debt is expected to increase by 5.0 percent in 2025.

The combined Drought Monitor for the five Texas District states as of October 14, 2025, indicates that drought area categorized as severe, extreme and exceptional improved from the prior quarter but remains slightly more severe (less than 5 percentage points) than the same period a year ago.

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.

Farm Bill:

Approximately every five years, Congress considers legislation, commonly referred to as the “Farm Bill”, that sets national agriculture, nutrition, conservation and forestry policy. The last Farm Bill enacted was the Agricultural Improvement Act of 2018 that was extended twice to September 30, 2025. On July 4, 2025, the President signed H.R.1, known as the One Big Beautiful Bill Act into law, which enacted many of the provisions typically authorized and funded in a Farm Bill. This Act continues crucial commodities programs and increases spending for many agricultural programs over 10 years. Because the bill was passed using the budget reconciliation process, it could only include measures that directly affect federal spending or revenue. There is the potential for a separate, smaller Farm Bill being introduced before the end of 2025 to address outstanding issues.

Loan Portfolio:

Total loans outstanding at September 30, 2025, including nonaccrual loans and sales contracts, were \$1,204,007,092 compared to \$1,090,802,146 at December 31, 2024, reflecting an increase of 10.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.1 percent at September 30, 2025, compared to 0.2 percent at December 31, 2024.

The Association recorded \$13,746 in recoveries and \$210,555 in charge-offs for the nine months ended September 30, 2025, and no recoveries and \$26,850 in charge-offs for the nine months ended September 30, 2024. The Association’s allowance for credit losses on loans was 0.3 percent and 0.2 percent of total loans outstanding as of September 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			
	September 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Nonaccrual	\$ 1,731,777	100.0%	\$ 2,104,362	100.0%
Total	\$ 1,731,777	100.0%	\$ 2,104,362	100.0%

Results of Operations:

The Association had net income of \$6,115,469 and \$18,459,432 for the three and nine months ended September 30, 2025, as compared to net income of \$5,885,693 and \$17,224,287 for the same periods in 2024, reflecting increases of 3.9 percent and 7.2 percent, respectively, primarily due to an increase in net interest income. Net interest income was \$8,607,854 and \$24,976,940 for the three and nine months ended September 30, 2025, compared to \$7,628,474 and \$22,430,327 for the same periods in 2024.

	Nine Months Ended			
	September 30, 2025		September 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,156,297,490	\$ 56,315,555	\$ 1,055,840,448	\$ 50,006,249
Interest-bearing liabilities	1,014,911,589	31,338,615	919,892,904	27,575,922
Impact of capital	<u>\$ 141,385,901</u>		<u>\$ 135,947,544</u>	
Net interest income		<u>\$ 24,976,940</u>		<u>\$ 22,430,327</u>

	2025	2024
	Average Yield	Average Yield
Yield on loans	6.51%	6.33%
Cost of interest-bearing liabilities	4.13%	4.00%
Interest rate spread	2.38%	2.33%
Net interest income as a percentage of average earning assets	2.89%	2.84%

	Nine Months Ended		
	September 30, 2025 vs. September 30, 2024		
	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 4,756,132	\$ 1,553,174	\$ 6,309,306
Interest expense	2,842,751	919,942	3,762,693
Net interest income	<u>\$ 1,913,381</u>	<u>\$ 633,232</u>	<u>\$ 2,546,613</u>

Interest income for the three and nine months ended September 30, 2025, increased by \$2,495,563 and \$6,309,306, or 14.5 percent and 12.6 percent, respectively, 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 nine months ended September 30, 2025, increased by \$1,156,183 and \$3,762,693, or 15.8 percent and 13.6 percent, from the same periods of 2024 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the third quarter of 2025 was \$1,191,901,457, compared to \$1,070,500,989 in the third quarter of 2024. The average net interest rate spread on the loan portfolio for the third quarter of 2025 was 2.37 percent, compared to 2.32 percent in the third quarter of 2024.

Noninterest income for the three and nine months ended September 30, 2025, decreased by \$597,229 and \$405,962, or 72.1 percent and 13.4 percent, respectively, from the same periods of 2024, primarily due to the decrease in the Bank patronage accrual.

The Association's return on average assets for the nine months ended September 30, 2025, was 2.04 percent compared to 2.09 percent for the same period in 2024. The Association's return on average equity for the nine months ended September 30, 2025, was 13.20 percent, compared to 13.35 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.

	September 30, 2025	December 31, 2024
Note payable to the Bank	\$ 1,064,188,191	\$ 955,638,863
Accrued interest on note payable	3,683,050	3,250,966
Total	<u>\$ 1,067,871,241</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, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$1,064,188,191 as of September 30, 2025, is recorded as a liability on the Association's Balance Sheet. The note carried a weighted average interest rate of 4.13 percent at September 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 \$139,289,416 at September 30, 2025. The maximum amount the Association may borrow from the Bank as of September 30, 2025, was \$1,227,379,107 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, 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 \$8,509,611 at September 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 5.50:1 as of September 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 September 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

	September 30, 2025	December 31, 2024
	(unaudited)	
<u>ASSETS</u>		
Cash	\$ 6,240	\$ 10,665
Loans	1,204,007,092	1,090,802,146
Less: allowance for credit losses on loans	3,106,444	2,665,538
Net loans	1,200,900,648	1,088,136,608
Accrued interest receivable	33,710,034	31,108,121
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	26,487,886	21,052,161
Other	2,171,142	6,895,375
Premises and equipment, net	2,793,697	2,782,943
Other assets	1,839,011	293,045
Total assets	\$ 1,267,908,658	\$ 1,150,278,918
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 1,064,188,191	\$ 955,638,863
Accrued interest payable	3,683,050	3,250,966
Drafts outstanding	44,201	751,536
Other liabilities	4,873,351	4,027,299
Total liabilities	1,072,788,793	963,668,664
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	2,540,440	2,478,720
Unallocated retained earnings	192,411,037	183,951,668
Accumulated other comprehensive income	168,388	179,866
Total members' equity	195,119,865	186,610,254
Total liabilities and members' equity	\$ 1,267,908,658	\$ 1,150,278,918

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
INTEREST INCOME				
Loans	\$ 19,690,219	\$ 17,194,656	\$ 56,315,555	\$ 50,006,249
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	11,082,365	9,566,182	31,338,615	27,575,922
Net interest income	8,607,854	7,628,474	24,976,940	22,430,327
(CREDIT LOSS REVERSAL) PROVISION FOR CREDIT LOSSES				
Net interest income after (credit loss reversal) provision for credit losses	(63,397)	50,233	650,480	300,983
	8,671,251	7,578,241	24,326,460	22,129,344
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	128,381	778,071	1,857,017	2,316,698
Loan fees	100,257	46,074	329,502	196,717
Financially related services income	2,102	1,113	6,912	6,095
Gain on sale of premises and equipment, net	-	-	57,412	35,286
Other noninterest income	-	2,711	375,819	477,828
Total noninterest income	230,740	827,969	2,626,662	3,032,624
NONINTEREST EXPENSES				
Salaries and employee benefits	1,622,078	1,501,379	4,838,491	4,583,015
Directors' expense	60,478	66,999	294,616	333,545
Purchased services	197,066	173,063	553,915	511,251
Travel	56,200	52,373	172,071	182,266
Occupancy and equipment	156,961	156,033	553,237	427,213
Communications	29,189	31,683	95,214	93,490
Advertising	115,243	79,492	351,542	276,697
Public and member relations	81,942	50,722	250,246	263,860
Supervisory and exam expense	109,652	103,229	291,934	297,789
Insurance fund premiums	254,859	223,765	818,314	727,580
Other noninterest expense	102,854	81,779	274,110	240,975
Total noninterest expenses	2,786,522	2,520,517	8,493,690	7,937,681
NET INCOME	6,115,469	5,885,693	18,459,432	17,224,287
Other comprehensive income:				
Change in postretirement benefit plans	(3,826)	(8,657)	(11,478)	(25,971)
COMPREHENSIVE INCOME	\$ 6,111,643	\$ 5,877,036	\$ 18,447,954	\$ 17,198,316

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)	-	17,224,287	(25,971)	17,198,316
Capital stock/participation certificates issued	219,235	-	-	219,235
Capital stock/participation certificates retired	(127,905)	-	-	(127,905)
Patronage cash dividends	-	(9,498,352)	-	(9,498,352)
Balance at September 30, 2024	<u>\$ 2,442,575</u>	<u>\$ 177,530,814</u>	<u>\$ 221,627</u>	<u>\$ 180,195,016</u>
Balance at December 31, 2024	\$ 2,478,720	\$ 183,951,668	\$ 179,866	\$ 186,610,254
Comprehensive income (loss)	-	18,459,432	(11,478)	18,447,954
Capital stock/participation certificates issued	272,400	-	-	272,400
Capital stock/participation certificates retired	(210,680)	-	-	(210,680)
Patronage cash dividends	-	(10,000,063)	-	(10,000,063)
Balance at September 30, 2025	<u>\$ 2,540,440</u>	<u>\$ 192,411,037</u>	<u>\$ 168,388</u>	<u>\$ 195,119,865</u>

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

PLAINS LAND BANK, FLCA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

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

In September 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-07 Derivatives and Hedging and Revenue from Contracts with Customers. The amendment updates (1) the accounting rules for businesses by providing a scope exception for certain derivative contracts that are based on operations or activities specific to one of the parties, and it (2) clarifies that the revenue guidance in ASC 606 applies to share-based noncash consideration received from customers. The standard is effective for annual periods starting after December 15, 2026, with early adoption permitted. The Association does not participate in hedging or derivate activity as described in the ASU and will not be impacted by this amendment.

In September 2025, the FASB issued ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where capitalization occurs when management has authorized and committed to funding, and it is probable that the project will be completed and the software used as intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently assessing the potential impact of this amendment on its disclosures.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. This update provides (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The accounting policy election allows an entity to consider collection activity after the balance sheet date when estimating expected credit losses. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently assessing the potential impact of this standard on its disclosures.

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

A summary of loans by type follows:

Loan Type	September 30, 2025	December 31, 2024
Real estate mortgage	\$ 1,069,311,316	\$ 963,970,782
Agribusiness:		
Processing and marketing	44,230,482	43,699,073
Farm-related business	15,065,278	13,864,019
Loans to cooperatives	6,592,669	4,572,329
Rural residential real estate	21,288,926	19,817,453
Production and intermediate-term	15,193,513	11,429,533
Energy	13,507,303	14,108,306
Communication	12,555,544	12,698,681
International	5,513,149	4,930,276
Water and wastewater	748,912	1,711,694
Total	<u>\$ 1,204,007,092</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 September 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Agribusiness	\$ 46,971,736	\$ -	\$ -	\$ -	\$ 46,971,736
Production and intermediate-term	15,193,513	-	-	-	15,193,513	-
Real estate mortgage	14,217,514	38,444,539	5,153,571	-	19,371,085	38,444,539
Energy	13,507,303	-	-	-	13,507,303	-
Communication	12,555,544	-	-	-	12,555,544	-
International	5,513,149	-	-	-	5,513,149	-
Water and wastewater	748,912	-	-	-	748,912	-
Rural residential real estate	374,219	-	-	-	374,219	-
Total	<u>\$ 109,081,890</u>	<u>\$ 38,444,539</u>	<u>\$ 5,153,571</u>	<u>\$ -</u>	<u>\$ 114,235,461</u>	<u>\$ 38,444,539</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 \$5,466,525 and \$6,319,844 at September 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 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 next twelve months. 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 September 30, 2025:

September 30, 2025	Term Loans Amortized Cost by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior	Amortized Cost Basis	Loans Amortized Cost Basis	
Real estate mortgage									
Acceptable	\$ 201,468,372	\$ 133,983,249	\$ 109,852,295	\$ 122,594,707	\$ 141,681,472	\$ 284,614,541	\$ 49,884,912	\$ 4,375,837	\$ 1,048,455,385
OAEM	939,915	410,085	202,389	-	-	2,854,349	-	-	4,406,738
Substandard/Doubtful	3,407,122	4,234,272	2,543,615	2,188,875	2,311,743	1,664,630	98,936	-	16,449,193
	<u>\$ 205,815,409</u>	<u>\$ 138,627,606</u>	<u>\$ 112,598,299</u>	<u>\$ 124,783,582</u>	<u>\$ 143,993,215</u>	<u>\$ 289,133,520</u>	<u>\$ 49,983,848</u>	<u>\$ 4,375,837</u>	<u>\$ 1,069,311,316</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ 191,256	\$ -	\$ 12,352	\$ 6,947	\$ -	\$ -	\$ 210,555
Agribusiness									
Acceptable	\$ 6,072,230	\$ 4,527,387	\$ 8,190,786	\$ 16,452,743	\$ 5,697,475	\$ 8,400,335	\$ 12,143,646	\$ 541,788	\$ 62,026,390
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	2,379,842	-	524,042	958,155	-	3,862,039
	<u>\$ 6,072,230</u>	<u>\$ 4,527,387</u>	<u>\$ 8,190,786</u>	<u>\$ 18,832,585</u>	<u>\$ 5,697,475</u>	<u>\$ 8,924,377</u>	<u>\$ 13,101,801</u>	<u>\$ 541,788</u>	<u>\$ 65,888,429</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural residential real estate									
Acceptable	\$ 2,923,694	\$ 3,950,674	\$ 1,431,304	\$ 2,993,603	\$ 2,820,360	\$ 6,619,447	\$ -	\$ -	\$ 20,739,082
OAEM	-	-	-	-	381,488	168,356	-	-	549,844
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 2,923,694</u>	<u>\$ 3,950,674</u>	<u>\$ 1,431,304</u>	<u>\$ 2,993,603</u>	<u>\$ 3,201,848</u>	<u>\$ 6,787,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,288,926</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term									
Acceptable	\$ 2,153,846	\$ -	\$ -	\$ -	\$ -	\$ 670,114	\$ 12,369,553	\$ -	\$ 15,193,513
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 2,153,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,114</u>	<u>\$ 12,369,553</u>	<u>\$ -</u>	<u>\$ 15,193,513</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy									
Acceptable	\$ -	\$ -	\$ 1,998,610	\$ -	\$ -	\$ 11,154,477	\$ 354,216	\$ -	\$ 13,507,303
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,998,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,154,477</u>	<u>\$ 354,216</u>	<u>\$ -</u>	<u>\$ 13,507,303</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communication									
Acceptable	\$ -	\$ 4,623,582	\$ 3,431,053	\$ 1,338,435	\$ -	\$ 3,162,474	\$ -	\$ -	\$ 12,555,544
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,623,582</u>	<u>\$ 3,431,053</u>	<u>\$ 1,338,435</u>	<u>\$ -</u>	<u>\$ 3,162,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,555,544</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
International									
Acceptable	\$ -	\$ -	\$ 5,513,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,513,149
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,513,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,513,149</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater									
Acceptable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,912	\$ -	\$ 748,912
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,912</u>	<u>\$ -</u>	<u>\$ 748,912</u>
Gross charge-offs for the current period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans									
Acceptable	\$ 212,618,142	\$ 147,084,892	\$ 130,417,197	\$ 143,379,488	\$ 150,199,307	\$ 314,621,388	\$ 75,501,239	\$ 4,917,625	\$ 1,178,739,278
OAEM	939,915	410,085	202,389	-	381,488	3,022,705	-	-	4,956,582
Substandard/Doubtful	3,407,122	4,234,272	2,543,615	4,568,717	2,311,743	2,188,672	1,057,091	-	20,311,232
	<u>\$ 216,965,179</u>	<u>\$ 151,729,249</u>	<u>\$ 133,163,201</u>	<u>\$ 147,948,205</u>	<u>\$ 152,892,538</u>	<u>\$ 319,832,765</u>	<u>\$ 76,558,330</u>	<u>\$ 4,917,625</u>	<u>\$ 1,204,007,092</u>
Total gross charge-offs for the current period	\$ -	\$ -	\$ 191,256	\$ -	\$ 12,352	\$ 6,947	\$ -	\$ -	\$ 210,555

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
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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 September 30, 2025, and December 31, 2024:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage		
Acceptable	98.1 %	98.0 %
OAEM	0.4	0.4
Substandard/doubtful	1.5	1.6
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	94.1	94.3
OAEM	-	5.7
Substandard/doubtful	5.9	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	97.4	96.2
OAEM	2.6	3.8
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>
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>
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	0.4	0.7
Substandard/doubtful	1.7	1.4
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$33,710,034 and \$31,108,121 at September 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 \$14,412 and \$46,907 during the three and nine months ended September 30, 2025, respectively. During the three and nine months ended September 30, 2024, the Association wrote off accrued interest receivable against interest income of \$13,002 and \$17,196, 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:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Nonaccrual loans:		
Real estate mortgage	\$ 1,731,777	\$ 2,104,362
Total nonperforming assets	<u>\$ 1,731,777</u>	<u>\$ 2,104,362</u>
Nonaccrual loans as a percentage of total loans	0.1%	0.2%
Nonperforming assets as a percentage of total loans and other property owned	0.1%	0.2%
Nonperforming assets as a percentage of capital	0.9%	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:

	<u>September 30, 2025</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2025</u>	<u>For the Nine Months Ended September 30, 2025</u>
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 1,731,777	\$ 1,731,777	\$ -	\$ 25,680
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 1,731,777</u>	<u>\$ 1,731,777</u>	<u>\$ -</u>	<u>\$ 25,680</u>
	<u>December 31, 2024</u>			<u>Interest Income Recognized</u>	
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2024</u>
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 2,104,362	\$ 2,104,362	\$ -	\$ -
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 2,104,362</u>	<u>\$ 2,104,362</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>September 30, 2025</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment >90 Days Past Due and Accruing</u>
Real estate mortgage	\$ 2,937,937	\$ 386,517	\$ 3,324,454	\$ 1,065,986,862	\$ 1,069,311,316	\$ -
Processing and marketing	-	-	-	44,230,482	44,230,482	-
Farm-related business	-	-	-	15,065,278	15,065,278	-
Loans to cooperatives	-	-	-	6,592,669	6,592,669	-
Rural residential real estate	349,166	-	349,166	20,939,760	21,288,926	-
Production and intermediate-term	-	-	-	15,193,513	15,193,513	-
Energy	-	-	-	13,507,303	13,507,303	-
Communication	-	-	-	12,555,544	12,555,544	-
International	-	-	-	5,513,149	5,513,149	-
Water and wastewater	-	-	-	748,912	748,912	-
Total	<u>\$ 3,287,103</u>	<u>\$ 386,517</u>	<u>\$ 3,673,620</u>	<u>\$ 1,200,333,472</u>	<u>\$ 1,204,007,092</u>	<u>\$ -</u>
<u>December 31, 2024</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment >90 Days Past Due and Accruing</u>
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	-
Production and intermediate-term	-	-	-	11,429,533	11,429,533	-
Energy	-	-	-	14,108,306	14,108,306	-
Communication	-	-	-	12,698,681	12,698,681	-
International	-	-	-	4,930,276	4,930,276	-
Water and wastewater	-	-	-	1,711,694	1,711,694	-
Total	<u>\$ 2,135,609</u>	<u>\$ 967,156</u>	<u>\$ 3,102,765</u>	<u>\$ 1,087,699,381</u>	<u>\$ 1,090,802,146</u>	<u>\$ -</u>

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 September 30, 2025⁽¹⁾				
	Combination			Percentage of Total by Loan Type
	Payment Deferral	Term Extension & Payment Deferral	Total	
Real estate mortgage	\$ -	\$ -	\$ -	0.00%
Total	\$ -	\$ -	\$ -	0.00%

For the Nine Months Ended September 30, 2025⁽¹⁾				
	Combination			Percentage of Total by Loan Type
	Payment Deferral	Term Extension & Payment Deferral	Total	
Real estate mortgage	\$ 1,070,842	\$ 668,482	\$ 1,739,324	0.16%
Total	\$ 1,070,842	\$ 668,482	\$ 1,739,324	0.16%

For the Three Months Ended September 30, 2024⁽¹⁾				
	Combination			Percentage of Total by Loan Type
	Payment Deferral	Term Extension & Payment Deferral	Total	
Real estate mortgage	\$ 556,356	\$ -	\$ 556,356	0.06%
Total	\$ 556,356	\$ -	\$ 556,356	0.06%

For the Nine Months Ended September 30, 2024⁽¹⁾				
	Combination			Percentage of Total by Loan Type
	Payment Deferral	Term Extension & Payment Deferral	Total	
Real estate mortgage	\$ 3,722,209	\$ -	\$ 3,722,209	0.39%
Total	\$ 3,722,209	\$ -	\$ 3,722,209	0.39%

(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 September 30, 2025, and 2024, was \$0. Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the nine months ended September 30, 2025, and 2024, was \$18,055 and \$162,134, respectively.

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

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

	Financial Effect	
	Payment Deferral (Change in the weighted average payment after modifications)(in days)	
	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage	180	129
	Combination – Term Extension and Payment Deferral (Change in the weighted average maturity after modification)(in days)	
	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 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 September 30, 2024	For the Nine Months Ended September 30, 2024
Real estate mortgage	-	-

There were no loans to borrowers experiencing financial difficulties that defaulted during the three and nine months ended September 30, 2025. During the three and nine months ended September 30, 2024, modified loans in the real estate mortgage sector with an amortized cost of \$370,915 defaulted.

The following tables set forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2025, and 2024, respectively:

		September 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		\$ 1,739,324	\$ -	\$ -
Total		\$ 1,739,324	\$ -	\$ -

		September 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		\$ 6,519,282	\$ -	\$ 370,915
Total		\$ 6,519,282	\$ -	\$ 370,915

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 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	Production and Intermediate-Term	Energy	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at June 30, 2025	\$ 2,968,024	\$ 144,698	\$ 56,927	\$ 8,443	\$ 2,038	\$ 13,351	\$ 1,377	\$ 1,665	\$ 3,196,523
Charge-offs	(19,300)	-	-	-	-	-	-	-	(19,300)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	(87,104)	25,153	(4,120)	(1,721)	(265)	(1,577)	136	(1,281)	(70,779)
Balance at September 30, 2025	\$ 2,861,620	\$ 169,851	\$ 52,807	\$ 6,722	\$ 1,773	\$ 11,774	\$ 1,513	\$ 384	\$ 3,106,444
Allowance for credit losses on unfunded commitments:									
Balance at June 30, 2025	\$ 30,314	\$ 26,754	\$ -	\$ 5,134	\$ 438	\$ 843	\$ 962	\$ 469	\$ 64,914
Provision for unfunded commitments (Credit loss reversal)	5,180	3,759	-	(636)	(94)	(77)	(558)	(192)	7,382
Balance at September 30, 2025	\$ 35,494	\$ 30,513	\$ -	\$ 4,498	\$ 344	\$ 766	\$ 404	\$ 277	\$ 72,296
Total allowance for credit losses	\$ 2,897,114	\$ 200,364	\$ 52,807	\$ 11,220	\$ 2,117	\$ 12,540	\$ 1,917	\$ 661	\$ 3,178,740

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Production and Intermediate-Term	Energy	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at December 31, 2024	\$ 2,470,834	\$ 113,720	\$ 59,687	\$ 5,736	\$ 2,180	\$ 11,134	\$ 1,354	\$ 893	\$ 2,665,538
Charge-offs	(210,555)	-	-	-	-	-	-	-	(210,555)
Recoveries	13,746	-	-	-	-	-	-	-	13,746
Provision for credit losses (Credit loss reversal)	587,595	56,131	(6,880)	986	(407)	640	159	(509)	637,715
Balance at September 30, 2025	\$ 2,861,620	\$ 169,851	\$ 52,807	\$ 6,722	\$ 1,773	\$ 11,774	\$ 1,513	\$ 384	\$ 3,106,444
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2024	\$ 21,379	\$ 31,323	\$ -	\$ 3,458	\$ 424	\$ 754	\$ 1,170	\$ 1,023	\$ 59,531
Provision for unfunded commitments (Credit loss reversal)	14,115	(810)	-	1,040	(80)	12	(766)	(746)	12,765
Balance at September 30, 2025	\$ 35,494	\$ 30,513	\$ -	\$ 4,498	\$ 344	\$ 766	\$ 404	\$ 277	\$ 72,296
Total allowance for credit losses	\$ 2,897,114	\$ 200,364	\$ 52,807	\$ 11,220	\$ 2,117	\$ 12,540	\$ 1,917	\$ 661	\$ 3,178,740

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Production and Intermediate- Term	Energy	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at June 30, 2024	\$ 2,391,332	\$ 125,761	\$ 58,217	\$ 5,720	\$ 128,561	\$ 6,932	\$ 1,561	\$ 1,454	\$ 2,719,538
Charge-offs	(13,104)	-	-	-	-	-	-	-	(13,104)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	62,496	(6,421)	(746)	1,156	(287)	6,274	(91)	(475)	61,906
Balance at September 30, 2024	\$ 2,440,724	\$ 119,340	\$ 57,471	\$ 6,876	\$ 128,274	\$ 13,206	\$ 1,470	\$ 979	\$ 2,768,340
Allowance for credit losses on unfunded commitments:									
Balance at June 30, 2024	\$ 19,779	\$ 49,558	\$ -	\$ 3,175	\$ 420	\$ 55	\$ 1,663	\$ 1,245	\$ 75,895
Provision for unfunded commitments (Credit loss reversal)	76	(13,531)	-	1,250	22	728	(205)	(13)	(11,673)
Balance at September 30, 2024	\$ 19,855	\$ 36,027	\$ -	\$ 4,425	\$ 442	\$ 783	\$ 1,458	\$ 1,232	\$ 64,222
Total allowance for credit losses	\$ 2,460,579	\$ 155,367	\$ 57,471	\$ 11,301	\$ 128,716	\$ 13,989	\$ 2,928	\$ 2,211	\$ 2,832,562

	Real Estate Mortgage	Agribusiness	Rural Residential Real Estate	Production and Intermediate- Term	Energy	Communication	International	Water and wastewater	Total
Allowance for credit losses on loans:									
Balance at December 31, 2023	\$ 2,153,596	\$ 106,660	\$ 51,833	\$ 6,995	\$ 128,539	\$ 11,657	\$ 1,723	\$ 2,371	\$ 2,463,374
Charge-offs	(26,850)	-	-	-	-	-	-	-	(26,850)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (Credit loss reversal)	313,978	12,680	5,638	(119)	(265)	1,549	(253)	(1,392)	331,816
Balance at September 30, 2024	\$ 2,440,724	\$ 119,340	\$ 57,471	\$ 6,876	\$ 128,274	\$ 13,206	\$ 1,470	\$ 979	\$ 2,768,340
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2023	\$ 29,335	\$ 58,220	\$ -	\$ 3,924	\$ 479	\$ -	\$ 1,948	\$ 1,149	\$ 95,055
Provision for unfunded commitments (Credit loss reversal)	(9,480)	(22,193)	-	501	(37)	783	(490)	83	(30,833)
Balance at September 30, 2024	\$ 19,855	\$ 36,027	\$ -	\$ 4,425	\$ 442	\$ 783	\$ 1,458	\$ 1,232	\$ 64,222
Total allowance for credit losses	\$ 2,460,579	\$ 155,367	\$ 57,471	\$ 11,301	\$ 128,716	\$ 13,989	\$ 2,928	\$ 2,211	\$ 2,832,562

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses (ACL) increased by \$453,671 to \$3,178,740 at September 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 September 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 Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Operating lease cost	\$ 49,799	\$ 31,917	\$ 85,178	\$ 95,752
Net lease cost	\$ 49,799	\$ 31,917	\$ 85,178	\$ 95,752

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 44,835	\$ 33,595	\$ 62,505	\$ 100,185
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases			\$ 1,521,038	\$ 78,073

Lease term and discount rate are as follows:

	September 30, 2025	December 31, 2024
Weighted average remaining lease term in years		
Operating leases	9.66	0.43
Weighted average discount rate		
Operating leases	4.10%	3.39%

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

	Operating Leases
2025	\$ 44,835
2026	176,040
2027	180,432
2028	184,920
2029	189,504
Thereafter	1,110,912
Total lease payments	<u>\$ 1,886,643</u>
Less: interest	342,931
Total	<u><u>\$ 1,543,712</u></u>

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.

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Capital stock and participation certificates	\$ 2,540,440	\$ 2,478,720
Accumulated other comprehensive income	168,388	179,866
Unallocated retained earnings	192,411,037	183,951,668
Total Capital	<u><u>\$ 195,119,865</u></u>	<u><u>\$ 186,610,254</u></u>

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2025	As of December 31, 2024
Common equity tier 1 ratio	7.00%	13.31%	14.18%
Tier 1 capital ratio	8.50%	13.31%	14.18%
Total capital ratio	10.50%	13.57%	14.43%
Permanent capital ratio	7.00%	13.34%	14.21%
<hr/>			
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	13.41%	14.32%
UREE leverage ratio	1.50%	13.20%	14.10%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 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																																																																						
September 30, 2025																																																																										
Numerator:																																																																										
Unallocated retained earnings	\$ 187,883,376	\$ 187,883,376	\$ 187,883,376	\$ 187,883,376																																																																						
Common Cooperative Equities:																																																																										
Statutory minimum purchased borrower stock	2,537,028	2,537,028	2,537,028	2,537,028																																																																						
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	3,230,554	-																																																																						
Regulatory Adjustments and Deductions:																																																																										
Amount of allocated investments in other System institutions	(26,510,650)	(26,510,650)	(26,510,650)	(26,510,650)																																																																						
	<u>\$ 163,909,754</u>	<u>\$ 163,909,754</u>	<u>\$ 167,140,308</u>	<u>\$ 163,909,754</u>																																																																						
Denominator:																																																																										
Risk-adjusted assets excluding allowance	\$ 1,258,019,385	\$ 1,258,019,385	\$ 1,258,019,385	\$ 1,258,019,385																																																																						
Regulatory Adjustments and Deductions:																																																																										
Regulatory deductions included in total capital	(26,510,650)	(26,510,650)	(26,510,650)	(26,510,650)																																																																						
Allowance for credit losses on loans	-	-	-	(3,165,558)																																																																						
	<u>\$ 1,231,508,735</u>	<u>\$ 1,231,508,735</u>	<u>\$ 1,231,508,735</u>	<u>\$ 1,228,343,177</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>																																																																						
<table border="1"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">September 30, 2025</th> <th colspan="2" style="text-align: center;">December 31, 2024</th> </tr> <tr> <th></th> <th style="text-align: center;">Tier 1 leverage ratio</th> <th style="text-align: center;">UREE leverage ratio</th> <th style="text-align: center;">Tier 1 leverage ratio</th> <th style="text-align: center;">UREE leverage ratio</th> </tr> </thead> <tbody> <tr> <td colspan="5">Numerator:</td> </tr> <tr> <td>Unallocated retained earnings</td> <td>\$ 187,883,376</td> <td>\$ 187,883,376</td> <td>\$ 178,196,590</td> <td>\$ 178,196,590</td> </tr> <tr> <td>Common Cooperative Equities:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Statutory minimum purchased borrower stock</td> <td>2,537,028</td> <td>-</td> <td>2,463,587</td> <td>-</td> </tr> <tr> <td>Regulatory Adjustments and Deductions:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Amount of allocated investments in other System institutions</td> <td>(26,510,650)</td> <td>(26,510,650)</td> <td>(20,104,903)</td> <td>(20,104,903)</td> </tr> <tr> <td></td> <td><u>\$ 163,909,754</u></td> <td><u>\$ 161,372,726</u></td> <td><u>\$ 160,555,274</u></td> <td><u>\$ 158,091,687</u></td> </tr> <tr> <td colspan="5">Denominator:</td> </tr> <tr> <td>Total Assets</td> <td>\$ 1,250,406,639</td> <td>\$ 1,250,406,639</td> <td>\$ 1,143,319,811</td> <td>\$ 1,143,319,811</td> </tr> <tr> <td>Regulatory Adjustments and Deductions:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Regulatory deductions included in tier 1 capital</td> <td>(28,240,713)</td> <td>(28,240,713)</td> <td>(22,395,860)</td> <td>(22,395,860)</td> </tr> <tr> <td></td> <td><u>\$ 1,222,165,926</u></td> <td><u>\$ 1,222,165,926</u></td> <td><u>\$ 1,120,923,951</u></td> <td><u>\$ 1,120,923,951</u></td> </tr> </tbody> </table>						September 30, 2025		December 31, 2024			Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio	Numerator:					Unallocated retained earnings	\$ 187,883,376	\$ 187,883,376	\$ 178,196,590	\$ 178,196,590	Common Cooperative Equities:					Statutory minimum purchased borrower stock	2,537,028	-	2,463,587	-	Regulatory Adjustments and Deductions:					Amount of allocated investments in other System institutions	(26,510,650)	(26,510,650)	(20,104,903)	(20,104,903)		<u>\$ 163,909,754</u>	<u>\$ 161,372,726</u>	<u>\$ 160,555,274</u>	<u>\$ 158,091,687</u>	Denominator:					Total Assets	\$ 1,250,406,639	\$ 1,250,406,639	\$ 1,143,319,811	\$ 1,143,319,811	Regulatory Adjustments and Deductions:					Regulatory deductions included in tier 1 capital	(28,240,713)	(28,240,713)	(22,395,860)	(22,395,860)		<u>\$ 1,222,165,926</u>	<u>\$ 1,222,165,926</u>	<u>\$ 1,120,923,951</u>	<u>\$ 1,120,923,951</u>
	September 30, 2025		December 31, 2024																																																																							
	Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio																																																																						
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Total Assets	\$ 1,250,406,639	\$ 1,250,406,639	\$ 1,143,319,811	\$ 1,143,319,811																																																																						
Regulatory Adjustments and Deductions:																																																																										
Regulatory deductions included in tier 1 capital	(28,240,713)	(28,240,713)	(22,395,860)	(22,395,860)																																																																						
	<u>\$ 1,222,165,926</u>	<u>\$ 1,222,165,926</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 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 nine months ended September 30:

	2025	2024
Accumulated other comprehensive income at January 1	\$ 179,866	\$ 247,598
Amortization of actuarial gain included		
in salaries and employee benefits	(11,478)	(25,971)
Other comprehensive income	(11,478)	(25,971)
Accumulated other comprehensive income at September 30	<u>\$ 168,388</u>	<u>\$ 221,627</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 September 30, 2025, or December 31, 2024.

September 30, 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 and nine months ended September 30:

	Pension Benefits	
	2025	2024
Three months ended September 30:		
Service cost	\$ 1,368	\$ 1,117
Interest cost	13,328	13,086
Amortization of net actuarial gain	<u>(3,826)</u>	<u>(8,657)</u>
Net periodic benefit cost	<u>\$ 10,870</u>	<u>\$ 5,546</u>
	Pension Benefits	
	2025	2024
Nine Months Ended September 30:		
Service cost	\$ 4,105	\$ 3,350
Interest cost	39,985	39,259
Amortization of net actuarial gain	<u>(11,478)</u>	<u>(25,971)</u>
Net periodic benefit cost	<u>\$ 32,612</u>	<u>\$ 16,638</u>

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2025, was \$1,029,836 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 September 30, 2025, \$57,771 of contributions have been made. The Association presently anticipates contributing an additional \$19,257 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 November 6, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 6, 2025.