

ALABAMA FARM CREDIT, ACA

2025 Quarterly Report



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.

/s/Mel Koller, Chief Executive Officer/President
November 6, 2025

/s/Matthew Christjohn, DVM, Chairman, Board of Directors
November 6, 2025

/s/Kedric Karkosh, Chief Financial Officer
November 6, 2025

/s/John R Adams, Chairman, Audit Committee
November 6, 2025

Third Quarter 2025 Financial Report

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ALABAMA FARM CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(dollars in thousands, except as noted)

The following commentary reviews the financial performance of Alabama Farm Credit, ACA (Agricultural Credit Association), 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 consolidated financial statements comprise the operations of the ACA and its wholly owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

In January 2025, the Association approved a patronage distribution to its stockholders. The Association was able to distribute \$6,154 to its members due to strong earnings during 2024. The distribution was made in April 2025.

In January 2025, the Farm Credit Bank of Texas Board approved a change to the Bank's capitalization policy. Through 2024, associations and qualifying Other Financing Institutions were required to maintain an investment in the Bank equal to 2.0 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in March 2025, this investment requirement was increased to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

Loan Portfolio

Total loans outstanding at September 30, 2025, including nonaccrual loans and sales contracts, were \$1,213,473 compared to \$1,144,868 at December 31, 2024, reflecting an increase of 6.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at September 30, 2025, compared to 0.5 percent at December 31, 2024.

The Association recorded \$0 in recoveries and \$0 in charge-offs for the three months ended September 30, 2025, and \$0 in recoveries and \$12 in charge-offs for the three months ended September 30, 2024. The Association recorded \$0 in recoveries and \$1,308 in charge-offs for the nine months ended September 30, 2025, and \$0 in recoveries and \$12 in charge-offs for the nine months ended September 30, 2024. The Association's allowance for loan losses was 0.4 percent and 0.5 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 past due 90 days or more and still accruing interest, formally restructured loans 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	\$ 5,523	71.5%	\$ 5,564	84.8%
90 days past due and still accruing interest	2,204	28.5%	321	4.9%
Other property owned, net	-	0.0%	675	10.3%
Total	<u>\$ 7,727</u>	<u>100.0%</u>	<u>\$ 6,560</u>	<u>100.0%</u>

Investments

The Association's held-to-maturity investments are comprised of SBA Securities (loan pools). The principal investment is guaranteed by the United States Treasury. The investments are held for the purpose of asset diversification and risk management.

The following is a summary of investments that are held-to-maturity.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
9/30/2025	\$ 59,633	\$ -	\$ 580	\$ 59,053	4.564%
12/31/2024	29,863	-	117	29,747	5.583%

Results of Operations

The Association had net income of \$5,633 and \$14,871 for the three and nine months ended September 30, 2025, as compared to net income of \$5,095 and \$11,836 for the same period in 2024, reflecting an increase of 9.6 percent and 20.4 percent. Net interest income was \$7,700 and \$22,734 for the three and nine months ended September 30, 2025, compared to \$7,098 and \$21,047 for the same period in 2024.

	Nine Months Ended			
	September 30, 2025		September 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,182,227	\$ 55,305	\$ 1,098,428	\$ 49,780
Investments	46,862	1,978	-	-
Total interest-earning assets	1,229,089	57,283	1,098,428	49,780
Interest-bearing liabilities	1,110,801	34,549	983,734	28,733
Impact of capital	\$ 118,288		\$ 114,694	
Net interest income		\$ 22,734		\$ 21,047

	2025	2024
	Average Yield	Average Yield
Yield on loans	6.25%	6.05%
Yield on investments	5.64%	0.00%
Total yield on interest-earning assets	6.23%	6.05%
Cost of interest-bearing liabilities	4.16%	3.90%
Interest rate spread	2.07%	2.15%

	Nine Months Ended		
	September 30, 2025 vs. September 30, 2024		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 3,794	\$ 1,731	\$ 5,525
Interest income - investments	-	1,978	1,978
Total interest income	3,794	3,709	7,503
Interest expense	3,708	2,108	5,816
Net interest income	\$ 86	\$ 1,601	\$ 1,687

Interest income for the nine months ended September 30, 2025, increased by \$7,503 from the same period of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the nine months ended September 30, 2025, increased by \$5,816 from the same period of 2024 due to an increase in interest rates offset by an increase in average debt volume. Average loan volume for the third quarter of 2025 was \$1,182,227, compared to \$1,098,428 in the third quarter of 2024. The average net interest rate spread on the loan portfolio for the third quarter of 2025 was 2.1 percent, compared to 2.2 percent in the third quarter of 2024.

The Association's return on average assets for the nine months ended September 30, 2025, was 1.6 percent compared to 1.4 percent for the same period in 2024. The Association's return on average equity for the nine months ended September 30, 2025, was 12.0 percent, compared to 10.3 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	\$ 1,153,455	\$ 1,057,328
Accrued interest on note payable	4,090	3,525
Total	<u>\$ 1,157,545</u>	<u>\$ 1,060,853</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 \$1,153,455 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 4.2 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 increase in the Association's loan portfolio as a result of the increased loan demand in its 27-county territory, an increase in capital market loans, and purchases of investments. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$117,803 at September 30, 2025. The maximum amount the Association may borrow from the Bank as of September 30, 2025, was \$1,355,000 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 thirty (30) calendar days' prior written notice, or in all other circumstances, upon giving the Bank one hundred twenty (120) days' prior written notice.

The Association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the Association was 2.00 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Association increased to 2.50 percent of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase in investment in the Bank of \$6,583 and was recorded in the first quarter of 2025.

Capital Resources

The Association's capital position increased by \$14,687 at September 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 6.71:1 as of September 30, 2025, compared to 6.76:1 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 consolidated 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 can be found at the Bank's 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 Alabama Farm Credit, ACA, P.O. Box 639, Cullman, Alabama 35056 or calling (256) 737-7128. The annual and quarterly stockholder reports for the Association are also available on its website at www.alabamafarmcredit.com. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing Kedric.Karkosh@AlabamaFarmCredit.com.

ALABAMA FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2025 (unaudited)	December 31, 2024
<u>ASSETS</u>		
Cash	\$ 10	\$ 10
Investments	59,633	29,863
Loans	1,213,473	1,144,868
Less: allowance for credit losses on loans	4,004	5,132
Net loans	1,209,469	1,139,736
Accrued interest receivable	14,670	13,416
Credit Bank of Texas:		
Capital stock	26,337	19,754
Other	4,959	7,397
Other property owned, net	-	675
Premises and equipment, net	15,448	15,846
Other assets	6,348	5,376
Total assets	<u>\$ 1,336,874</u>	<u>\$ 1,232,073</u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 1,153,455	\$ 1,057,328
Advance conditional payments	1	5
Accrued interest payable	4,090	3,525
Drafts outstanding	74	65
Dividends payable	2	5,981
Other liabilities	5,763	6,369
Total liabilities	<u>\$ 1,163,385</u>	<u>\$ 1,073,273</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	\$ 3,499	\$ 3,492
Unallocated retained earnings	169,786	155,098
Accumulated other comprehensive income (loss)	204	210
Total members' equity	173,489	158,800
Total liabilities and members' equity	<u>\$ 1,336,874</u>	<u>\$ 1,232,073</u>

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

ALABAMA FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30	
	2025	2024	2025	2024
<u>INTEREST INCOME</u>				
Loans	\$ 19,180	\$ 17,100	\$ 55,305	\$ 49,780
Investments	779	-	1,978	-
Total interest income	<u>\$ 19,959</u>	<u>\$ 17,100</u>	<u>\$ 57,283</u>	<u>\$ 49,780</u>
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	12,256	10,002	34,546	28,733
Advance conditional payments	3	-	3	-
Total interest expense	<u>\$ 12,259</u>	<u>\$ 10,002</u>	<u>\$ 34,549</u>	<u>\$ 28,733</u>
Net interest income	7,700	7,098	22,734	21,047
<u>PROVISION FOR LOAN LOSSES</u>	(163)	267	213	1,720
Net interest income after provision for credit losses on loans	<u>\$ 7,863</u>	<u>\$ 6,831</u>	<u>\$ 22,521</u>	<u>\$ 19,327</u>
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	1,048	1,318	3,740	3,877
Loan fees	172	141	495	417
Financially related services income	773	646	856	795
Gain (loss) on other property owned, net	-	37	(38)	(37)
Gain (loss) on sale of premises and equipment, net	49	41	197	92
Other noninterest income	243	177	684	553
Total noninterest income	<u>\$ 2,285</u>	<u>\$ 2,360</u>	<u>\$ 5,934</u>	<u>\$ 5,697</u>
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	2,580	2,397	7,794	7,412
Directors' expense	100	97	352	300
Purchased services	268	178	889	1,325
Travel	286	231	710	679
Occupancy and equipment	411	401	1,249	1,197
Communications	86	80	264	260
Advertising	103	99	256	303
Public and member relations	126	112	457	427
Supervisory and exam expense	79	101	285	304
Insurance fund premiums	312	218	731	358
Other noninterest expense	164	182	597	623
Total noninterest expenses	<u>4,515</u>	<u>4,096</u>	<u>13,584</u>	<u>13,188</u>
Income before income taxes	<u>\$ 5,633</u>	<u>\$ 5,095</u>	<u>\$ 14,871</u>	<u>\$ 11,836</u>
Provision for (benefit from) income taxes	-	-	-	-
NET INCOME	<u>\$ 5,633</u>	<u>\$ 5,095</u>	<u>\$ 14,871</u>	<u>\$ 11,836</u>
Other comprehensive income:				
Change in postretirement benefit plans	(2)	(3)	(7)	(10)
Other comprehensive income, net of tax	(2)	(3)	(7)	(10)
COMPREHENSIVE INCOME	<u>\$ 5,631</u>	<u>\$ 5,092</u>	<u>\$ 14,864</u>	<u>\$ 11,826</u>

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

ALABAMA FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)
(Dollars in thousands)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	\$ 3,435	\$ 144,297	\$ 295	\$ 148,027
Net income		11,866		11,866
Other comprehensive income			(11)	(11)
Capital stock/participation certificates and allocated retained earnings issued	299			299
Capital stock/participation certificates and allocated retained earnings retired	(244)			(244)
Balance at September 30, 2024	<u>\$ 3,490</u>	<u>\$ 156,163</u>	<u>\$ 284</u>	<u>\$ 159,937</u>
Balance at December 31, 2024	\$ 3,492	\$ 155,098	\$ 210	\$ 158,800
Net income		14,871		14,871
Other comprehensive income			(7)	(7)
Capital stock/participation certificates and allocated retained earnings issued	353			353
Capital stock/participation certificates and allocated retained earnings retired	(346)			(346)
Patronage Adjustment needed per FCBT		(183)		(183)
Balance at September 30, 2025	<u>\$ 3,499</u>	<u>\$ 169,786</u>	<u>\$ 203</u>	<u>\$ 173,488</u>

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

ALABAMA FARM CREDIT, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Unaudited (dollars in thousands, except per share amounts and as otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Association New Model (Agricultural 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 Blount, Calhoun, Cherokee, Clay, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Randolph, Shelby, St. Clair, Talladega, Walker, and Winston in the state of Alabama. 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 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. 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) 2025-06 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 Institution is currently assessing the potential impact of this amendment on its disclosures.

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Institution's financial condition, results of operations or cash flows.

NOTE 2 — INVESTMENTS:

Held-to-Maturity

A summary of the amortized cost and fair value of SBA investment securities held-to-maturity by type is as follows:

September 30, 2025					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
SBA Investments	\$ 59,633	\$ -	\$ 580	\$ 59,053	4.564%

December 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
SBA Investments	\$ 29,863	\$ -	\$ 117	\$ 29,747	5.583%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments held-to-maturity at September 30, 2025:

Description	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Total
Amortized Cost	\$ -	\$ -	\$ 30,112	\$ 29,521	\$ 59,633
Fair Value	-	-	32,011	27,042	59,053
Weighted Average Yield			4.6%	4.6%	

Accrued interest of \$328 and \$305 as of September 30, 2025, and December 31, 2024, has been excluded from the amortized cost basis of the total investment securities.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans by type follows:

Loan Type	September 30, 2025	December 31, 2024
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 842,954	\$ 813,083
Production and intermediate-term	179,088	163,582
Agribusiness:		
Loans to cooperatives	11,743	3,806
Processing and marketing	106,632	87,081
Farm-related business	31,725	29,691
Communication	10,172	10,234
Energy	4,996	4,995
Water and waste-water	3,505	9,323
Rural residential real estate	14,118	14,423
Agricultural export finance	8,540	8,650
Total	\$ 1,213,473	\$ 1,144,868

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:

	In District		System Entities Outside the District		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 10,746	\$ 116,434	\$ -	\$ -	\$ 10,746	\$ 116,434
Production and intermediate-term	49,568	20,170	-	1,270	49,568	21,440
Agribusiness	87,684	20,937	24,788	1,493	112,472	22,430
Communication	7,835	-	2,337	-	10,172	-
Energy	4,997	-	-	-	4,997	-
Water and waste-water	3,505	-	-	-	3,505	-
Rural residential real estate	-	1,036	-	-	-	1,036
Agricultural export finance	8,540	-	-	-	8,540	-
Total	<u>\$ 172,875</u>	<u>\$ 158,577</u>	<u>\$ 27,125</u>	<u>\$ 2,763</u>	<u>\$ 200,000</u>	<u>\$ 161,340</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 \$1 thousand and \$5 thousand 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 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, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the next twelve months. The loss given default is management’s estimate as to the anticipated principal loss on a specific loan assuming default occurs. 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 (OAEM) 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 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:

	September 30, 2025	December 31, 2024
Real estate mortgage		
Acceptable	97.4%	97.3%
OAEM	1.1%	1.3%
Substandard/doubtful	1.5%	1.4%
	<u>100.0%</u>	<u>100.0%</u>
Production and intermediate-term		
Acceptable	94.1%	99.2%
OAEM	5.5%	0.5%
Substandard/doubtful	0.4%	0.3%
	<u>100.0%</u>	<u>100.0%</u>
Agribusiness		
Acceptable	96.2%	96.2%
OAEM	1.3%	2.7%
Substandard/doubtful	2.5%	1.1%
	<u>100.0%</u>	<u>100.0%</u>
Energy and water/waste-water		
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>
Rural residential real estate		
Acceptable	94.3%	95.8%
OAEM	3.6%	2.1%
Substandard/doubtful	2.1%	2.1%
	<u>100.0%</u>	<u>100.0%</u>
Agricultural export finance		
Acceptable	100.0%	100.0%
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0%</u>	<u>100.0%</u>
Total loans		
Acceptable	96.8%	97.5%
OAEM	1.8%	1.3%
Substandard/doubtful	1.4%	1.2%
	<u>100.0%</u>	<u>100.0%</u>

Accrued interest receivable on loans of \$14,670 and \$13,416 at September 30, 2025, and December 31, 2024, has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association wrote off accrued interest receivable against interest income of \$0 and \$30 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 \$0 and \$12, 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:

	September 30, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	\$ 5,426	\$ 4,174
Production and intermediate-term	79	28
Agribusiness	18	1,328
Rural residential real estate	-	34
Total nonaccrual loans	5,523	5,564
Accruing loans 90 days or more past due:		
Real estate mortgage	-	-
Production and intermediate-term	-	322
Agribusiness	2,204	-
Total accruing loans 90 days or more past due	2,204	322
Other property owned	-	675
Total nonperforming assets	\$ 7,727	\$ 6,561
Nonaccrual loans as a percentage of total loans	0.46%	0.49%
Nonperforming assets as a percentage of total loans and other property owned	0.64%	0.57%
Nonperforming assets as a percentage of capital	4.45%	4.13%

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

	September 30, 2025			For the Nine Months Ended September 30, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 5,426	\$ 5,426	\$ -
Production and intermediate-term	-	79	79	1
Agribusiness	18	-	18	-
Rural residential real estate	-	-	-	-
Total nonaccrual loans	\$ 18	\$ 5,505	\$ 5,523	\$ 1

	December 31, 2024			For the Twelve Months Ended December 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
Nonaccrual loans:				
Real estate mortgage	\$ 1,894	\$ 2,280	\$ 4,174	\$ 71
Production and intermediate-term	28	-	28	6
Agribusiness	1,328	-	1,328	-
Rural residential real estate	-	34	34	-
Total nonaccrual loans	\$ 3,250	\$ 2,314	\$ 5,564	\$ 77

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

September 30, 2025	30-89 Days	90 Days or More	Total Past Due	Not Past Due or Less Than 30	Total Loans	Recorded Investment >90 Days and Accruing
	Past Due	Past Due		Less Than Days Past Due		
Real estate mortgage	\$ 4,919	\$ 2,218	\$ 7,137	\$ 835,817	\$ 842,954	\$ -
Production and intermediate term	415	13	428	178,660	179,088	-
Loans to cooperatives	-	-	-	11,743	11,743	-
Processing and marketing	-	2,222	2,222	104,410	106,632	2,204
Farm-related business	-	-	-	31,725	31,725	-
Communication	-	-	-	10,172	10,172	-
Energy	-	-	-	4,996	4,996	-
Water and waste-water	-	-	-	3,505	3,505	-
Rural residential real estate	93	-	93	14,025	14,118	-
Agricultural export finance	-	-	-	8,540	8,540	-
Total	\$ 5,427	\$ 4,453	\$ 9,880	\$ 1,203,593	\$ 1,213,473	\$ 2,204

December 31, 2024	30-89 Days	90 Days or More	Total Past Due	Not Past Due or Less Than 30	Total Loans	Recorded Investment >90 Days and Accruing
	Past Due	Past Due		Days Past Due		
Real estate mortgage	\$ 10,949	\$ 970	\$ 11,919	\$ 801,164	\$ 813,083	\$ -
Production and intermediate term	2,435	367	2,802	160,780	163,582	322
Loans to cooperatives	-	-	-	3,806	3,806	-
Processing and marketing	-	1,327	1,327	85,754	87,081	-
Farm-related business	1,311	-	1,311	28,380	29,691	-
Communication	-	-	-	10,234	10,234	-
Energy	-	-	-	4,995	4,995	-
Water and waste-water	-	-	-	9,323	9,323	-
Rural residential real estate	497	-	497	13,926	14,423	-
Agricultural export finance	-	-	-	8,650	8,650	-
Total	\$ 15,192	\$ 2,664	\$ 17,856	\$ 1,127,012	\$ 1,144,868	\$ 322

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

For loan modifications granted to borrowers during the three months ended September 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of September 30, 2025, disaggregated by loan type and type of modification granted.

	For the Three Months Ended September 30, 2025									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment	Payment Extension & Principal
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

For loan modifications granted to borrowers during the three months ended September 30, 2024, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of September 30, 2024, disaggregated by loan type and type of modification granted.

	For the Three Months Ended September 30, 2024									
	Combination									
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment	Payment Extension & Principal
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Excludes loans that were modified during the period but were paid off, sold or charged off prior to December 31, 2024.

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 and \$0, respectively.

For loan modifications granted to borrowers during the nine months ended September 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of September 30, 2025, disaggregated by loan type and type of modification granted.

	For the Nine Months Ended September 30, 2025									
	Combination									
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgiveness
Real estate mortgage	\$ -	\$ 957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

For loan modifications granted to borrowers during the nine months ended September 30, 2024, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of September 30, 2024, disaggregated by loan type and type of modification granted.

	For the Nine Months Ended September 30, 2024									
	Combination									
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment	Payment Extension & Principal
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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 \$8 thousand and \$0, respectively.

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

	Financial Effect For the Nine Months Ended September 30, 2025
	Interest Rate Reduction
Real estate mortgage	-
Agribusiness	-
	Term Extension
Real estate mortgage	957
Rural residential real estate	-
	Payment Deferral
Real estate mortgage	-
Rural residential real estate	-
	Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination - Interest Rate Reduction and Term Extension
Real estate mortgage	-
Agribusiness	-
	Combination - Interest Rate Reduction and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Interest Rate Reduction and Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination – Term Extension and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-
	Combination – Term Extension and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Payment Deferral and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-

Financial Effect	
For the Nine Months Ended September 30, 2024	
	Interest Rate Reduction
Real estate mortgage	-
Agribusiness	-
	Term Extension
Real estate mortgage	-
Rural residential real estate	-
	Payment Deferral
Real estate mortgage	-
Rural residential real estate	-
	Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination - Interest Rate Reduction and Term Extension
Real estate mortgage	-
Agribusiness	-
	Combination - Interest Rate Reduction and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Interest Rate Reduction and Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination – Term Extension and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-
	Combination – Term Extension and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Payment Deferral and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-

The following tables set forth the amortized cost at September 30, 2025, and 2024 of loans to borrowers experiencing financial difficulties that defaulted during the three months ended September 30, 2025, and 2024, and received a modification in the twelve months before default:

Modified Loans that Subsequently Defaulted During the Three Months Ended September 30, 2025										
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Combination					
					Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgiveness
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Modified Loans that Subsequently Defaulted During the Three Months Ended September 30, 2024										
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgiveness	Combination					
					Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgiveness
Real estate mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The following table sets forth an aging analysis at September 30, 2025, of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2025:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days	90 Days or More
		Past Due	Past Due
Real estate mortgage	\$ 957	\$ -	\$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy and Water/waste disposal	-	-	-
Rural residential real estate	-	-	-
International	-	-	-
Total	\$ 957	\$ -	\$ -

The following table sets forth an aging analysis at September 30, 2024, of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days	90 Days or More
		Past Due	Past Due
Real estate mortgage	\$ 219	\$ -	\$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy and Water/waste disposal	-	-	-
Rural residential real estate	-	-	-
International	-	-	-
Total	\$ 219	\$ -	\$ -

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

Loans held for sale were \$0 and \$0 at September 30, 2025, and December 31, 2024, respectively. Such loans are included in other assets and are carried at the lower of cost or fair value.

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 boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2025, are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at June 30, 2025	\$ (3,000)	\$ (325)	\$ (673)	\$ (61)	\$ (16)	\$ (65)	\$ (13)	\$ (4,153)
Charge-offs	10	47	1,251	-	-	-	-	1,308
Recoveries	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	282	(58)	(1,411)	16	6	7	(1)	(1,159)
Balance at September 30, 2025	<u>\$ (2,708)</u>	<u>\$ (336)</u>	<u>\$ (833)</u>	<u>\$ (45)</u>	<u>\$ (10)</u>	<u>\$ (58)</u>	<u>\$ (14)</u>	<u>\$ (4,004)</u>
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2025	\$ (11)	\$ (349)	\$ (84)	\$ (2)	\$ -	\$ -	\$ (2)	\$ (448)
Provision for unfunded commitments	6	24	(9)	(5)	(1)	-	-	15
Balance at September 30, 2025	<u>\$ (5)</u>	<u>\$ (325)</u>	<u>\$ (93)</u>	<u>\$ (7)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ (433)</u>

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at December 31, 2024	\$ (2,903)	\$ (304)	\$ (1,822)	\$ (15)	\$ (15)	\$ (59)	\$ (14)	\$ (5,132)
Charge-offs	10	47	1,251	-	-	1	-	1,309
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses (credit loss reversal)	185	(79)	(262)	(30)	5	-	-	(181)
Balance at September 30, 2025	<u>\$ (2,708)</u>	<u>\$ (336)</u>	<u>\$ (833)</u>	<u>\$ (45)</u>	<u>\$ (10)</u>	<u>\$ (58)</u>	<u>\$ (14)</u>	<u>\$ (4,004)</u>
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	\$ (4)	\$ (306)	\$ (85)	\$ (1)	\$ (1)	\$ -	\$ (3)	\$ (400)
Provision for unfunded commitments	(1)	(19)	(8)	(6)	-	-	1	(33)
Balance at September 30, 2025	<u>\$ (5)</u>	<u>\$ (325)</u>	<u>\$ (93)</u>	<u>\$ (7)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ (433)</u>

¹ Includes the initial allowance for credit losses on PCD loans of \$0.

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2024, are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at June 30, 2024	\$ (2,900)	\$ (286)	\$ (1,406)	\$ (7)	\$ (17)	\$ (57)	\$ (5)	\$ (4,678)
Charge-offs	9	2	-	-	-	-	-	\$ 11
Recoveries	-	-	-	-	-	-	-	\$ -
Provision for credit losses (credit loss reversal)	158	(150)	(202)	(10)	-	(6)	-	\$ (210)
Balance at September 30, 2024	<u>\$ (2,733)</u>	<u>\$ (434)</u>	<u>\$ (1,608)</u>	<u>\$ (17)</u>	<u>\$ (17)</u>	<u>\$ (63)</u>	<u>\$ (5)</u>	<u>\$ (4,877)</u>
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2024	\$ (2)	\$ (325)	\$ (101)	\$ -	\$ (1)	\$ -	\$ (4)	\$ (433)
Provision for unfunded commitments	(3)	(9)	19	(1)	-	-	1	\$ 7
Balance at September 30, 2024	<u>\$ (5)</u>	<u>\$ (334)</u>	<u>\$ (82)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (426)</u>

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	\$ (2,627)	\$ (251)	\$ (299)	\$ (7)	\$ (19)	\$ (56)	\$ (8)	\$ (3,267)
Charge-offs	9	2	-	-	-	-	-	\$ 11
Recoveries	-	-	-	-	-	-	-	\$ -
Provision for loan losses (credit loss reversal)	(115)	(185)	(1,309)	(10)	2	(7)	3	\$ (1,621)
Balance at September 30, 2024	<u>\$ (2,733)</u>	<u>\$ (434)</u>	<u>\$ (1,608)</u>	<u>\$ (17)</u>	<u>\$ (17)</u>	<u>\$ (63)</u>	<u>\$ (5)</u>	<u>\$ (4,877)</u>
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	\$ (1)	\$ (300)	\$ (97)	\$ -	\$ (1)	\$ -	\$ (5)	\$ (404)
Provision for unfunded commitments	(4)	(34)	15	(1)	-	-	2	\$ (22)
Balance at September 30, 2024	<u>\$ (5)</u>	<u>\$ (334)</u>	<u>\$ (82)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (426)</u>

¹ Includes the initial allowance for credit losses on PCD loans of \$0.

Discussion of Changes in Allowance for Credit Losses

The Allowance for Credit Losses decreased \$1,128 to \$4,004 at September 30, 2025, as compared to \$5,132 at December 31, 2024. This is largely due to an increase in loan volume, credit quality, and other factors including but not limited to economic conditions

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 2 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 4 —LEASES:

The components of right of use assets were as follows:

Lease Type	Classification	For the Nine Months Ended	
		September 30, 2025	September 30, 2024
Operating lease	Operating lease right of use asset: Building	\$ 175	\$ -
Operating lease	Operating lease right of use asset: Other	105	-
Total lease assets		<u>\$ 280</u>	<u>\$ -</u>
Operating lease	Operating lease right of use liability: Building	\$ 177	\$ -
Operating Lease	Operating lease right of use liability: Other	105	-
Total Lease assets		<u>\$ 282</u>	<u>\$ -</u>

The components of lease expense associated with right of use assets are as follows:

Lease Type	Income Statement Classification	Through September 30	
		2025	2024
Operating lease	Operating lease right of use lease expense		
	Building	\$ 40	\$ -
	Other	61	-

Future minimum lease payments under non-cancellable leases are as follows:

	Operating Leases
2025	\$ 30
2026	127
2027	57
2028	54
2029	14
Thereafter	-
Total lease payments	<u>\$ 282</u>

NOTE 5 — 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 losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an Association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2025
Common equity tier 1 ratio	7.5%	11.6%
Tier 1 capital ratio	9.0%	11.6%
Total capital ratio	11.0%	12.0%
Permanent capital ratio	7.0%	11.6%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.4%	10.6%
UREE leverage ratio	2.0%	10.4%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 163,926	\$ 163,926	\$ 163,926	\$ 163,926
Paid-in capital	-	-	-	-
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,492	3,492	3,492	3,492
Allowance for loan losses and reserve for credit losses subject to certain limitations			4,598	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(27,126)	(27,126)	(27,126)	(27,126)
Other regulatory required deductions	(2,870)	(2,870)	(2,870)	(2,870)
	<u>\$ 137,422</u>	<u>\$ 137,422</u>	<u>\$ 142,020</u>	<u>\$ 137,422</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,216,189	\$ 1,216,189	\$ 1,216,189	\$ 1,216,189
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(29,996)	(29,996)	(29,996)	(29,996)
Allowance for loan losses				(4,151)
	<u>\$ 1,186,193</u>	<u>\$ 1,186,193</u>	<u>\$ 1,186,193</u>	<u>\$ 1,182,042</u>

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 163,926	\$ 163,926
Paid-in capital	-	-
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,492	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(27,126)	(27,126)
Other regulatory required deductions	(2,870)	(2,870)
	<u>\$ 137,422</u>	<u>\$ 133,930</u>
Denominator:		
Total Assets	\$ 1,327,393	\$ 1,327,393
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(33,123)	(33,123)
	<u>\$ 1,294,270</u>	<u>\$ 1,294,270</u>

The following table presents the activity in the accumulated other comprehensive loss, net of tax by component:

	September 30, 2025	December 31, 2024
Preferred stock	\$ -	\$ -
Capital stock and participation certificates	3,499	3,492
Additional paid-in-capital	-	-
Accumulated other comprehensive loss	203	210
Retained earnings	169,786	155,098
Total Capital	<u>\$ 173,488</u>	<u>\$ 158,800</u>

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2025	2024
Accumulated other comprehensive income(loss) at January 1	\$ 210	\$ 292
Amortization of prior credit costs included in salaries and employee benefits	(6)	(9)
Accumulated other comprehensive income(loss) at September 30	<u>\$ 204</u>	<u>\$ 283</u>

NOTE 6 — INCOME TAXES:

Alabama Farm Credit, ACA conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Alabama Farm Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Alabama Farm Credit, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized

NOTE 7 — 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 15 in the 2024 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

September 30, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 18	\$ 18
Other property owned	-	-	-	-
December 31, 2024				
December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 1,763	\$ 1,763
Other property owned	-	-	675	675

- Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

	September 30, 2025					December 31, 2024				
	Fair Value Measurement Using					Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:										
Cash	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	\$ 10	\$ -	\$ -	\$ 10
Investments held-to-maturity	59,633		59,633		59,633	29,863		29,747	-	29,863
Net loans	1,209,469			1,152,516	1,152,516	1,139,736			1,083,166	1,083,166
Total Assets	<u>\$ 1,269,112</u>	<u>\$ 10</u>	<u>\$ 59,633</u>	<u>\$ 1,152,516</u>	<u>\$ 1,212,159</u>	<u>\$ 1,169,609</u>	<u>\$ 10</u>	<u>\$ 29,747</u>	<u>\$ 1,083,166</u>	<u>\$ 1,113,039</u>
Liabilities:										
Note payable to Bank	\$ 1,153,455	\$ -	\$ -	\$ 1,098,145	\$ 1,098,145	\$ 1,057,328	\$ -	\$ -	\$ 1,006,567	\$ 1,006,567
Total Liabilities	<u>\$ 1,153,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,145</u>	<u>\$ 1,098,145</u>	<u>\$ 1,057,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,567</u>	<u>\$ 1,006,567</u>

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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 15 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.

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

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.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

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.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 8 — 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	\$ 7	\$ 7
Interest cost	24	23
Amortization of prior service (credits) costs	(2)	(2)
Amortization of net actuarial (gain) loss	-	(1)
Net periodic benefit cost	<u>\$ 29</u>	<u>\$ 27</u>
	Pension Benefits	
	2025	2024
Nine months ended September 30:		
Service cost	\$ 21	\$ 20
Interest cost	72	70
Amortization of prior service (credits) costs	(7)	(7)
Amortization of net actuarial (gain) loss	-	(3)
Net periodic benefit cost	<u>\$ 86</u>	<u>\$ 80</u>

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2025, was \$1,880 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 income statement.

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 \$115 thousand to the district's defined benefit pension plan in 2025. As of September 30, 2025, \$87 thousand of contributions have been made. The Association presently anticipates contributing an additional \$28 thousand to fund the defined benefit pension plan in 2025 for a total of \$115 thousand.

NOTE 9 — 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 10 — 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.