ALABAMA FARM CREDIT, ACA

2026
Quarterly Report



For the Quarter Ended September 30, 2026

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, 2026

/s/Matthew Christjohn, DVM, Chairman, Board of Directors
November 6, 2026

/s/Matt Walden, Chief Financial Officer
November 6, 2026

/s/John R Adams, CPA, Chairman, Audit Committee
November 6, 2026

Third Quarter 2026 Financial Report

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The following commentary reviews the financial performance of the Alabama Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended September 30, 2026. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2025, 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 2026, the Association approved a patronage distribution to its stockholders. The Association was able to distribute $6,574 to its members due to strong earnings during 2025. The distribution was made in March 2026.

The expense for FCSIC insurance premiums is directly impacted by the premium rate assessed by FCSIC. The FCSIC board meets periodically throughout the year to review premium rates. The annual accrual premium rates on adjusted insured debt were 10 basis points in 2025, 10 basis points in 2024 and 18 basis points in 2023. An additional premium rate of 10 basis points was added to the premium assessment for each of the three years on nonaccrual loans and impaired investments. In February 2026, FCSIC determined that it would assess an accrual premium rate of 10 basis points for 2026.

On an annual basis, the Farm Credit System Insurance Corporation (FCSIC) completes an analysis to determine if funds held in the Farm Credit Insurance Fund (Insurance Fund) exceed the secure base amount, as defined in the Farm Credit Act. Any excess funds may be held in the Insurance Fund or returned to the System banks. On February 11, 2026, the FCSIC board approved a return of excess funds to the System banks. On February 25, 2026, the Association received a return of excess Insurance Funds of $536 that will be reported as a reduction to noninterest expense for the quarter ended March 31, 2026.

Loan Portfolio

Total loans outstanding at September 30, 2026, including nonaccrual loans and sales contracts, were $1,305,930 compared to $1,251,726 at December 31, 2025, reflecting an increase of 4.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.6 percent at September 30, 2026, compared to 0.4 percent at December 31, 2025.

The Association recorded $0 in recoveries and $0 in charge-offs for the three months ended September 30, 2026, and $0 in recoveries and $0 in charge-offs for the three months ended September 30, 2025. The Association recorded $0 in recoveries and $253 in charge-offs for the nine months ended September 30, 2026, and $0 in recoveries and $1,308 in charge-offs for the nine months ended September 30, 2025. The Association's allowance for loan losses was 0.4 percent and 0.3 percent of total loans outstanding as of September 30, 2026, and December 31, 2025, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more 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, 2026		December 31, 2025	
	Amount	%	Amount	%
Nonaccrual	$ 7,619	100.0%	$ 4,531	98.3%
90 days past due and still accruing interest	-	0.0%	78	1.7%
Other property owned, net	-	0.0%	-	0.0%
Total	$ 7,619	100.0%	$ 4,609	100.0%

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
9/30/2026	$ 61,802	$ -	$ 4,667	$ 57,135	3.8%
12/31/2025	57,228	-	410	56,793	4.3%

Results of Operations

The Association had net income of $5,725 and $14,208 for the three and nine months ended September 30, 2026, as compared to net income of $5,633 and $14,871 for the same periods in 2025, reflecting an increase of 1.6 percent and a decrease of 4.5 percent. Net interest income was $8,172 and $24,289 for the three and nine months ended September 30, 2026, compared to $7,824 and $22,931 for the same period in 2025.

	Nine Months Ended September 30, 2026		Nine Months Ended September 30, 2025	
	Average Balance	Interest	Average Balance	Interest
Loans	$ 1,282,820	$ 60,763	$ 1,182,227	$ 55,502
Investments	56,748	1,785	46,862	1,979
Total interest-earning assets	1,339,568	62,548	1,229,089	57,481
Interest-bearing liabilities	1,214,979	38,260	1,110,800	34,549
Impact of capital	$ 124,589		$ 118,289	
Net interest income		$ 24,288		$ 22,932

	2026 Average Yield	2025 Average Yield
Yield on loans	6.33%	6.28%
Yield on investments	4.21%	5.65%
Total yield on interest-earning assets	6.24%	6.25%
Cost of interest-bearing liabilities	4.21%	4.16%
Interest rate spread	2.03%	2.09%
Net interest income as a percentage of average earning assets	2.42%	2.49%

	Nine Months Ended September 30, 2026 vs. September 30, 2025		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 4,723	$ 539	$ 5,262
Interest income - investments	417	(611)	(194)
Total interest income	5,140	(72)	5,068
Interest expense	3,240	471	3,711
Net interest income	$ 1,900	$ (543)	$ 1,357

Interest income for the three and nine months ended September 30, 2026, increased by $1,372 and $5,068, or 6.8 percent and 8.8 percent, from the same periods of 2025, 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, 2026, increased by $1,024 and $3,711, or 8.4 percent and 10.7 percent, from the same periods of 2025 due to an increase in interest rates offset by an increase in average debt volume. Average loan volume for the third quarter of 2026 was $1,282,820, compared to $1,182,227 in the third quarter of 2025. The average net interest rate spread on the loan portfolio for the third quarter of 2026 was 2.0 percent, compared to 2.1 percent in the third quarter of 2025.

The Association's return on average assets for the nine months ended September 30, 2026, was 1.4 percent compared to 1.6 percent for the same period in 2025. The Association's return on average equity for the nine months ended September 30, 2026, was 10.6 percent, compared to 12.0 percent for the same period in 2025.

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, 2026	December 31, 2025
Note payable to the Bank	$ 1,234,733	$ 1,187,391
Accrued interest on note payable	4,412	4,166
Total	$ 1,239,145	$ 1,191,557

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2027. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,234,733 as of September 30, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.4 percent at September 30, 2026. 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, 2025, is due to the Association's 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 $127,365 at September 30, 2026. The maximum amount the Association may borrow from the Bank as of September 30, 2026, was $1,390,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2027, 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.

Capital Resources

The Association's capital position increased by $14,183 at September 30, 2026, compared to December 31, 2025. The Association's debt as a ratio of members' equity was 6.73:1 as of September 30, 2026, compared to 7.03:1 as of December 31, 2025.

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, 2026, 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 2025 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 annual and quarterly stockholder reports for the association are also available on its website at www.alabamafarmcredit.com.

Alabama Farm Credit, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

ASSETS	September 30, 2026 (unaudited)	December 31, 2025
Cash	$ 10	$ 10
Investments	61,802	57,228
Loans	1,305,931	1,251,726
Less: allowance for credit losses on loans	4,859	3,826
Net loans	1,301,072	1,247,900
Accrued interest receivable	18,069	17,041
Credit Bank of Texas:		
Capital stock	30,077	28,398
Other	3,093	4,580
Other property owned, net	-	-
Premises and equipment, net	14,687	15,234
Other assets	6,421	5,946
Total assets	$ 1,435,231	$ 1,376,337
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 1,234,733	$ 1,187,391
Advance conditional payments	59	19
Accrued interest payable	4,412	4,166
Drafts outstanding	90	189
Dividends payable	-	6,577
Other liabilities	10,295	6,536
Total liabilities	$ 1,249,589	$ 1,204,878
MEMBERS' EQUITY		
Capital stock and participation certificates	$ 3,537	$ 3,536
Unallocated retained earnings	181,736	167,528
Accumulated other comprehensive income (loss)	369	395
Total members' equity	185,642	171,459
Total liabilities and members' equity	$ 1,435,231	$ 1,376,337

The accompanying notes are in 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,	
INTEREST INCOME	2026	2025	2026	2025
Loans	$ 20,956	$ 19,304	$ 60,763	$ 55,502
Investments	499	779	1,785	1,978
Total interest income	21,455	20,083	62,548	57,480
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	13,283	12,256	38,260	34,546
Advance conditional payments	-	3	-	3
Total interest expense	13,283	12,259	38,260	34,549
Net interest income	8,172	7,824	24,288	22,931
PROVISION FOR LOAN LOSSES	161	(163)	1,236	213
Net interest income after provision for credit losses on loans	8,011	7,987	23,053	22,718
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	1,028	1,048	3,078	3,740
Loan fees	162	172	583	495
Financially related services income	1,037	772	1,075	856
Gain (loss) on other property owned, net	-	-	-	(39)
Gain (loss) on sale of premises and equipment, net	80	49	119	197
Other noninterest income	156	120	249	359
Total noninterest income	2,463	2,161	5,104	5,608
NONINTEREST EXPENSES				
Salaries and employee benefits	2,484	2,580	7,669	7,794
Directors' expense	154	100	408	352
Purchased services	549	268	1,631	889
Travel	271	286	736	711
Occupancy and equipment	436	411	1,345	1,249
Communications	79	86	268	264
Advertising	113	103	300	256
Public and member relations	115	126	395	457
Supervisory and exam expense	76	79	294	285
Insurance fund premiums	266	249	250	540
Other noninterest expense	206	227	653	658
Total noninterest expenses	4,749	4,515	13,949	13,455
Income before income taxes	5,725	5,633	14,208	14,871
Provision for (benefit from) income taxes	-	-	-	-
NET INCOME	5,725	5,633	14,208	14,871
Other comprehensive income:				
Change in postretirement benefit plans	(9)	(2)	(26)	(7)
Income tax expense related to items of other comprehensive income				
Other comprehensive income, net of tax	(9)	(2)	(26)	(7)
COMPREHENSIVE INCOME	$ 5,716	$ 5,631	$ 14,182	$ 14,864

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, 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	$ 3,499	$ 169,786	$ 203	$ 173,488
Balance at December 31, 2025	$ 3,536	$ 167,528	$ 395	$ 171,459
Net income		14,208		14,208
Other comprehensive income			(26)	(26)
Capital stock/participation certificates and allocated retained earnings issued	360			360
Capital stock/participation certificates and allocated retained earnings retired	(359)			(359)
Balance at September 30, 2026	$ 3,537	$ 181,736	$ 369	$ 185,642

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Farm Credit, ACA (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, 2025, as contained in the 2025 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, 2026. Descriptions of the significant accounting policies are included in the 2025 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 December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events that have material impact on the entity since the end of the last annual reporting period. This update is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - Purchased Loans. This update simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. This update is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations and cash flows.

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. This update introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where (a) capitalization occurs when management has authorized and committed to funding, and (b) 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. This update 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 evaluating the potential impact of adoption on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient which would allow all entities when developing reasonable and supportable forecasts as part of estimating credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The update also provides entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under revenue recognition guidance. The Association adopted this guidance effective January 1, 2026 and elected to apply the practical expedient, as applicable. The adoption of this update did not have a material impact on the Association’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:

	SBA Pool Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
September 30, 2026	$ 61,802	$ -	$ 4,667	$ 57,135	3.8%
December 31, 2025	57,228	-	410	56,793	4.3%

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, 2026:

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
Amoritized Cost	$ -	$ -	$ 26,374	$ 35,428	$ 61,802
Fair Value	-	-	26,218	30,917	57,135
Weighted Average Yield			3.6%	3.9%	

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments held-to-maturity at December 31, 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
Amoritized Cost	$ -	$ -	$ 30,597	$ 26,631	$ 57,228
Fair Value	-	-	30,414	26,379	56,793
Weighted Average Yield			5.9%	5.3%	

Accrued interest of $298 and $303 as of September 30, 2026, and December 31, 2025, 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, 2026 Amount	December 31, 2025 Amount
Production agriculture:		
Real estate mortgage	$ 888,975	$ 872,432
Production and Intermediate-term	199,948	188,997
Agribusiness:		
Loans to cooperatives	13,705	12,457
Processing and marketing	117,717	106,945
Farm-related business	42,057	29,710
Communication	13,451	11,463
Energy	6,211	4,997
Water and waste-water	2,713	2,584
Rural residential real estate	13,482	13,574
Agricultural export finance	7,672	8,567
Total	$ 1,305,931	$ 1,251,726

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, 2026:

	System Entities							
	In District		Outside the District		Non-System Entities		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 15,645	$ 109,349	$ -	$ -	$ -	$ -	$ 15,645	$ 109,349
Production and intermediate-term	56,703	17,204	-	727	-	-	56,703	17,931
Agribusiness	96,532	32,021	29,616	5,162	4,335	18,272	130,483	55,455
Communication	13,451	-	-	-	-	-	13,451	-
Energy	6,211	-	-	-	-	-	6,211	-
Water and waste-water	2,713	-	-	-	-	-	2,713	-
Rural residential real estate		767	-	-	-	-	-	767
Agricultural export finance	7,672	-	-	-	-	-	7,672	-
Total	$ 198,927	$ 159,341	$ 29,616	$ 5,889	$ 4,335	$ 18,272	$ 232,878	$ 183,502

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 $59 and $19 at September 30, 2026, and December 31, 2025, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our 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 loan risk rating model based on 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 over a period of time. Probability of default rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. 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 is past due more than 90 days. The loss given default is management's assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. 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 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, 2026, and December 31, 2025:

	September 30, 2026	December 31, 2025
Real estate mortgage		
Acceptable	97.1%	97.2%
OAEM	1.7%	1.0%
Substandard/doubtful	1.2%	1.8%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	95.5%	93.1%
OAEM	0.1%	5.2%
Substandard/doubtful	4.4%	1.7%
	100.0%	100.0%
Agribusiness		
Acceptable	92.9%	96.3%
OAEM	0.9%	1.3%
Substandard/doubtful	6.2%	2.4%
	100.0%	100.0%
Energy and water/waste-water		
Acceptable	100.0%	100.0%
OAEM	0.0%	0.0%
Substandard/doubtful	0.0%	0.0%
	100.0%	100.0%
Communication		
Acceptable	100.0%	100.0%
OAEM	0.0%	0.0%
Substandard/doubtful	0.0%	0.0%
	100.0%	100.0%
Rural residential real estate		
Acceptable	95.8%	94.3%
OAEM	3.1%	3.5%
Substandard/doubtful	1.1%	2.2%
	100.0%	100.0%
Agricultural export finance		
Acceptable	100.0%	100.0%
OAEM	0.0%	0.0%
Substandard/doubtful	0.0%	0.0%
	100.0%	100.0%
Total loans		
Acceptable	96.4%	96.5%
OAEM	1.3%	1.7%
Substandard/doubtful	2.3%	1.8%
	100.0%	100.0%

Accrued interest receivable on loans of $18,069 and $17,041 at September 30, 2026, and December 31, 2025 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 $253 during the three and nine months ended September 30, 2026, respectively. During the three and nine months ended September 30, 2025, the Association wrote off accrued interest receivable against interest income of $0 and $30, 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, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	$ 6,287	$ 4,531
Production and intermediate-term	1,332	-
Total nonaccrual loans	7,619	4,531
Accruing loans 90 days or more past due:		
Real estate mortgage	-	78
Production and intermediate-term	-	-
Total accruing loans 90 days or more past due	-	78
Other property owned	-	-
Total nonperforming assets	$ 7,619	$ 4,609
Nonaccrual loans as a percentage of total loans	0.58%	0.36%
Nonperforming assets as a percentage of total loans and other property owned	0.58%	0.36%
Nonperforming assets as a percentage of capital	4.10%	2.64%

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, 2026			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2026
Nonaccrual loans:				
Real estate mortgage	$ -	$ 6,287	$ 6,287	$ 2
Production and intermediate-term	39	1,294	1,333	-
Total nonaccrual loans	$ 39	$ 7,581	$ 7,620	$ 2

	December 31, 2025			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Twelve Months Ended December 31, 2025
Nonaccrual loans:				
Real estate mortgage	$ -	$ 4,543	$ 4,543	$ 4
Production and intermediate-term	-	-	-	-
Total nonaccrual loans	$ -	$ 4,543	$ 4,543	$ 4

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

September 30, 2026	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Less Than Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 6,199	$ 3,646	$ 9,845	$ 879,130	$ 888,975	$ -
Production and intermediate term	61	1,332	1,393	198,555	199,948	-
Loans to cooperatives	-	-	-	13,705	13,705	-
Processing and marketing	-	-	-	117,717	117,717	-
Farm-related business	353	-	353	41,704	42,057	-
Communication	-	-	-	13,451	13,451	-
Energy	-	-	-	6,211	6,211	-
Water and waste-water	-	-	-	2,713	2,713	-
Rural residential real estate	292	-	292	13,190	13,482	-
Agricultural export finance	-	-	-	7,672	7,672	-
Total	$ 6,905	$ 4,978	$ 11,883	$ 1,294,048	$ 1,305,931	$ -

December 31, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 4,122	$ 1,043	$ 5,165	$ 867,267	$ 872,432	$ -
Production and intermediate term	1,285	-	1,285	187,712	188,997	78
Loans to cooperatives	-	-	-	12,457	12,457	-
Processing and marketing	-	-	-	106,945	106,945	-
Farm-related business	400	-	400	29,310	29,710	-
Communication	-	-	-	11,463	11,463	-
Energy	-	-	-	4,997	4,997	-
Water and waste-water	-	-	-	2,584	2,584	-
Rural residential real estate	421	-	421	13,153	13,574	-
Agricultural export finance	-	-	-	8,567	8,567	-
Total	$ 6,228	$ 1,043	$ 7,271	$ 1,244,455	$ 1,251,726	$ 78

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, 2026, the Association had one new modified loan to report. Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended September 30, 2026, was $31.

For loan modifications granted to borrowers during the three months ended September 30, 2025, the Association had no new modified loans to report. Accrued interest receivable on the modified loans was $0.

Commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the nine months ended September 30, 2026, were $246 on one real estate mortgage loan, and $6,151 on one Production and Intermediate-term loan which were each granted a term extension. Accrued interest receivable on the modified loans were $33 at September 30, 2026. The payment status on both loans was current at September 30, 2026, thus creating no material financial effect to the Association.

Additionally, as of December 31, 2025, the Association had one real estate mortgage loan at an amortized cost of $934, which was granted a term extension. Accrued interest receivable on the modified loan was $23 and the payment status on the loan was current at December 31, 2025, thus creating no material financial effect to the Association.

Loans held for sale were $0 and $0 at September 30, 2026, and December 31, 2025, 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 15percent 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, 2026, 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, 2026	$ 2,406	$ 326	$ 1,834	$ 33	$ 6	$ 51	$ 4	$ 4,660
Charge-offs	(185)	(68)	-	-	-	-	-	(253)
Recoveries	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	391	126	(81)	4		12		452
Balance at September 30, 2026	$ 2,612	$ 384	$ 1,753	$ 37	$ 6	$ 63	$ 4	$ 4,859
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2026	$ 8	$ 278	$ 89	$ 16	$ -	$ -	$ 6	$ 397
Provision for unfunded commitments	4	(48)	11	(3)			(1)	(37)
Balance at September 30, 2026	$ 12	$ 230	$ 100	$ 13	$ -	$ -	$ 5	$ 360

	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, 2025	$ 2,487	$ 343	$ 886	$ 35	$ 6	$ 56	$ 13	$ 3,826
Charge-offs	(185)	(68)	-	-	-	-	-	(253)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses (credit loss reversal)	310	109	867	2	-	7	(9)	1,286
Balance at September 30, 2026	$ 2,612	$ 384	$ 1,753	$ 37	$ 6	$ 63	$ 4	$ 4,859
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2025	$ 10	$ 295	$ 96	$ 7	$ -	$ -	$ 2	$ 410
Provision for unfunded commitments	2	(65)	4	6	-	-	3	(50)
Balance at September 30, 2026	$ 12	$ 230	$ 100	$ 13	$ -	$ -	$ 5	$ 360

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	$ (2,708)	$ (336)	$ (833)	$ (45)	$ (10)	$ (58)	$ (14)	$ (4,004)
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	$ (5)	$ (325)	$ (93)	$ (7)	$ (1)	$ -	$ (2)	$ (433)

	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	$ (2,708)	$ (336)	$ (833)	$ (45)	$ (10)	$ (58)	$ (14)	$ (4,004)
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	$ (5)	$ (325)	$ (93)	$ (7)	$ (1)	$ -	$ (2)	$ (433)

Discussion of Changes in Allowance for Credit Losses

The Allowance for Credit Losses increased $1,033 to $4,859 at September 30, 2026, as compared to $3,826 at December 31, 2025. This is largely due to changes in the economic scenario, increase in downgrades, and changes due to payoffs and new loans.

The Association's macroeconomic forecasts include 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, 2026, 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:

		For the Nine Months Ended	
Lease Type	Classification	September 30, 2026	September 30, 2025
Operating lease	Operating lease right of use asset: Building	$ 127	$ 175
Operating lease	Operating lease right of use asset: Other	43	105
Total lease assets		$ 170	$ 280
Operating lease	Operating lease right of use liability: Building	$ 128	$ 177
Operating Lease	Operating lease right of use liability: Other	43	105
Total Lease assets		$ 171	$ 282

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

		For the Nine Months Ended	
Lease Type	Income Statement Classification	September 30, 2026	September 30, 2025
Operating lease	Operating lease right of use lease expense		
	Building	$ 37	$ 40
	Other	56	61

Future minimum lease payments under non-cancellable leases as of September 30, 2026, were as follows:

	Operating Leases
2026	$ 82
2027	58
2028	31
2029	-
Thereafter	-
Total lease payments	$ 171

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, 2026
Common equity tier 1 ratio	7.50%	11.48%
Tier 1 capital ratio	9.00%	11.48%
Total capital ratio	11.00%	11.88%
Permanent capital ratio	7.00%	11.52%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.35%	10.59%
UREE leverage ratio	2.00%	10.34%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2026:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 176,789	$ 176,789	$ 176,789	$ 176,789
Paid-in capital	-	-	-	-
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,552	3,552	3,552	3,552
Allowance for loan losses and reserve for credit losses subject to certain limitations			5,059	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(30,866)	(30,866)	(30,866)	(30,866)
Other regulatory required deductions	(2,610)	(2,610)	(2,610)	(2,610)
	$ 146,865	$ 146,865	$ 151,924	$ 146,865
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,312,599	$ 1,312,599	$ 1,312,599	$ 1,312,599
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(33,475)	(33,475)	(33,475)	(33,475)
Allowance for loan losses				(4,663)
	$ 1,279,124	$ 1,279,124	$ 1,279,124	$ 1,274,461

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 176,789	$ 176,789
Paid-in capital	-	-
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,552	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(30,866)	(30,866)
Other regulatory required deductions	(2,610)	(2,610)
	$ 146,865	$ 143,313
Denominator:		
Total Assets	$ 1,422,239	$ 1,422,239
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(35,677)	(35,677)
	$ 1,386,562	$ 1,386,562

The following table presents the components of Capital:

	September 30, 2026	December 31, 2025
Capital stock and participation certificates	$ 3,537	$ 3,536
Accumulated other comprehensive loss	369	395
Retained earnings	181,736	167,528
Total Capital	$ 185,642	$ 171,459

The following table presents the activity in the accumulated other comprehensive loss, net of tax by component for the nine months ended September 30:

	Nonpension postretirement benefits	
	2026	2025
Before Tax	$ 369	$ 203
Deferred Tax	-	-
Net of Tax	$ 369	$ 203

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 three months ended September 30:

	2026	2025
Accumulated other comprehensive income(loss) at January 1	$ 395	$ 210
Amortization of actuarial (gain)loss included in salaries and employee benefits	(26)	(7)
Accumulated other comprehensive income(loss) at June 30	$ 369	$ 203

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 2025 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, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	$ 12	$ -	$ -	$ 12

December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in nonqualified benefit trusts	$ 11	$ -	$ -	$ 11

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

September 30, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ 1	$ 1
Other property owned	-	-	-	-

December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans*	$ -	$ -	$ -	$ -
Other property owned	-	-	-	-

*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, 2026					December 31, 2025				
	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	61,802		57,135		57,135	57,228	-	56,793	-	$ 56,793
Net loans	1,301,073			1,269,883	1,269,883	1,247,900	-	-	1,218,514	1,218,514
Total Assets	$ 1,362,885	$ 10	$ 57,135	$ 1,269,883	$ 1,327,028	$ 1,305,138	$ 10	$ 56,793	$ 1,218,514	$ 1,275,317
Liabilities:										
Note payable to Bank	$ 1,234,733	$ -	$ -	$ 1,205,245	$ 1,205,245	$ 1,187,391	$ -	$ -	$ 1,159,514	$ 1,159,514
Total Liabilities	$ 1,234,733	$ -	$ -	$ 1,205,245	$ 1,205,245	$ 1,187,391	$ -	$ -	$ 1,159,514	$ 1,159,514

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 2025 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 2025 Annual Report to Stockholders

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

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 post-retirement benefit costs for the three and nine months ended September 30:

	Pension Benefits	
Three months ended September 30:	**2026**	**2025**
Service cost	$ 6	$ 7
Interest cost	23	24
Amortization of prior service (credits) costs	(2)	(2)
Amortization of net actuarial (gain) loss	(7)	-
Net periodic benefit cost	$ 20	$ 29

	Pension Benefits	
Nine months ended September 30:	**2026**	**2025**
Service cost	$ 17	$ 21
Interest cost	70	72
Amortization of prior service (credits) costs	(7)	(7)
Amortization of net actuarial (gain) loss	(20)	-
Net periodic benefit cost	$ 60	$ 86

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2026, was $1,733 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, 2025, that it expected to contribute $155 to the district's defined benefit pension plan in 2026. As of September 30, 2026, $116 of contributions have been made. The Association presently anticipates contributing an additional $39 to fund the defined benefit pension plan in 2026 for a total of $155.

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, 2026, which is the date the financial statements were issued. There are no other significant events requiring disclosure.