# Legacy Ag Credit, ACA

# 2025
# First Quarter Financial Report

## For the Three Months Ended March 31, 2025

**REPORT OF MANAGEMENT**

The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Derrell W. Chapman, CPA, Chief Executive Officer
*May 7, 2025*

Terry Milligan, Chairman, Board of Directors
*May 7, 2025*

Heather Johnson, CPA, Chief Financial Officer
*May 7, 2025*

# *First Quarter 2025 Financial Report*

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**LEGACY AG CREDIT, ACA**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of Legacy Ag Credit, ACA (association or Legacy), for the quarter ended March 31, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 Annual Report to Stockholders.

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

The 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, Legacy declared a $3,050,000 patronage for all members who had eligible loans with the association during fiscal year 2024, which was paid in March 2025.

**Loan Portfolio**

Total loans outstanding at March 31, 2025, including nonaccrual loans and sales contracts, were $381,195,302 compared to $377,156,787 at December 31, 2024, reflecting an increase of 1.07%. Nonaccrual loans as a percentage of total loans outstanding were 0.11% at March 31, 2025, compared to 0.09% at December 31, 2024.

The association recorded $900 in recoveries and no charge-offs for the quarter ended March 31, 2025, and $900 in recoveries and $1,094 in charge-offs for the same period in 2024. The association's allowance for loan losses was 0.31% and 0.29% of total loans outstanding as of March 31, 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.

| | March 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Nonaccrual | $ 430,451 | 100% | $ 342,511 | 100% |

*Results of Operations*

The association had net income of $1,048,362 for the three months ended March 31, 2025, as compared to net income of $1,154,658 for the same period in 2024, reflecting a decrease of 9.21%. Net interest income was $2,778,048 for the three months ended March 31, 2025, compared to $2,738,793 for the same period in 2024.

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2025 | | March 31, 2024 | |
| | Average Balance | Interest | Average Balance | Interest |
| Loans | $ 378,735,510 | $ 5,822,403 | $ 372,593,879 | $ 5,567,693 |
| Interest-bearing liabilities | 319,037,649 | 3,044,355 | 314,308,148 | 2,828,900 |
| Impact of capital | $ 59,697,861 | | $ 58,285,731 | |
| Net interest income | | $ 2,778,048 | | $ 2,738,793 |

| | 2025 Average Yield | 2024 Average Yield |
|---|---|---|
| Yield on loans | 6.23% | 6.01% |
| Cost of interest-bearing liabilities | 3.87% | 3.62% |
| Interest rate spread | 2.36% | 2.39% |
| Net interest income as a percentage of average earning assets | 2.97% | 2.96% |

| | Three Months Ended March 31, 2025 vs. March 31, 2024 | | |
|---|---|---|---|
| | Increase (decrease) due to | | |
| | Volume | Rate | Total |
| Interest income - loans | $ 91,015 | $ 163,695 | $ 254,710 |
| Interest expense | 42,214 | 173,241 | 215,455 |
| **Net interest income** | **$ 48,801** | **$ (9,546)** | **$ 39,255** |

Interest income for the three months ended March 31, 2025, increased by $254,710, or 4.57%, from the same period of 2024, primarily due to an increase in average loan volume. Interest expense for the three months ended March 31, 2025, increased by $215,455, or 7.62%, from the same period of 2024 due to an increase in cost of interest bearing liabilities and an increase in average debt volume. Average loan volume for the first quarter of 2025 was $378,735,510, compared to $372,593,879 in the first quarter of 2024. The average net interest rate spread on the loan portfolio for the first quarter of 2025 was 2.36%, compared to 2.39% in the first quarter of 2024.

The association's return on average assets for the three months ended March 31, 2025, was 1.08% compared to 1.21% for the same period in 2024. The association's return on average equity for the three months ended March 31, 2025, was 6.14%, compared to 6.93% for the same period in 2024.

*Liquidity and Funding Sources*

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

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Note payable to the Bank | **$ 323,954,050** | $ 318,438,479 |
| Accrued interest on note payable | **1,043,052** | 1,005,705 |
| Total | **$ 324,997,102** | $ 319,444,184 |

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2025. The primary source of liquidity and funding for the association is a direct loan from the Bank. The outstanding balance of $323,945,050 as of March 31, 2025, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.87 percent at March 31, 2025. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to the association's increase in loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $56,655,422 at March 31, 2025. The maximum amount the association may borrow from the Bank as of March 31, 2025, was $382,891,439 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the association was 2.00 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the association increased to 2.50 percent of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase investment in the Bank of $1,625,600 in March 2025.

*Capital Resources*

The association's capital position decreased by $2,000,046 at March 31, 2025, compared to December 31, 2024, due to the payment of $3.05 million in patronage in March, offset by earnings in the first quarter. The association's debt as a percentage of members' equity was 4.69:1 as of March 31, 2025, compared to 4.46:1 as of December 31, 2024.

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

*Significant Recent Accounting Pronouncements*

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's 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 the 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 Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at www.legacyaca.com. Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

**Legacy Ag Credit, ACA**

**CONSOLIDATED BALANCE SHEETS**

| | | March 31, 2025 (unaudited) | | December 31, 2024 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | **$** | **182,030** | $ | 161,925 |
| Loans | | **381,195,302** | | 377,156,787 |
| Less: allowance for credit losses on loans | | **1,195,728** | | 1,094,246 |
| Net loans | | **379,999,574** | | 376,062,541 |
| Accrued interest receivable | | **2,802,991** | | 2,851,111 |
| Investment in and receivable from the Farm Credit Bank of Texas: | | | | |
| Capital stock | | **7,933,650** | | 6,308,050 |
| Allocated Equity | | **253,681** | | 253,681 |
| Other | | **604,793** | | 1,431,942 |
| Premises and equipment, net | | **5,344,499** | | 5,415,984 |
| Other assets | | **386,851** | | 240,326 |
| Total assets | **$** | **397,508,069** | $ | 392,725,560 |
| **LIABILITIES** | | | | |
| Note payable to the Farm Credit Bank of Texas | **$** | **323,954,050** | $ | 318,438,479 |
| Accrued interest payable | | **1,043,052** | | 1,005,705 |
| Drafts outstanding | | **134,721** | | 26,269 |
| Other liabilities | | **2,457,240** | | 1,336,055 |
| Total liabilities | | **327,589,063** | | 320,806,508 |
| **MEMBERS' EQUITY** | | | | |
| Capital stock and participation certificates | | **1,169,880** | | 1,173,240 |
| Nonqualified Allocated retained earnings | | **24,887,468** | | 23,929,068 |
| Unallocated retained earnings | | **43,830,082** | | 46,784,675 |
| Accumulated other comprehensive income (loss) | | **31,576** | | 32,069 |
| Total members' equity | | **69,919,006** | | 71,919,052 |
| Total liabilities and members' equity | **$** | **397,508,069** | $ | 392,725,560 |

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

**Legacy Ag Credit, ACA**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(unaudited)

| | Three Months Ended March 31, 2025 | Three Months Ended March 31, 2024 |
|---|---|---|
| **INTEREST INCOME** | | |
| Loans | **$ 5,822,403** | $ 5,567,693 |
| **INTEREST EXPENSE** | | |
| Note payable to the Farm Credit Bank of Texas | **3,044,353** | 2,826,150 |
| Advance conditional payments | **2** | 2,750 |
| Total interest expense | **3,044,355** | 2,828,900 |
| Net interest income | **2,778,048** | 2,738,793 |
| **PROVISION FOR LOAN LOSSES** | **91,990** | (35,134) |
| Net interest income after provision for credit losses on loans | **2,686,058** | 2,773,927 |
| **NONINTEREST INCOME** | | |
| Income from the Farm Credit Bank of Texas: | | |
| Patronage income | **263,072** | 298,250 |
| Loan fees | **119,165** | 70,781 |
| Refunds from Farm Credit System Insurance Corporation | **19,228** | - |
| Financially related services income | **16** | 104 |
| Gain (loss) on sale of premises and equipment, net | **864** | - |
| Other noninterest income | **53,829** | 28,076 |
| Total noninterest income | **456,174** | 397,211 |
| **NONINTEREST EXPENSES** | | |
| Salaries and employee benefits | **1,311,413** | 1,291,266 |
| Directors' expense | **70,922** | 47,619 |
| Purchased services | **156,873** | 151,397 |
| Travel | **76,233** | 77,342 |
| Occupancy and equipment | **167,490** | 162,875 |
| Communications | **31,008** | 35,075 |
| Advertising | **45,076** | 29,742 |
| Public and member relations | **58,696** | 45,349 |
| Supervisory and exam expense | **37,917** | 37,036 |
| Insurance fund premiums | **60,769** | 60,889 |
| Other components of net periodic postretirement benefit cost | **2,702** | 1,610 |
| Other noninterest expense | **74,771** | 76,280 |
| Total noninterest expenses | **2,093,870** | 2,016,480 |
| **NET INCOME** | **1,048,362** | 1,154,658 |
| Other comprehensive income: | | |
| Change in postretirement benefit plans | **(493)** | (1,163) |
| **COMPREHENSIVE INCOME** | **$ 1,047,869** | $ 1,153,495 |

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

**Legacy Ag Credit, ACA**

**CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**

(unaudited)

| | Capital Stock/ Participation Certificates | Retained Earnings: Non-Qualified Allocated | Retained Earnings: Unallocated | Accumulated Other Comprehensive Income (Loss) | Total Members' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2023 | $ 1,176,510 | $ 22,858,251 | $ 45,738,155 | $ 69,390 | $ 69,842,306 |
| Comprehensive income | | | 1,154,658 | (1,163) | 1,153,495 |
| Capital stock/participation certificates issued | 26,160 | | | | 26,160 |
| Capital stock/participation certificates retired | (41,530) | | | | (41,530) |
| Patronage refunds: | | | | | |
| Cash | | | (2,999,992) | | (2,999,992) |
| Nonqualified allocations | | 1,070,817 | (1,070,817) | | - |
| Balance at March 31, 2024 | $ 1,161,140 | $ 23,929,068 | $ 42,822,004 | $ 68,227 | $ 67,980,439 |
| | | | | | |
| Balance at December 31, 2024 | **$ 1,173,240** | **$ 23,929,068** | **$ 46,784,675** | **$ 32,069** | **$ 71,919,052** |
| Comprehensive income | | | **1,048,362** | **(493)** | **1,047,869** |
| Capital stock/participation certificates issued | **22,000** | | | | **22,000** |
| Capital stock/participation certificates retired | **(25,360)** | | | | **(25,360)** |
| Patronage refunds: | | | | | |
| Cash | | | **(3,049,998)** | | **(3,049,998)** |
| Designated for April reversal | | | **5,443** | | **5,443** |
| Nonqualified allocations | | **958,400** | **(958,400)** | | **-** |
| **Balance at March 31, 2025** | **$ 1,169,880** | **$ 24,887,468** | **$ 43,830,082** | **$ 31,576** | **$ 69,919,006** |

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

*Unaudited (dollar amounts in thousands, except per share amounts and as otherwise noted)*

## NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Legacy 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 Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt, and Wood in the state of Texas. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024, as contained in the 2024 Annual Report to Stockholders.

In the opinion of management, the 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 December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. 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 association's financial condition, results of operations or cash flows.

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

A summary of loans follows:

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| **Loan Type** | **Amount** | Amount |
| Production agriculture: | | |
| Real estate mortgage | **$ 313,157,070** | $ 317,427,752 |
| Production and intermediate-term | **22,164,208** | 14,816,090 |
| Agribusiness: | | |
| Loans to cooperatives | **1,993,791** | 1,476,397 |
| Processing and marketing | **19,740,916** | 19,166,774 |
| Farm-related business | **795,669** | 863,294 |
| Communication | **9,391,247** | 9,180,840 |
| Energy | **2,283,330** | 2,457,867 |
| Water and waste-water | **955,054** | 961,201 |
| Rural residential real estate | **10,714,017** | 10,806,572 |
| **Total** | **$ 381,195,302** | $ 377,156,787 |

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

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

| | Other Farm Credit Institutions | | Non-Farm Credit Institutions | | Total | |
|---|---|---|---|---|---|---|
| | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold |
| Real estate mortgage | $ 22,820,111 | $ 8,897,117 | $ - | $ - | $ 22,820,111 | $ 8,897,117 |
| Production and intermediate-term | 11,104,300 | - | - | - | 11,104,300 | - |
| Agribusiness | 21,734,707 | - | - | - | 21,734,707 | - |
| Communication | 9,391,247 | - | - | - | 9,391,247 | - |
| Energy | 2,283,331 | - | - | - | 2,283,331 | - |
| Water and waste-water | 955,054 | - | - | - | 955,054 | - |
| **Total** | **$ 68,288,750** | **$ 8,897,117** | **$ -** | **$ -** | **$ 68,288,750** | **$ 8,897,117** |

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 $0 at both March 31, 2025, and December 31, 2024.

### 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% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These categories are defined as follows:

- Acceptable — assets are expected to be fully collectible and represent the highest quality,
- Other Assets Especially Mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness,
- Substandard — assets exhibit some serious weakness in repayment capacity, equity, or collateral pledged on the loan,
- Doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- Loss — assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related amortized cost loan balance as of March 31, 2025:

| | Term Loans Amortized Cost by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **March 31, 2025** | **2025** | **2024** | **2023** | **2022** | **2021** | **Prior** | **Revolving Loans Amortized Cost Basis** | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | **Total** |
| **Real estate mortgage** | | | | | | | | | |
| Acceptable | $ 11,150,228 | $ 37,536,869 | $ 40,028,307 | $ 41,466,573 | $ 63,614,302 | $ 110,611,793 | $ 977,931 | $ - | $ 305,386,003 |
| OAEM | $ - | $ - | $ 116,988 | $ 3,350,142 | $ - | $ 1,115,098 | $ 2,104,888 | $ - | $ 6,687,116 |
| Substandard/Doubtful | $ - | $ - | $ - | $ 329,869 | $ 307,710 | $ 446,373 | $ - | $ - | $ 1,083,952 |
| | $ 11,150,228 | $ 37,536,869 | $ 40,145,295 | $ 45,146,584 | $ 63,922,012 | $ 112,173,264 | $ 3,082,819 | $ - | $ 313,157,071 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Production and intermediate-term** | | | | | | | | | |
| Acceptable | $ 156,296 | $ 1,062,304 | $ 1,769,408 | $ 5,579,117 | $ 53,749 | $ 186,977 | $ 13,195,277 | $ 134,419 | $ 22,137,547 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ 26,661 | $ - | $ - | $ - | $ - | $ 26,661 |
| | $ 156,296 | $ 1,062,304 | $ 1,769,408 | $ 5,605,778 | $ 53,749 | $ 186,977 | $ 13,195,277 | $ 134,419 | $ 22,164,208 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Agribusiness** | | | | | | | | | |
| Acceptable | $ - | $ 2,586,304 | $ 5,098,112 | $ 6,144,309 | $ 1,772,304 | $ 2,638,071 | $ 3,504,547 | $ - | $ 21,743,647 |
| OAEM | $ - | $ - | $ - | $ 596,741 | $ - | $ - | $ 189,988 | $ - | $ 786,729 |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ - | $ 2,586,304 | $ 5,098,112 | $ 6,741,050 | $ 1,772,304 | $ 2,638,071 | $ 3,694,535 | $ - | $ 22,530,376 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Communications** | | | | | | | | | |
| Acceptable | $ - | $ 2,862,101 | $ 2,582,417 | $ - | $ - | $ 3,814,261 | $ 132,467 | $ - | $ 9,391,246 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ - | $ 2,862,101 | $ 2,582,417 | $ - | $ - | $ 3,814,261 | $ 132,467 | $ - | $ 9,391,246 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Energy and Water/waste disposal** | | | | | | | | | |
| Acceptable | $ - | $ - | $ 955,054 | $ - | $ - | $ 2,244,001 | $ 39,329 | $ - | $ 3,238,384 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ - | $ - | $ 955,054 | $ - | $ - | $ 2,244,001 | $ 39,329 | $ - | $ 3,238,384 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Rural residential real estate** | | | | | | | | | |
| Acceptable | $ 88,000 | $ 1,477,509 | $ 1,317,765 | $ 2,240,106 | $ 2,965,411 | $ 2,591,610 | $ - | $ - | $ 10,680,401 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ 33,616 | $ - | $ - | $ - | $ - | $ 33,616 |
| | $ 88,000 | $ 1,477,509 | $ 1,317,765 | $ 2,273,722 | $ 2,965,411 | $ 2,591,610 | $ - | $ - | $ 10,714,017 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Loans** | | | | | | | | | |
| Acceptable | $ 11,394,524 | $ 45,525,087 | $ 51,751,063 | $ 55,430,105 | $ 68,405,766 | $ 122,086,713 | $ 17,849,551 | $ 134,419 | $ 372,577,228 |
| OAEM | $ - | $ - | $ 116,988 | $ 3,946,883 | $ - | $ 1,115,098 | $ 2,294,876 | $ - | $ 7,473,845 |
| Substandard/Doubtful | $ - | $ - | $ - | $ 390,146 | $ 307,710 | $ 446,373 | $ - | $ - | $ 1,144,229 |
| | $ 11,394,524 | $ 45,525,087 | $ 51,868,051 | $ 59,767,134 | $ 68,713,476 | $ 123,648,184 | $ 20,144,427 | $ 134,419 | $ 381,195,302 |
| Gross charge-offs for the three months ended March 31, 2025 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

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

| | Term Loans Amortized Cost by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2024 | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Amortized Cost Basis | Revolving Loans Converted to Term Loans Amortized Cost Basis | Total |
| **Real estate mortgage** | | | | | | | | | |
| Acceptable | $ 42,007,924 | $ 40,737,220 | $ 47,625,324 | $ 64,362,227 | $ 36,731,510 | $ 77,708,302 | $ 977,651 | $ - | $ 310,150,158 |
| OAEM | $ - | $ - | $ 3,356,591 | $ - | $ 247,755 | $ 372,451 | $ 2,147,742 | $ - | $ 6,124,539 |
| Substandard/Doubtful | $ - | $ - | $ 331,326 | $ 312,982 | $ - | $ 508,747 | $ - | $ - | $ 1,153,055 |
| | $ 42,007,924 | $ 40,737,220 | $ 51,313,241 | $ 64,675,209 | $ 36,979,265 | $ 78,589,500 | $ 3,125,393 | $ - | $ 317,427,752 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Production and intermediate-term** | | | | | | | | | |
| Acceptable | $ 283,631 | $ 3,824,143 | $ 232,034 | $ 72,967 | $ 67,551 | $ 221,174 | $ 10,001,737 | $ 112,853 | $ 14,816,090 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 283,631 | $ 3,824,143 | $ 232,034 | $ 72,967 | $ 67,551 | $ 221,174 | $ 10,001,737 | $ 112,853 | $ 14,816,090 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Agribusiness** | | | | | | | | | |
| Acceptable | $ 2,591,641 | $ 5,149,991 | $ 6,496,755 | $ 1,773,995 | $ 1,516,098 | $ 800,000 | $ 2,438,988 | $ - | $ 20,767,468 |
| OAEM | $ - | $ - | $ 598,542 | $ - | $ - | $ - | $ 140,455 | $ - | $ 738,997 |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 2,591,641 | $ 5,149,991 | $ 7,095,297 | $ 1,773,995 | $ 1,516,098 | $ 800,000 | $ 2,579,443 | $ - | $ 21,506,465 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Communications** | | | | | | | | | |
| Acceptable | $ 2,645,534 | $ 2,591,299 | $ - | $ - | $ 3,823,936 | $ - | $ 120,071 | $ - | $ 9,180,840 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 2,645,534 | $ 2,591,299 | $ - | $ - | $ 3,823,936 | $ - | $ 120,071 | $ - | $ 9,180,840 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Energy and Water/waste disposal** | | | | | | | | | |
| Acceptable | $ - | $ 961,201 | $ - | $ - | $ - | $ 2,336,715 | $ 121,152 | $ - | $ 3,419,068 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ - | $ 961,201 | $ - | $ - | $ - | $ 2,336,715 | $ 121,152 | $ - | $ 3,419,068 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Rural residential real estate** | | | | | | | | | |
| Acceptable | $ 1,395,623 | $ 1,385,936 | $ 2,391,067 | $ 3,004,994 | $ 1,709,003 | $ 919,949 | $ - | $ - | $ 10,806,572 |
| OAEM | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Substandard/Doubtful | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 1,395,623 | $ 1,385,936 | $ 2,391,067 | $ 3,004,994 | $ 1,709,003 | $ 919,949 | $ - | $ - | $ 10,806,572 |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Loans** | | | | | | | | | |
| Acceptable | $ 48,924,353 | $ 54,649,790 | $ 56,745,180 | $ 69,214,183 | $ 43,848,098 | $ 81,986,140 | $ 13,659,599 | $ 112,853 | $ 369,140,196 |
| OAEM | $ - | $ - | $ 3,955,133 | $ - | $ 247,755 | $ 372,451 | $ 2,288,197 | $ - | $ 6,863,536 |
| Substandard/Doubtful | $ - | $ - | $ 331,326 | $ 312,982 | $ - | $ 508,747 | $ - | $ - | $ 1,153,055 |
| | **$ 48,924,353** | **$ 54,649,790** | **$ 61,031,639** | **$ 69,527,165** | **$ 44,095,853** | **$ 82,867,338** | **$ 15,947,796** | **$ 112,853** | **$ 377,156,787** |
| Gross charge-offs for the year ended December 31, 2024 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

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

| | March 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| Real estate mortgage | | | | |
| Acceptable | **97.3** | | 97.7 | % |
| OAEM | **2.4** | | 1.9 | |
| Substandard/doubtful | **0.3** | | 0.4 | |
| | **100.0** | | 100.0 | |
| Production and intermediate-term | | | | |
| Acceptable | **99.9** | | 100.0 | |
| OAEM | **-** | | - | |
| Substandard/doubtful | **0.1** | | - | |
| | **100.0** | | 100.0 | |
| Agribusiness | | | | |
| Acceptable | **96.5** | | 96.6 | |
| OAEM | **3.5** | | 3.4 | |
| Substandard/doubtful | **-** | | - | |
| | **100.0** | | 100.0 | |
| Energy and water/waste-water | | | | |
| Acceptable | **100.0** | | 100.0 | |
| OAEM | **-** | | - | |
| Substandard/doubtful | **-** | | - | |
| | **100.0** | | 100.0 | |
| Communication | | | | |
| Acceptable | **100.0** | | 100.0 | |
| OAEM | **-** | | - | |
| Substandard/doubtful | **-** | | - | |
| | **100.0** | | 100.0 | |
| Rural residential real estate | | | | |
| Acceptable | **99.7** | | 100.0 | |
| OAEM | **-** | | - | |
| Substandard/doubtful | **0.3** | | - | |
| | **100.0** | | 100.0 | |
| Total loans | | | | |
| Acceptable | **97.5** | | 97.9 | |
| OAEM | **2.2** | | 1.8 | |
| Substandard/doubtful | **0.3** | | 0.3 | |
| | **100.0** | % | 100.0 | % |

Accrued interest receivable on loans of $2,802,991 and $2,851,111 at March 31, 2025 and December 31, 2024 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The association did not write off any accrued interest receivable during the three months ended March 31, 2025 and 2024.

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

| | March 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| **Nonaccrual loans:** | | | | |
| Real estate mortgage | **$** | **403,790** | $ | 342,511 |
| Production and intermediate-term | | **26,661** | | - |
| **Total nonperforming assets** | **$** | **430,451** | $ | 342,511 |
| | | | | |
| Nonaccrual loans as a percentage of total loans | | **0.11%** | | 0.09% |
| Nonperforming assets as a percentage of total loans | | **0.11%** | | 0.09% |
| Nonperforming assets as a percentage of capital | | **0.62%** | | 0.48% |

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:

| | March 31, 2025 | | | Interest Income Recognized |
|---|---|---|---|---|
| | **Amortized Cost with Allowance** | **Amortized Cost without Allowance** | **Total** | **For the Three Months Ended March 31, 2024** |
| **Nonaccrual loans:** | | | | |
| Real estate mortgage | **$ 403,790** | **$ -** | **$ 403,790** | **$ 33,920** |
| Production and intermediate-term | **-** | **26,661** | **26,661** | **-** |
| **Total nonaccrual loans** | **$ 403,790** | **$ 26,661** | **$ 430,451** | **$ 33,920** |

| | December 31, 2024 | | | Interest Income Recognized |
|---|---|---|---|---|
| | Amortized Cost with Allowance | Amortized Cost without Allowance | Total | For the Three Months Ended March 31, 2024 |
| **Nonaccrual loans:** | | | | |
| Real estate mortgage | $ - | $ 342,511 | $ 342,511 | $ 3,141 |
| Agribusiness | - | - | - | 924 |
| **Total nonaccrual loans** | $ - | $ 342,511 | $ 342,511 | $ 4,065 |

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

| **March 31, 2025** | **30-89 Days Past Due** | **90 Days or More Past Due** | **Total Past Due** | **Not Past Due or Less Than 30 Days Past Due** | **Total Loans** | **Recorded Investment >90 Days and Accruing** |
|---|---|---|---|---|---|---|
| Real estate mortgage | **$ 1,298,977** | **$ 1,446** | **$ 1,300,423** | **$ 311,856,647** | **$ 313,157,070** | **$ -** |
| Production and intermediate term | **115,414** | **-** | **115,414** | **22,048,794** | **22,164,208** | **-** |
| Loans to cooperatives | **-** | **-** | **-** | **1,993,791** | **1,993,791** | **-** |
| Processing and marketing | **-** | **-** | **-** | **19,740,916** | **19,740,916** | **-** |
| Farm-related business | **-** | **-** | **-** | **795,668** | **795,668** | **-** |
| Communication | **-** | **-** | **-** | **9,391,247** | **9,391,247** | **-** |
| Energy | **-** | **-** | **-** | **2,283,331** | **2,283,331** | **-** |
| Water and waste-water | **-** | **-** | **-** | **955,054** | **955,054** | **-** |
| Rural residential real estate | **322,645** | **-** | **322,645** | **10,391,372** | **10,714,017** | **-** |
| **Total** | **$ 1,737,036** | **$ 1,446** | **$ 1,738,482** | **$ 379,456,820** | **$ 381,195,302** | **$ -** |

| **December 31, 2024** | **30-89 Days Past Due** | **90 Days or More Past Due** | **Total Past Due** | **Not Past Due or Less Than 30 Days Past Due** | **Total Loans** | **Recorded Investment >90 Days and Accruing** |
|---|---|---|---|---|---|---|
| Real estate mortgage | $ 308,734 | $ 59,252 | $ 367,986 | $ 317,059,766 | $ 317,427,752 | $ - |
| Production and intermediate term | 13,659 | - | 13,659 | 14,802,431 | 14,816,090 | - |
| Loans to cooperatives | - | - | - | 1,476,397 | 1,476,397 | - |
| Processing and marketing | - | - | - | 19,166,774 | 19,166,774 | - |
| Farm-related business | - | - | - | 863,294 | 863,294 | - |
| Communication | - | - | - | 9,180,840 | 9,180,840 | - |
| Energy | - | - | - | 2,457,867 | 2,457,867 | - |
| Water and waste-water | - | - | - | 961,201 | 961,201 | - |
| Rural residential real estate | - | - | - | 10,806,572 | 10,806,572 | - |
| Total | $ 322,393 | $ 59,252 | $ 381,645 | $ 376,775,142 | $ 377,156,787 | $ - |

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 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our balance sheet as of March 31, 2025, disaggregated by loan type and type of modification granted. There were no loan modifications to borrowers experiencing financial difficulty for the same period ending 2024.

| | For the Three Months Ended March 31, 2025[1] | |
|---|---|---|
| | Payment Deferral | Percentage of Total by Loan Type |
| Real estate mortgage | $ 118,632 | 0.04% |

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

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2025 and 2024 was $0 and $490, respectively.

There was no material financial effect of modifications made to borrowers experiencing financial difficulty during 2025, and there were no loan modifications to borrowers experiencing financial difficulty for the same period ending 2024.

During the three months ended March 31, 2025, there were no defaults on loans to borrowers experiencing financial difficulty that had received a modification in the twelve months before default. There were no loan modifications to borrowers experiencing financial difficulty for the same periods ending 2024.

All loans modified as of March 31, 2025 were current in all required payments. There were no loan modifications to borrowers experiencing financial difficulty for the same periods ending 2024.

There are no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2025 or at December 31, 2024.

**Allowance for Credit Losses**

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

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

| | Real Estate Mortgage | Production and Intermediate-Term | Agri-business | Communi-cations | Energy and Water/Waste Disposal | Rural Residential Real Estate | Inter-national | Total |
|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses on loans:** | | | | | | | | |
| Balance at December 31, 2024 | $ (892,871) | $ (40,986) | $ (92,790) | $ (29,392) | $ (2,441) | $ (35,766) | $ - | $ (1,094,246) |
| Charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Recoveries | $ - | $ (900) | $ - | $ - | $ - | $ - | $ - | $ (900) |
| Provision for credit losses (credit loss reversal) | $ (62,375) | $ (38,635) | $ (876) | $ (1,371) | $ 242 | $ 2,433 | $ - | $ (100,582) |
| Balance at March 31, 2025 | $ (955,246) | $ (80,521) | $ (93,666) | $ (30,763) | $ (2,199) | $ (33,333) | $ - | $ (1,195,728) |
| **Allowance for credit losses on unfunded commitments:** | | | | | | | | |
| Balance at December 31, 2024 | $ (93) | $ (16,921) | $ (9,587) | $ (1,874) | $ (18) | $ - | $ - | $ (28,493) |
| Provision for unfunded commitments | $ 30 | $ 5,808 | $ 2,497 | $ 262 | $ (4) | $ - | $ - | $ 8,593 |
| Balance at March 31, 2025 | $ (63) | $ (11,113) | $ (7,090) | $ (1,612) | $ (22) | $ - | $ - | $ (19,900) |

| | Real Estate Mortgage | Production and Intermediate-Term | Agri-business | Communi-cations | Energy and Water/Waste Disposal | Rural Residential Real Estate | Inter-national | Total |
|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses on loans:** | | | | | | | | |
| Balance at December 31, 2023 | $ (940,360) | $ (16,919) | $ (67,755) | $ (30,472) | $ (21,067) | $ (18,850) | $ 21 | $ (1,095,402) |
| Charge-offs | $ 1,094 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,094 |
| Recoveries | $ - | $ (900) | $ - | $ - | $ - | $ - | $ - | $ (900) |
| Provision for loan losses (credit loss reversal) | $ 9,769 | $ 6,636 | $ 9,715 | $ 3,209 | $ 735 | $ 1,459 | $ 1 | $ 31,524 |
| Balance at March 31, 2024 | $ (929,497) | $ (11,183) | $ (58,040) | $ (27,263) | $ (20,332) | $ (17,391) | $ 22 | $ (1,063,684) |
| **Allowance for credit losses on unfunded commitments:** | | | | | | | | |
| Balance at December 31, 2023 | $ - | $ (2,346) | $ (20,902) | $ (685) | $ (19) | $ - | $ (19) | $ (23,971) |
| Provision for unfunded commitments | $ - | $ 60 | $ 3,227 | $ 297 | $ 12 | $ - | $ 15 | $ 3,611 |
| Balance at March 31, 2024 | $ - | $ (2,286) | $ (17,675) | $ (388) | $ (7) | $ - | $ (4) | $ (20,360) |

### Discussion of Changes in Allowance for Credit Losses

The ACL increased $101,482 to $1,195,728 at March 31, 2025, as compared to $1,094,246 December 31, 2024, primarily due to increased loan volume and PD/LGD (Probability of Default/Loss Given Default) migrations in the first quarter.

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

## NOTE 3 — 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

| | Regulatory Minimums wih Buffer | As of March 31, 2025 |
|---|---|---|
| Risk-adjusted: | | |
| Common equity tier 1 ratio | 7.00% | 18.32% |
| Tier 1 capital ratio | 8.50% | 18.32% |
| Total capital ratio | 10.50% | 18.65% |
| Permanent capital ratio | 7.00% | 18.38% |
| Non-risk-adjusted: | | |
| Tier 1 leverage ratio | 5.00% | 16.35% |
| UREE leverage ratio | 1.50% | 16.04% |

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2025:

| | Common equity tier 1 ratio | Tier 1 capital ratio | Total capital ratio | Permanent capital ratio |
|---|---|---|---|---|
| **Numerator:** | | | | |
| Unallocated retained earnings | 44,391,479 | 44,391,479 | 44,391,479 | 44,391,479 |
| Common Cooperative Equities: | | | | |
| Statutory minimum purchased borrower stock | 1,169,500 | 1,169,500 | 1,169,500 | 1,169,500 |
| Nonqualified allocated equities not subject to retirement | 24,642,544 | 24,642,544 | 24,642,544 | 24,642,544 |
| Allowance for loan losses and reserve for credit losses subject to certain limitations | | | 1,147,365 | |
| Regulatory Adjustments and Deductions: | | | | |
| Amount of allocated investments in other System institutions | (7,085,535) | (7,085,535) | (7,085,535) | (7,085,535) |
| | **63,117,988** | **63,117,988** | **64,265,353** | **63,117,988** |
| **Denominator:** | | | | |
| Risk-adjusted assets excluding allowance | 351,681,580 | 351,681,580 | 351,681,580 | 351,681,580 |
| Regulatory Adjustments and Deductions: | | | | |
| Regulatory deductions included in total capital | (7,085,535) | (7,085,535) | (7,085,535) | (7,085,535) |
| Allowance for loan losses | | | | (1,147,365) |
| | **344,596,045** | **344,596,045** | **344,596,045** | **343,448,680** |
| **Calculated Ratio** | **18.32%** | **18.32%** | **18.65%** | **18.38%** |

| | Tier 1 leverage ratio | UREE leverage ratio |
|---|---|---|
| **Numerator:** | | |
| Unallocated retained earnings | **44,391,479** | **44,391,479** |
| Common Cooperative Equities: | | |
| Statutory minimum purchased borrower stock | **1,169,500** | **-** |
| Allocated equities: | | |
| Nonqualified allocated equities not subject to retirement | **24,642,544** | **24,642,544** |
| Regulatory Adjustments and Deductions: | | |
| Amount of allocated investments in other System institutions | **(7,085,535)** | **(7,085,535)** |
| | **63,117,988** | **61,948,488** |
| **Denominator:** | | |
| Total Assets | **393,303,269** | **393,303,269** |
| Regulatory Adjustments and Deductions: | | |
| Regulatory deductions included in tier 1 capital | **(7,194,708)** | **(7,194,708)** |
| | 386,108,561 | 386,108,561 |
| **Calculated Ratio** | **16.35%** | **16.04%** |

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Capital stock and participation certificates | **$ 1,169,880** | $ 1,173,240 |
| Accumulated other comprehensive loss | **31,576** | 32,069 |
| Retained earnings | **68,717,550** | 70,713,743 |
| **Total Capital** | **$ 69,919,006** | $ 71,919,052 |

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 March 31:

| | **2025** | **2024** |
|---|---|---|
| Accumulated other comprehensive income (loss) at January 1 | **$ 32,069** | $ 69,390 |
| Amortization of prior service (credit) costs included in salaries and employee benefits | **(391)** | (391) |
| Amortization of actuarial (gain) loss included in salaries and employee benefits | **(102)** | (772) |
| Other comprehensive income (loss), net of tax | **(493)** | (1,163) |
| **Accumulated other comprehensive income (loss) at March 31** | **$ 31,576** | $ 68,227 |

## NOTE 4 — INCOME TAXES:

Legacy conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly owned Federal Land Credit Association ("FLCA") subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly owned Production Credit Association ("PCA") subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association 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 institution 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 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 12 in the 2024 Annual Report to Stockholders for a more complete description.

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

| **March 31, 2025** | **Fair Value Measurement Using** | | | **Total Fair Value** |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | |
| Assets: | | | | |
| Loans | **$ -** | **$ -** | **$ -** | **$ -** |

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

At March 31, 2025, there was one loan with a specific reserve equal to its recorded investment, netting a balance in the above table to zero. At December 31, 2024, there were no impaired loans with specific reserves, reflecting a zero balance in the above table.

### Information about Fair Value Measurements

Regarding 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 association utilizes appraisals to value these loans and other property owned and considers observable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

### Valuation Techniques

As more fully discussed in Note 12 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.

*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 6 — EMPLOYEE BENEFIT PLANS:

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

| | **Other Benefits** | |
|---|---|---|
| **Three months ended:** | **2025** | **2024** |
| Service cost | **$ 1,163** | $ 925 |
| Interest cost | **3,195** | 2,773 |
| Amortization of prior service (credits) costs | **(391)** | (391) |
| Amortization of net actuarial (gain) loss | **(102)** | (772) |
| **Net periodic benefit cost** | **$ 3,865** | $ 2,535 |

The association's liability for the unfunded accumulated obligation for these benefits at March 31, 2025, was $247,344 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 $7,858 to the district's defined benefit pension plan in 2025. As of March 31, 2025, $1,965 of contributions have been made. The association presently anticipates contributing an additional $5,893 to fund the defined benefit pension plan in 2025.

## NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

## NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 7, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.