

Legacy Ag Credit, ACA

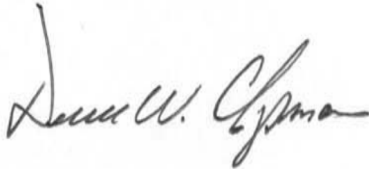
2025 Second Quarter Financial Report



For the Six months ended June 30, 2025

REPORT OF MANAGEMENT

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



Derrell W. Chapman, CPA, Chief Executive Officer
August 6, 2025



Terry Milligan, Chairman, Board of Directors
August 6, 2025



Heather Johnson, CPA, Chief Financial Officer
August 6, 2025

Second Quarter 2025 Financial Report

Table of Contents

Management's Discussion and Analysis.....	4
Consolidated Balance Sheets.....	7
Consolidated Statements of Comprehensive Income.....	8
Consolidated Statement of Changes in Members' Equity.....	9
Notes to the Consolidated Financial Statements.....	10

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 June 30, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 Annual Report to Stockholders.

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

The 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 June 30, 2025, including nonaccrual loans and sales contracts, were \$396,645,441 compared to \$377,156,787 at December 31, 2024, reflecting an increase of 5.17%. Nonaccrual loans as a percentage of total loans outstanding were 0.10% at June 30, 2025, compared to 0.09% at December 31, 2024.

The association recorded \$900 in recoveries and \$26,661 in charge-offs for the quarter ended June 30, 2025, and \$600 in recoveries and no charge-offs for the same period in 2024. The association's allowance for loan losses was 0.29% of total loans outstanding as of both June 30, 2025, and December 31, 2024.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	High-Risk Assets			
	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Nonaccrual	\$ 395,820	100.0%	\$ 342,511	100.0%

Results of Operations

The association had net income of \$2,365,658 for the six months ended June 30, 2025, as compared to net income of \$2,497,292 for the same period in 2024, reflecting a decrease of 5.27%. Net interest income was \$5,672,933 for the six months ended June 30, 2025, compared to \$5,487,198 for the same period in 2024.

	Six Months Ended			
	June 30, 2025		June 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 384,973,228	\$ 12,013,189	\$ 371,163,504	\$ 11,192,544
Interest-bearing liabilities	326,576,045	6,340,256	313,707,020	5,705,346
Impact of capital	\$ 58,397,183		\$ 57,456,484	
Net interest income		\$ 5,672,933		\$ 5,487,198

	2025	2024
	Average Yield	Average Yield
Yield on loans	6.29%	6.06%
Cost of interest-bearing liabilities	3.92%	3.66%
Interest rate spread	2.37%	2.40%
Net interest income as a percentage of average earning assets	2.97%	2.97%

Six Months Ended			
June 30, 2025 vs. June 30, 2024			
Increase (decrease) due to			
	Volume	Rate	Total
Interest income - loans	\$ 415,283	\$ 405,362	\$ 820,645
Interest expense	233,402	401,508	634,910
Net interest income	\$ 181,881	\$ 3,854	\$ 185,735

Interest income for the six months ended June 30, 2025, increased by \$820,645, or 7.33%, from the same period of 2024, primarily due to an increase in average loan volume. Interest expense for the six months ended June 30, 2025, increased by \$634,910, or 11.13%, 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 second quarter of 2025 was \$391,142,400 compared to \$369,733,128 in the second quarter of 2024. The average net interest rate spread on the loan portfolio for the second quarter of 2025 was 2.37%, compared to 2.40% in the second quarter of 2024.

The association's return on average assets for the six months ended June 30, 2025, was 1.20% compared to 1.31% for the same period in 2024. The association's return on average equity for the six months ended June 30, 2025, was 6.88%, compared to 7.46% for the same period in 2024.

Liquidity and Funding Sources

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

	June 30, 2025	December 31, 2024
Note payable to the Bank	\$ 339,238,999	\$ 318,438,479
Accrued interest on note payable	1,119,555	1,005,705
Total	\$ 340,358,554	\$ 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 \$339,238,999 as of June 30, 2025, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.92 percent at June 30, 2025. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2024, is due to the association's increase in loan volume and increase in cost of interest-bearing liabilities. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$56,021,801 at June 30, 2025. The maximum amount the association may borrow from the Bank as of June 30, 2025, was \$397,056,745 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 increased investment in the Bank of \$1,625,600 in March 2025.

Capital Resources

The association's capital position decreased by \$691,956 at June 30, 2025, compared to December 31, 2024, due to the payment of \$3.05 million in patronage and increased investment in the Bank of \$1,625,600 in March 2025, offset by earnings in the second quarter. The association's debt as a percentage of members' equity was 4.80:1 as of June 30, 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 June 30, 2025, the association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – “Organization and Significant Accounting Policies” in this quarterly report for disclosures of recent accounting pronouncements which may impact the association’s 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

	June 30, 2025	December 31, 2024
	(unaudited)	
<u>ASSETS</u>		
Cash	\$ 182,379	\$ 161,925
Loans	396,645,441	377,156,787
Less: allowance for credit losses on loans	1,141,398	1,094,246
Net loans	395,504,043	376,062,541
Accrued interest receivable	2,883,096	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	754,201	1,431,942
Premises and equipment, net	5,259,015	5,415,984
Other assets	334,476	240,326
Total assets	<u>\$ 413,104,541</u>	<u>\$ 392,725,560</u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 339,238,999	\$ 318,438,479
Accrued interest payable	1,119,555	1,005,705
Drafts outstanding	16,982	26,269
Other liabilities	1,501,909	1,336,055
Total liabilities	<u>341,877,445</u>	<u>320,806,508</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	1,166,610	1,173,240
Nonqualified Allocated retained earnings	24,887,468	23,929,068
Unallocated retained earnings	45,141,935	46,784,675
Accumulated other comprehensive income (loss)	31,083	32,069
Total members' equity	<u>71,227,096</u>	<u>71,919,052</u>
Total liabilities and members' equity	<u>\$ 413,104,541</u>	<u>\$ 392,725,560</u>

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<u>INTEREST INCOME</u>				
Loans	\$ 6,190,786	\$ 5,624,851	\$12,013,189	\$11,192,544
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	3,295,901	2,876,182	6,340,254	5,702,332
Advance conditional payments	-	264	2	3,014
Total interest expense	3,295,901	2,876,446	6,340,256	5,705,346
Net interest income	2,894,885	2,748,405	5,672,933	5,487,198
<u>PROVISION FOR LOAN LOSSES</u>	(19,635)	36,675	72,355	1,541
Net interest income after provision for credit losses on loans	2,914,520	2,711,730	5,600,578	5,485,657
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	275,382	297,236	538,454	595,486
Loan fees	195,486	94,213	314,651	164,994
Refunds from Farm Credit System Insurance Corporation ⁽¹⁾	30,956	85,099	50,184	85,099
Financially related services income	43	9	59	113
Gain (loss) on sale of premises and equipment, net	-	822	864	822
Other noninterest income ⁽¹⁾	(6,731)	5,525	47,098	33,601
Total noninterest income	495,136	482,904	951,310	880,115
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	1,285,447	1,109,064	2,596,860	2,400,330
Directors' expense	65,819	65,216	136,741	112,835
Purchased services	160,691	135,880	317,564	287,277
Travel	86,185	70,522	162,418	147,864
Occupancy and equipment	165,654	156,493	333,144	319,368
Communications	26,919	29,429	57,927	64,504
Advertising	38,431	25,890	83,507	55,632
Public and member relations	73,778	70,592	132,474	115,941
Supervisory and exam expense	29,036	37,035	66,953	74,071
Insurance fund premiums	66,059	60,530	126,828	121,419
Other components of net periodic postretirement benefit cost	2,703	1,611	5,405	3,221
Other noninterest expense	91,635	89,738	166,409	166,018
Total noninterest expenses	2,092,357	1,852,000	4,186,230	3,868,480
Income before income taxes	1,317,299	1,342,634	2,365,658	2,497,292
<u>NET INCOME</u>	\$ 1,317,299	\$ 1,342,634	\$ 2,365,658	\$ 2,497,292
Other comprehensive income:				
Change in postretirement benefit plans	(493)	(1,163)	(986)	(2,326)
<u>COMPREHENSIVE INCOME</u>	\$ 1,316,806	\$ 1,341,471	\$ 2,364,672	\$ 2,494,966

⁽¹⁾ Actual Q1 FCSIC refund was \$50,184; \$30,956 of Q1 refund was reflected in 'Other noninterest income'. Three months ended 6/30/2025 column reflects the correction of presentation; no actual refunds were recognized in Q2.

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		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Non-Qualified Allocated	Unallocated		
Balance at December 31, 2023	\$ 1,176,510	\$ 22,858,251	\$ 45,738,155	\$ 69,390	\$ 69,842,306
Comprehensive income			2,497,292	(2,326)	2,494,966
Capital stock/participation certificates issued	56,135				56,135
Capital stock/participation certificates retired	(60,835)				(60,835)
Patronage refunds:					
Cash			(3,000,008)		(3,000,008)
Nonqualified allocations		1,070,817	(1,070,817)		-
Balance at June 30, 2024	<u>\$ 1,171,810</u>	<u>\$ 23,929,068</u>	<u>\$ 44,164,622</u>	<u>\$ 67,064</u>	<u>\$ 69,332,564</u>
 Balance at December 31, 2024	 \$ 1,173,240	 \$ 23,929,068	 \$ 46,784,675	 \$ 32,069	 \$ 71,919,052
Comprehensive income			2,365,658	(986)	2,364,672
Capital stock/participation certificates issued	56,400				56,400
Capital stock/participation certificates retired	(63,030)				(63,030)
Patronage refunds:					
Cash			(3,049,998)		(3,049,998)
Nonqualified allocations		958,400	(958,400)		-
Balance at June 30, 2025	<u>\$ 1,166,610</u>	<u>\$ 24,887,468</u>	<u>\$ 45,141,935</u>	<u>\$ 31,083</u>	<u>\$ 71,227,096</u>

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

ASSOCIATION NEW MODEL
NOTES TO THE CONSOLIDATED 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:

Loan Type	June 30, 2025	December 31, 2024
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 326,175,907	\$ 317,427,752
Production and intermediate-term	21,722,673	14,816,090
Agribusiness:		
Processing and marketing	23,439,770	19,166,774
Loans to cooperatives	1,647,342	1,476,397
Farm-related business	748,535	863,294
Rural residential real estate	10,236,765	10,806,572
Communication	9,390,421	9,180,840
Energy	2,335,122	2,457,867
Water and waste-water	948,906	961,201
Total	\$ 396,645,441	\$ 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 June 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations	Participations	Participations	Participations	Participations	Participations
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 23,214,359	\$ 19,717,694	\$ -	\$ -	\$ 23,214,359	\$ 19,717,694
Production and intermediate-term	10,127,977	-	-	-	10,127,977	-
Agribusiness	25,087,113	-	-	-	25,087,113	-
Communication	9,390,421	-	-	-	9,390,421	-
Energy	2,335,122	-	-	-	2,335,122	-
Water and waste-water	948,907	-	-	-	948,907	-
Total	\$ 71,103,899	\$ 19,717,694	\$ -	\$ -	\$ 71,103,899	\$ 19,717,694

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 June 30, 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 June 30, 2025:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior			
June 30, 2025									
Real estate mortgage									
Acceptable	\$ 41,294,948	\$ 35,128,539	\$ 31,854,937	\$ 39,058,044	\$ 61,737,969	\$ 103,152,038	\$ 5,852,762	\$ -	\$ 318,079,237
OAEM	-	-	115,819	1,585,656	-	1,081,328	2,105,057	-	4,887,860
Substandard/Doubtful	-	-	338,344	2,085,104	302,707	537,042	-	-	3,263,197
	<u>\$ 41,294,948</u>	<u>\$ 35,128,539</u>	<u>\$ 32,309,100</u>	<u>\$ 42,728,804</u>	<u>\$ 62,040,676</u>	<u>\$ 104,770,408</u>	<u>\$ 7,957,819</u>	<u>\$ -</u>	<u>\$ 326,230,294</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production and intermediate-term									
Acceptable	\$ 442,294	\$ 1,037,772	\$ 1,742,464	\$ 5,421,210	\$ 38,211	\$ 158,798	\$ 12,619,285	\$ 132,973	\$ 21,593,007
OAEM	-	-	6,211	-	-	-	87,578	-	93,789
Substandard/Doubtful	-	-	-	35,876	-	-	-	-	35,876
	<u>\$ 442,294</u>	<u>\$ 1,037,772</u>	<u>\$ 1,748,675</u>	<u>\$ 5,457,086</u>	<u>\$ 38,211</u>	<u>\$ 158,798</u>	<u>\$ 12,706,863</u>	<u>\$ 132,973</u>	<u>\$ 21,722,672</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ 26,661	\$ -	\$ -	\$ -	\$ -	\$ 26,661
Agribusiness									
Acceptable	\$ 3,657,263	\$ 3,081,235	\$ 5,046,026	\$ 6,115,422	\$ 674,206	\$ 2,467,700	\$ 3,993,997	\$ -	\$ 25,035,849
OAEM	-	-	-	594,939	-	-	204,860	-	799,799
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ 3,657,263</u>	<u>\$ 3,081,235</u>	<u>\$ 5,046,026</u>	<u>\$ 6,710,361</u>	<u>\$ 674,206</u>	<u>\$ 2,467,700</u>	<u>\$ 4,198,857</u>	<u>\$ -</u>	<u>\$ 25,835,648</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communications									
Acceptable	\$ -	\$ 2,855,081	\$ 2,573,536	\$ -	\$ -	\$ 3,804,587	\$ 157,217	\$ -	\$ 9,390,421
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 2,855,081</u>	<u>\$ 2,573,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,804,587</u>	<u>\$ 157,217</u>	<u>\$ -</u>	<u>\$ 9,390,421</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy and Water/waste disposal									
Acceptable	\$ -	\$ -	\$ 948,907	\$ -	\$ -	\$ 2,208,975	\$ 126,147	\$ -	\$ 3,284,029
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,208,975</u>	<u>\$ 126,147</u>	<u>\$ -</u>	<u>\$ 3,284,029</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural residential real estate									
Acceptable	\$ 62,970	\$ 1,303,787	\$ 1,317,329	\$ 2,217,426	\$ 2,753,803	\$ 2,495,188	\$ -	\$ -	\$ 10,150,503
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	31,874	-	-	-	-	31,874
	<u>\$ 62,970</u>	<u>\$ 1,303,787</u>	<u>\$ 1,317,329</u>	<u>\$ 2,249,300</u>	<u>\$ 2,753,803</u>	<u>\$ 2,495,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,182,377</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans									
Acceptable	\$ 45,457,475	\$ 43,406,414	\$ 43,483,199	\$ 52,812,102	\$ 65,204,189	\$ 114,287,286	\$ 22,749,408	\$ 132,973	\$ 387,533,046
OAEM	-	-	122,030	2,180,595	-	1,081,328	2,397,495	-	5,781,448
Substandard/Doubtful	-	-	338,344	2,152,854	302,707	537,042	-	-	3,330,947
	<u>\$ 45,457,475</u>	<u>\$ 43,406,414</u>	<u>\$ 43,943,573</u>	<u>\$ 57,145,551</u>	<u>\$ 65,506,896</u>	<u>\$ 115,905,656</u>	<u>\$ 25,146,903</u>	<u>\$ 132,973</u>	<u>\$ 396,645,441</u>
Gross charge-offs for the six months ended June 30, 2025	\$ -	\$ -	\$ -	\$ 26,661	\$ -	\$ -	\$ -	\$ -	\$ 26,661

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						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior			
December 31, 2024	2024	2023	2022	2021	2020	Prior	Basis	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 June 30, 2025 and December 31, 2024:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Real estate mortgage		
Acceptable	97.3 %	97.7 %
OAEM	1.5	1.9
Substandard/doubtful	1.2	0.4
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	99.4	100.0
OAEM	0.4	-
Substandard/doubtful	0.2	-
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	96.9	96.6
OAEM	3.1	3.4
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Energy and water/waste-water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	99.7	100.0
OAEM	-	-
Substandard/doubtful	0.3	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	97.5	97.9
OAEM	1.5	1.8
Substandard/doubtful	1.0	0.3
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$2,883,096 and \$2,851,111 at June 30, 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 six months ended June 30, 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:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Nonaccrual loans:		
Real estate mortgage	\$ 363,395	\$ 342,511
Production and intermediate-term	551	-
Rural residential real estate	31,874	-
Total nonperforming assets	<u>\$ 395,820</u>	<u>\$ 342,511</u>
Nonaccrual loans as a percentage of total loans	0.10%	0.09%
Nonperforming assets as a percentage of total loans	0.10%	0.09%
Nonperforming assets as a percentage of capital	0.56%	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:

	June 30, 2025			Interest Income Recognized	
	Amortized Cost	Amortized Cost	Total	For the Three Months	For the Six Months
	with Allowance	without Allowance		Ended June 30, 2025	Ended June 30, 2025
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 363,395	\$ 363,395	\$ 99,183	\$ 133,103
Production and intermediate-term	-	551	551	-	-
Rural residential real estate	-	31,874	31,874	-	-
Total nonaccrual loans	\$ -	\$ 395,820	\$ 395,820	\$ -	\$ -

	December 31, 2024			Interest Income Recognized	
	Amortized Cost	Amortized Cost	Total	For the Three Months Ended	For the Six Months Ended
	with Allowance	without Allowance		June 30, 2024	June 30, 2024
Nonaccrual loans:					
Real estate mortgage	\$ -	\$ 342,511	\$ 342,511	\$ 67,451	\$ 70,592
Agribusiness	-	-	-	-	924
Total nonaccrual loans	\$ -	\$ 342,511	\$ 342,511	\$ 67,451	\$ 71,516

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days Past Due and Accruing
June 30, 2025						
Real estate mortgage	\$ 480,438	\$ -	\$ 480,438	\$ 325,395,469	\$ 325,875,907	\$ -
Production and intermediate term	186,051	551	186,602	21,536,071	21,722,673	-
Loans to cooperatives	-	-	-	1,647,342	1,647,342	-
Processing and marketing	-	-	-	23,439,770	23,439,770	-
Farm-related business	-	-	-	748,535	748,535	-
Communication	-	-	-	9,390,421	9,390,421	-
Energy	-	-	-	2,335,122	2,335,122	-
Water and waste-water	-	-	-	948,906	948,906	-
Rural residential real estate	-	-	-	10,236,765	10,236,765	-
Total	\$ 666,489	\$ 551	\$ 667,040	\$ 395,678,401	\$ 396,345,441	\$ -

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days Past Due and Accruing
December 31, 2024						
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 the three and six months ended June 30, 2025 and 2024, the following table shows the amortized cost basis of the outstanding balances reflected in our balance sheet as of June 30, 2025 and 2024, respectively, disaggregated by loan type and type of modification granted.

For the Three Months Ended June 30, 2025 ⁽¹⁾			For the Six Months Ended June 30, 2025		
	Payment Deferral	Percentage of Total by Loan Type		Payment Deferral	Percentage of Total by Loan Type
	\$			\$	
Real estate mortgage	\$ -	0.00%	Real estate mortgage	\$ 116,872	0.04%
Total	\$ -	0.00%	Total	\$ 116,872	0.03%

For the Three Months Ended June 30, 2024 ⁽¹⁾			For the Six Months Ended June 30, 2024		
	Payment Deferral	Percentage of Total by Loan Type		Payment Deferral	Percentage of Total by Loan Type
	\$			\$	
Real estate mortgage	\$ 353,786	0.11%	Real estate mortgage	\$ 353,786	0.11%
Total	\$ 353,786	0.09%	Total	\$ 353,786	0.09%

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

There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025 or for the same periods ending 2024.

There was no material financial effect of modifications made to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025 or for the same periods ending 2024.

There were no defaults on loans to borrowers experiencing financial difficulty that had received a modification as of June 30, 2025 or for the same period ending 2024.

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

June 30, 2025			
Payment Status of Loans Modified in the Past 12 Months			
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	-	116,872	-

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

June 30, 2024			
Payment Status of Loans Modified in the Past 12 Months			
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	-	353,786	-

There are no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 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 board of directors has generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2025 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 March 31, 2025	\$ (955,246)	\$ (80,521)	\$ (93,666)	\$ (30,763)	\$ (2,199)	\$ (33,333)	\$ -	\$ (1,195,728)
Charge-offs	-	26,661	-	-	-	-	-	26,661
Recoveries	-	(900)	-	-	-	-	-	(900)
Provision for credit losses (credit loss reversal)	17,899	(3,447)	9,507	506	51	4,053	-	28,569
Balance at June 30, 2025	\$ (937,347)	\$ (58,207)	\$ (84,159)	\$ (30,257)	\$ (2,148)	\$ (29,280)	\$ -	\$ (1,141,398)
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2025	\$ (63)	\$ (11,113)	\$ (7,090)	\$ (1,612)	\$ (22)	\$ -	\$ -	\$ (19,900)
Provision for unfunded commitments	(12,316)	2,133	1,021	231	(3)	-	-	(8,934)
Balance at June 30, 2025	\$ (12,379)	\$ (8,980)	\$ (6,069)	\$ (1,381)	\$ (25)	\$ -	\$ -	\$ (28,834)

	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	-	26,661	-	-	-	-	-	26,661
Recoveries	-	(1,800)	-	-	-	-	-	(1,800)
Provision for credit losses/(credit loss reversal)	(44,476)	(42,082)	8,631	(865)	293	6,486	-	(72,013)
Balance at June 30, 2025	\$ (937,347)	\$ (58,207)	\$ (84,159)	\$ (30,257)	\$ (2,148)	\$ (29,280)	\$ -	\$ (1,141,398)
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	(12,286)	7,941	3,518	493	(7)	-	-	(341)
Balance at June 30, 2025	\$ (12,379)	\$ (8,980)	\$ (6,069)	\$ (1,381)	\$ (25)	\$ -	\$ -	\$ (28,834)

A summary of changes in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2024 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 March 31, 2024	\$ (929,497)	\$ (11,183)	\$ (58,040)	\$ (27,263)	\$ (2,739)	\$ (34,963)	\$ 1	\$ (1,063,684)
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	(600)	-	-	-	-	-	(600)
Provision for loan losses (credit loss reversal)	(37,809)	(5,832)	(3,148)	13,614	(823)	(2,327)	(1)	(36,326)
Balance at June 30, 2024	\$ (967,306)	\$ (17,615)	\$ (61,188)	\$ (13,649)	\$ (3,562)	\$ (37,290)	\$ -	\$ (1,100,610)
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2024	\$ -	\$ (2,286)	\$ (17,675)	\$ (388)	\$ (7)	\$ -	\$ (4)	\$ (20,360)
Provision for unfunded commitments	(340)	(435)	1,970	(1,201)	(26)	(322)	4	(350)
Balance at June 30, 2024	\$ (340)	\$ (2,721)	\$ (15,705)	\$ (1,589)	\$ (33)	\$ (322)	\$ -	\$ (20,710)

	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	-	(1,500)	-	-	-	-	-	(1,500)
Provision for loan losses (credit loss reversal)	(28,040)	804	6,567	16,823	(88)	(868)	-	(4,802)
Commodity Reclassification	\$ -	\$ -	\$ -	\$ -	\$ 17,593	\$ (17,572)	\$ (21)	\$ -
Balance at June 30, 2024	\$ (967,306)	\$ (17,615)	\$ (61,188)	\$ (13,649)	\$ (3,562)	\$ (37,290)	\$ -	\$ (1,100,610)
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	(340)	(375)	5,197	(904)	(14)	(322)	19	3,261
Balance at June 30, 2024	\$ (340)	\$ (2,721)	\$ (15,705)	\$ (1,589)	\$ (33)	\$ (322)	\$ -	\$ (20,710)

Discussion of Changes in Allowance for Credit Losses

The ACL increased \$47,152 to \$1,141,398 at June 30, 2025, as compared to \$1,094,246 December 31, 2024, primarily due to new loan volume added at lower PD values, decreasing loan volume of higher PD values, and a loan charge off of \$26,661.49 recognized on a single loan in the second 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 years. The economic scenarios utilized in the June 30, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporates macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 3 — 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.

	June 30, 2025	December 31, 2024
Capital stock and participation certificates	\$ 1,166,610	\$ 1,173,240
Accumulated other comprehensive loss	31,083	32,069
Retained earnings ¹	70,029,403	70,713,743
Total Capital	\$ 71,227,096	\$ 71,919,052

Regulatory Capitalization Requirements

	Regulatory Minimums with Buffer	As of June 30, 2025
Risk-adjusted:		
Common equity tier 1 ratio	7.00%	17.32%
Tier 1 capital ratio	8.50%	17.32%
Total capital ratio	10.50%	17.65%
Permanent capital ratio	7.00%	17.37%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.60%
UREE leverage ratio	1.50%	15.30%

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 44,255,838	\$ 44,255,838	\$ 44,255,838	\$ 44,255,838
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,168,297	1,168,297	1,168,297	1,168,297
Nonqualified allocated equities not subject to retirement	24,887,468	24,887,468	24,887,468	24,887,468
Allowance for loan losses and reserve for credit losses subject to certain limitations			1,201,047	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(8,187,331)	(8,187,331)	(8,187,331)	(8,187,331)
	<u>\$ 62,124,272</u>	<u>\$ 62,124,272</u>	<u>\$ 63,325,319</u>	<u>\$ 62,124,272</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$366,924,339	\$366,924,339	\$366,924,339	\$366,924,339
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(8,187,331)	(8,187,331)	(8,187,331)	(8,187,331)
Allowance for loan losses				(1,179,856)
	<u>\$ 358,737,008</u>	<u>\$ 358,737,008</u>	<u>\$ 358,737,008</u>	<u>\$ 357,557,152</u>
Calculated Ratio	17.32%	17.32%	17.65%	17.37%

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 44,255,838	\$ 44,255,838
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	1,168,297	-
Allocated equities:		
Nonqualified allocated equities not subject to retirement	24,887,468	24,887,468
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(8,187,331)	(8,187,331)
	<u>\$ 62,124,272</u>	<u>\$ 60,955,975</u>
Denominator:		
Total Assets	\$406,902,677	\$406,902,677
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(8,545,672)	(8,545,672)
	<u>\$ 398,357,005</u>	<u>\$ 398,357,005</u>
Calculated Ratio	15.60%	15.30%

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 six months ended June 30:

	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	(783)	(783)
Amortization of actuarial (gain) loss included		
in salaries and employee benefits	(203)	(1,543)
Other comprehensive income (loss), net of tax	(986)	(2,326)
Accumulated other comprehensive income (loss) at June 30	<u>\$ 31,083</u>	<u>\$ 67,064</u>

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:

June 30, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ -	\$ -
December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ -	\$ -

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 and six months ended June 30:

	Pension Benefits	
	2025	2024
Three months ended June 30:		
Service cost	\$ 1,163	\$ 924
Interest cost	3,195	2,773
Amortization of prior service (credits) costs	(391)	(392)
Amortization of net actuarial (gain) loss	(102)	(771)
Net periodic benefit cost	\$ 3,865	\$ 2,534

	Pension Benefits	
	2025	2024
Six months ended June 30:		
Service cost	\$ 2,326	\$ 1,849
Interest cost	6,391	5,546
Amortization of prior service (credits) costs	(783)	(783)
Amortization of net actuarial (gain) loss	(204)	(1,543)
Net periodic benefit cost	\$ 7,730	\$ 5,069

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2025, was \$249,575 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 June 30, 2025, \$3,929 of contributions have been made. The association presently anticipates contributing an additional \$3,929 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 August 6, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.