

Legacy

Ag Credit, ACA



2025 ANNUAL REPORT



Part of the Farm Credit System

Letter to Shareholders

Dear Shareholders,

We are pleased to share the 2025 Annual Report. This document reflects a year of significant milestones and growth, driven by the collective efforts of our board of directors, dedicated staff and community.

As a borrower-owned cooperative member of the Farm Credit System since 1916, our roots in rural America run deep. We are defined by our mission: providing consistent, competitive financing our agricultural communities in Northeast Texas need to thrive. This commitment has fueled our first century and will continue to drive us through the next.

The past year was marked by strategic loan growth, improved market engagement and continued financial strength.

In 2025, we took proactive steps to modernize our outreach, starting with hiring a new Marketing Manager. This investment paid off immediately, as enhanced social media marketing efforts boosted our visibility and attracted new opportunities. Combined with more favorable interest rate environment, this allowed our team to excel, generating core loan production of \$100 million, \$40 million above our \$60 million goal. Together with \$16 million in loans purchased from other associations and the Farm Credit Bank of Texas (FCBT), Legacy's total loan production for 2025 exceeded \$115 million, a record year for the association.

Legacy's board has approved a cash patronage of \$2.2 million, approximately 50% of 2025 net income, payable to our members in March 2026. This board-approved patronage payout marks the 15th consecutive year that the association has returned a portion of its profits to its members and returning significant portions of the association's profits to our shareholders remains a priority for the board and management.

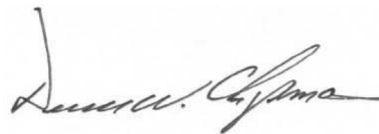
Though we are proud of this year's performance, we remain focused on sustained, long-term success and steady, year-over-year growth and profitability.

We thank you for your continued trust and partnership in Legacy and encourage you to frequent our offices and to share our story. We look forward to delivering another year of strong, reliable service and continuing to serve you and your financing needs.

Please join us at our annual stockholder meeting at 9 a.m. April 22, 2026, in our Sulphur Springs office.



Terry Milligan
Chairman, Board of Directors



Derrell W. Chapman, CPA
Chief Executive Officer

Table of Contents

Report of Management.....	3
Report of Audit committee.....	4
Five-Year Summary of Selected Consolidated Financial Data.....	5
Management’s Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)	7
Report of Independent Auditors.....	15
Consolidated Financial Statements	17
Notes to Consolidated Financial Statements.....	22
Disclosure Information and Index (Unaudited).....	49

REPORT OF MANAGEMENT

The consolidated financial statements of Legacy Ag Credit, ACA (association or Legacy) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' (FCBT or bank) and the association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP (PwC), independent auditors. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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



Derrell W. Chapman, CPA, Chief Executive Officer
March 6, 2026



Terry Milligan, Chairman, Board of Directors
March 6, 2026



Heather Johnson, CPA, Chief Financial Officer
March 6, 2026

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee), comprised of directors Cheryl Scott, Terry Milligan, Danny Evans and Tommy Goodson, met 13 times in 2025. The committee oversees the scope of Legacy's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit committee Charter, which is available on request or on Legacy's website. The committee approved the appointment of PwC for 2025.

Management is responsible for the association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of Legacy's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed the association's audited consolidated financial statements for the year ended Dec. 31, 2025 (audited consolidated financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Legacy's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in the Legacy's Annual Report to Stockholders for the year ended Dec. 31, 2025.

Audit Committee Members

Cheryl Scott, CPA, chair
Terry Milligan
Danny Evans
Tommy Goodson

March 6, 2025

Legacy Ag Credit, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2025	2024	2023	2022	2021
Balance Sheet Data					
<u>Assets</u>					
Cash	\$ 198	\$ 162	\$ 138	\$ 127	\$ 105
Loans	420,226	377,157	375,773	363,933	344,279
Less: allowance for credit losses on loans	1,361	1,094	1,095	1,243	1,417
Net loans	418,865	376,063	374,678	362,690	342,862
Investment in and receivable from the Bank	9,882	7,994	6,605	6,418	5,370
Other assets	8,490	8,507	8,262	7,126	5,657
Total assets	\$ 437,435	\$ 392,726	\$ 389,683	\$ 376,361	\$ 353,994
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 2,024	\$ 1,362	\$ 1,566	\$ 2,215	\$ 2,131
Obligations with maturities greater than one year	362,253	319,445	318,275	306,350	286,948
Total liabilities	\$ 364,277	\$ 320,807	\$ 319,841	\$ 308,565	\$ 289,079
<u>Members' Equity</u>					
Capital stock and participation certificates	\$ 1,178	\$ 1,173	\$ 1,177	\$ 1,193	\$ 1,172
Allocated retained earnings	24,887	23,929	22,858	21,076	20,082
Unallocated retained earnings	47,030	46,785	45,738	45,467	43,660
Accumulated other comprehensive income (loss)	63	32	69	60	1
Total members' equity	73,158	71,919	69,842	67,796	64,915
Total liabilities and members' equity	\$ 437,435	\$ 392,726	\$ 389,683	\$ 376,361	\$ 353,994
Statement of Income Data					
Net interest income	\$ 11,566	\$ 10,993	\$ 10,910	\$ 9,985	\$ 9,048
(Provision for credit losses) credit loss reversal	(342)	-	205	100	(139)
Income from the Bank	725	1,123	1,128	2,178	1,872
Other noninterest income	749	552	825	575	827
Noninterest expense	(8,444)	(7,551)	(7,710)	(7,192)	(7,400)
Net income (loss)	\$ 4,254	\$ 5,117	\$ 5,358	\$ 5,646	\$ 4,208
Key Financial Ratios for the Year					
Return on average assets	1.0%	1.3%	1.4%	1.5%	1.3%
Return on average members' equity	6.0%	7.4%	7.9%	8.7%	6.7%
Net interest income as a percentage of average earning assets	2.9%	3.0%	3.0%	2.8%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	0.019%	0.001%	0.002%	0.021%	-0.033%

Legacy Ag Credit, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2025	2024	2023	2022	2021
<u>Key Financial Ratios at Year End</u>					
Members' equity as a percentage of total assets	16.7%	18.3%	17.9%	18.0%	18.3%
Debt as a percentage of members' equity	497.9%	446.1%	457.9%	455.1%	445.3%
Allowance for credit losses on loans as a percentage of loans	0.3%	0.3%	0.3%	0.3%	0.4%
Common equity tier 1 ratio	16.7%	18.6%	18.4%	18.1%	19.0%
Tier 1 capital ratio	16.7%	18.6%	18.4%	18.1%	19.0%
Total capital ratio	17.0%	19.0%	18.7%	18.5%	19.5%
Permanent capital ratio	16.7%	18.7%	18.5%	18.1%	19.1%
Tier 1 leverage ratio	15.1%	16.7%	16.5%	16.3%	17.2%
UREE leverage ratio	14.8%	16.4%	16.2%	16.0%	18.2%
<u>Net Income Distribution</u>					
Cash dividends	\$ 3,050	\$ 3,000	\$ 3,231	\$ 2,846	\$ 2,470

The association's ratios remained above the regulatory minimums, including the conservation and leverage buffers as of Dec. 31, 2025. For more information, see Note 8, "Members Equity," in the accompanying financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)**

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of Legacy, including its wholly owned subsidiaries, Legacy, PCA and Legacy Land Bank, FLCA, for the years ended Dec. 31, 2025, 2024 and 2023, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the association’s audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as “anticipates,” “believes,” “could,” “estimates,” “may,” “should,” “will” or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income of borrowers;
- disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary, government and fiscal policy; and
- credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Significant Events:

In January 2026, Legacy declared a \$2,200,000 patronage for all members who had eligible loans with the association during fiscal year 2025. The association anticipates paying patronage in March 2026. Patronage totaled \$3,050,000 and \$3,000,000 for fiscal years 2024 and 2023, respectively.

In December 2025, 2024, and 2023, the association received a direct note patronage from FCBT of \$604,905 or 17.82 basis points, \$1,056,988 or 33.53 basis points and \$845,603 or 27.34 basis points, respectively, on the average daily balance of the association’s direct note with the bank. For the same years, the association received a capital markets patronage of \$119,653, 66,430, and \$69,116, respectively, from the bank, representing 75 basis points each year on the association’s average balance of participations with the bank.

Loan Portfolio:

The composition of the association’s loan portfolio, including principal less funds held of \$420,225,860, \$377,156,787 and \$375,772,990 as of Dec. 31, 2025, 2024 and 2023, respectively, is described more fully in detailed tables in Note 3, “Loans and Allowance for Credit Losses,” in the accompanying financial statements.

The association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The association’s loan volume consists of long-term farm mortgage loans, production and intermediate-term loans and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed,

adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

Legacy lends to eligible borrowers/stockholders for qualified agricultural purposes throughout its chartered territory in the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt and Wood in the state of Texas. The following percentages are based on the borrower’s physical location, the borrower’s headquarter location, or the physical location of the underlying collateral where applicable:

County	2025	2024	2023
Van Zandt	10.3%	11.7%	10.8%
Hopkins	6.5%	7.5%	7.9%
Wood	5.6%	6.0%	6.8%
Upshur	4.9%	4.9%	5.1%
Kaufman	4.5%	4.6%	5.0%
Gregg	8.0%	4.4%	3.9%
Harrison	4.1%	3.8%	3.0%
Franklin	2.4%	2.8%	2.3%
Marion	0.7%	0.8%	0.9%
Rains	0.7%	0.9%	0.8%
Other	52.4%	52.6%	53.5%
Totals	100.0%	100.0%	100.0%

The association’s concentration of credit risk in various agricultural commodities is shown in the following table. Though the amounts represent the association’s maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the association’s lending activities is collateralized, and the association’s exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the association’s credit risk exposure is considered in the determination of the allowance for loan losses.

Operation/Commodity	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Livestock, except dairy and poultry	\$ 133,125,785	31.7%	\$ 111,777,158	29.6%	\$ 106,476,415	28.3%
Poultry and eggs	89,649,747	21.3%	90,286,198	23.9%	95,302,739	25.4%
General farms, primarily crops	52,781,521	12.6%	46,534,872	12.3%	48,378,633	12.9%
Hunting, trapping and game propagation	49,800,389	11.9%	37,641,150	10.0%	37,948,265	10.1%
Rural home loans	15,878,634	3.8%	16,013,369	4.2%	11,761,219	3.1%
Timber	12,785,550	3.0%	12,868,183	3.4%	14,801,050	3.9%
Food and kindred products	11,551,526	2.7%	7,542,774	2.0%	4,801,690	1.3%
Animal specialties	10,257,936	2.4%	8,917,610	2.4%	8,304,421	2.2%
Communication	8,796,234	2.1%	9,180,840	2.4%	8,631,222	2.3%
Other	5,141,523	1.2%	6,175,837	1.6%	6,865,040	1.8%
Fruit and tree nuts	4,933,514	1.2%	5,017,022	1.3%	5,045,887	1.3%
Paper and allied products	4,427,698	1.1%	5,267,908	1.4%	5,413,557	1.4%
Dairy farms	4,405,618	1.0%	3,394,601	0.9%	3,876,429	1.0%
Wholesale trade - nondurable goods	3,175,772	0.8%	3,774,418	1.0%	4,722,617	1.3%
Horticultural specialties	2,740,067	0.7%	2,958,093	0.8%	3,174,933	0.8%
Agricultural services	2,556,508	0.6%	1,814,727	0.5%	1,214,389	0.3%
Field crops except cash grains	2,335,316	0.6%	2,404,865	0.6%	2,693,361	0.7%
Electric services	2,061,427	0.5%	2,457,867	0.7%	2,785,077	0.7%
Chemical and allied products	1,990,134	0.5%	1,516,098	0.4%	2,244,463	0.6%
Farm and garden machinery equipment	818,723	0.2%	622,242	0.2%	376,944	0.1%
Building materials, hardware and garden supplies	459,237	0.1%	484,780	0.1%	541,984	0.1%
Real estate	283,596	0.1%	290,069	0.1%	355,365	0.1%
Vegetables and melons	219,405	0.1%	40,934	0.0%	57,290	0.0%
Lumber and wood products, except furniture	50,000	0.0%	-	0.0%	-	0.0%
Cash grains	-	0.0%	175,172	0.0%	-	0.0%
Total	<u>\$ 420,225,860</u>	<u>100.0%</u>	<u>\$ 377,156,787</u>	<u>100.0%</u>	<u>\$ 375,772,990</u>	<u>100.0%</u>

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes real estate, including farmland, income-producing property such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (or 97% if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

Purchase and Sales of Loans:

During 2025, 2024 and 2023, the association was participating in loans with other lenders. As of Dec. 31, 2025, 2024 and 2023, these participations totaled \$77,089,934, \$68,431,839, and \$65,781,388, or 18.3%, 18.1%, and 17.5% of loans, respectively. Included in these amounts are participations purchased from entities outside the district of \$34,206,075, \$36,036,658 and \$38,060,661, or 44.4%, 52.7% and 57.9% of loans, respectively. The association has also sold participations of \$19,277,129, \$8,996,190, and \$9,292,852 as of Dec. 31, 2025, 2024 and 2023, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

As of Dec. 31, 2025, 2024 and 2023, nonperforming loans were \$939,740, \$342,511 and \$440,261, representing 0.2%, 0.1%, and 0.1% of loan volume, respectively.

The following table illustrates the association’s components and trends of nonperforming assets serviced for the prior three years as of December 31:

	Nonperforming Assets					
	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Nonaccrual loans	\$ 939,740	100.0%	\$ 342,511	100.0%	\$ 440,261	100.0%

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the association is not affected by any seasonal characteristics. The factors affecting the operations of the association are the same factors that would affect any agricultural real estate lender.

To help mitigate and diversify credit risk, the association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

Allowance for Credit Losses on Loans:

The association employs a disciplined process and methodology to establish its allowance for credit losses on loans that have two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan’s effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the association’s appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan’s expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

Prior to January 1, 2023, the allowance for credit losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers’ financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, and evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of \$1,361,042, \$1,094,246 and \$1,095,402 as of Dec. 31, 2025, 2024 and 2023, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates.

Results of Operations:

The association's net income for the year ended Dec. 31, 2025, was \$4,254,138 as compared with \$5,117,372 for the year ended Dec. 31, 2024, reflecting a decrease of \$863,234 or 16.9%. The association's net income for the year ended Dec. 31, 2023, was \$5,358,194, reflecting a decrease of \$240,823, or 4.5%, in 2024 vs. 2023.

Net interest income for 2025, 2024 and 2023 was \$11,566,192, \$10,992,911 and \$10,910,255, respectively, reflecting increases of \$573,281, or 5.2%, for 2025 over 2024 and \$82,656, or 0.8 %, for 2024 over 2023. Net interest income is the principal source of earnings for the association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2025		2024		2023	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	\$ 397,986,941	\$ 25,034,240	\$ 373,050,304	\$ 22,728,744	\$ 366,339,494	\$ 20,921,016
Interest-bearing liabilities	339,502,153	13,468,048	315,359,925	11,735,833	309,544,877	10,010,761
Impact of capital	\$ 58,484,788		\$ 57,690,379		\$ 56,794,617	
Net interest income		\$ 11,566,192		\$ 10,992,911		\$ 10,910,255

	2025	2024	2023
	Average Yield	Average Yield	Average Yield
Yield on loans	6.29%	6.09%	5.71%
Cost of interest-bearing liabilities	3.97%	3.72%	3.23%
Interest rate spread	2.32%	2.37%	2.48%

	2025 vs. 2024			2024 vs. 2023		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ 1,519,314	\$ 786,182	\$ 2,305,496	\$ 383,241	\$ 1,424,487	\$ 1,807,728
Interest expense	898,429	833,786	1,732,215	188,059	1,537,013	1,725,072
Net interest income	\$ 620,886	\$ (47,605)	\$ 573,281	\$ 195,182	\$ (112,526)	\$ 82,656

Interest income for 2025 increased by \$2,305,496, or 10.1%, compared with 2024, due to increases in average interest-earning assets and yields on interest-earning assets. Interest expense for 2025 increased by \$1,732,215, or 14.8%, compared with 2024 due to increases in interest-bearing liabilities and the cost of interest-bearing debt. The interest rate spread decreased by 5 basis points to 2.32% in 2025 from 2.37% in 2024 and decreased by 11 basis points to 2.37% in 2024 from 2.48% in 2023, primarily due to the increased cost of interest-bearing debt.

Noninterest income for 2025 decreased by \$202,321, or 12.1%, compared with 2024, due primarily to a decrease in direct note patronage from the bank of \$398,828. Noninterest income for 2024 decreased by \$278,256, or 14.2%, compared with 2023, due primarily to 2023's recognition of a gain on the sale of Legacy's Canton branch property.

Provisions for loan losses increased by \$341,339, or 93,262%, compared with 2024, due primarily to loan growth and a loan charge-off in 2025. The provision expense for 2024 was only \$366 due to the payoff of two capital market relationships carrying specific reserves, for a credit loss reversal in 2024.

Operating expenses consist primarily of salaries, employee benefits, occupancy expenses and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. The \$892,914, or 11.8% increase in operating expenses in 2025 compared with 2024 are primarily due to increased salary and benefits. The \$159,720, or 2.1% decrease in 2024 operating expenses compared

with 2023 was primarily due a \$189,104 decrease in Farm Credit System Insurance Corporation premiums due to a rate decrease, offset by increased spending for professional services and salaries for new hires.

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

For the year ended Dec. 31, 2025, the association's return on average assets was 1.0%, as compared with 1.3% and 1.4% for the years ended Dec. 31, 2024, and 2023, respectively. For the year ended Dec. 31, 2025, the association's return on average members' equity was 6.04%, as compared with 7.4% and 7.9% for the years ended Dec. 31, 2024, and 2023, respectively.

Because the association depends on the bank for funding and a substantial portion of its income, any significant positive or negative factors affecting the operations of the bank may have an effect on the operations of the association.

Liquidity and Funding Sources:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct note pricing and asset/liability management process.

The primary source of liquidity and funding for the association is a direct note from the bank. The outstanding balance of \$360,820,742, \$318,438,479 and \$317,332,782 as of Dec. 31, 2025, 2024 and 2023, respectively, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.97%, 3.72% and 3.23% at Dec. 31, 2025, 2024 and 2023, respectively. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by a general financing agreement. The increase in note payable to the FCBT and related accrued interest payable since Dec. 31, 2024, correlates directly with the overall increase in the association's accrual loan volume for the period. The increase was also due to the association's increased required FCBT stock investment, which increased association borrowings. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$58,435,963, \$57,853,977 and \$57,453,873 at Dec. 31, 2025, 2024 and 2023, respectively. The maximum amount the association may borrow from the bank as of Dec. 31, 2025, was \$420,016,183 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is Sept. 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2026. As borrower payments are received, they are applied to the association's note payable to the bank.

The association will continue to fund its operations through direct borrowings from the bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the association are sufficient to fund its operations for the coming year.

Capital Resources:

The association's capital position remains above regulatory minimums, with total members' equity of \$73,158,708, \$71,919,052 and \$69,854,948 as of Dec. 31, 2025, 2024 and 2023, respectively. The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, tier 1 capital, total capital and permanent capital risk-based ratios. The non-risk adjusted ratios include a tier 1 leverage ratio and unallocated retained earnings (URE) and URE equivalent (UREE) leverage ratio. The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder's loan or otherwise at the option of the holder or is otherwise not

at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance-sheet commitments adjusted by various percentages ranging from 0% to 1,250%, depending on the level of risk inherent in the various types of assets.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is [statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvment, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk weighted-assets.]
- Tier 1 capital ratio is [common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.]
- Total capital is [tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and allowance for credit losses on unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.]
- Permanent capital ratio (PCR) is [all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.]
- Tier 1 leverage ratio is [tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.]
- UREE leverage ratio is [unallocated retained earnings, paid-in-capital, allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.]

If capital ratios fall below the minimum regulatory requirements, capital distributions and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

Regulatory ratios remain above regulatory minimums. The following table reflects the association’s capital ratios as of December 31:

	2025	2024	2023	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	16.71 %	18.69 %	18.46 %	7.00 %
Common equity tier 1 ratio	16.65	18.63	18.40	7.00
Tier 1 capital ratio	16.65	18.63	18.40	8.50
Total capital ratio	17.00	18.96	18.71	10.50
Tier 1 leverage ratio	15.10	16.73	16.50	5.00
UREE leverage ratio	14.82	16.43	16.19	1.50

Regulatory Matters:

As of Dec. 31, 2025, the association was not under any written agreements with the Farm Credit Administration.

On Dec. 5, 2025, the FCA published a proposed rule in the Federal Register that would amend FCA regulations by removing “formally restructured loans” also known as troubled debt restructurings (TDR), as a loan performance

category due to changes in generally accepted accounting principles (GAAP). This rulemaking also solicits comments on related disclosure issues. The proposed rule is subject to a 60-day public comment period ending on Feb. 3, 2026.

On Jan. 8, 2026, the FCA approved a proposed rule that would amend its permanent capital regulations and update other capital-related regulations. This rulemaking would replace references to permanent capital with references to tier 1 and tier 2 capital, simplify the calculation of the permanent capital ratio, eliminate permanent capital reporting requirements from published financial reports, and make other clarifications, corrections and technical updates to capital-related regulations. Once published in the Federal Register, it will be subject to a 60-day public comment period.

On Feb. 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures instead of the current 100 percent to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weighting and the federal banking regulators. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and, therefore, do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. The final rule became effective on Jan. 1, 2026.

In 2025, 2024 and 2023, the association paid patronage distributions of \$3,050,000, \$3,000,000 and \$3,231,241, respectively, paid from unallocated retained earnings. In January 2026, the board of directors approved a \$2,200,000 patronage distribution for earnings year 2025 to be paid in March 2026. See Note 8, "Members Equity," in the accompanying financial statements for further information.

Relationship With the Bank:

The association's statutory obligation to borrow only from the bank is discussed in Note 7, "Note Payable to the bank," in the accompanying financial statements. The bank's ability to access capital of the association is discussed in Note 2, "Summary of Significant Accounting Policies," in the accompanying financial statements within the section "Capital Stock Investment in the bank." The bank's role in mitigating the association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 7, "Note Payable to the bank," in the accompanying consolidated financial statements.

The bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the bank. As disclosed in Note 11, "Related Party transactions," in the accompanying financial statements, the bank provides many services that the association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the bank bills district expenses to the district associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 110 years, regardless of the state of the agricultural economy, Legacy's board of directors and management, as well as the board of directors and management of the bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this association.



Report of Independent Auditors

To the Board of Directors of Legacy Ag Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Legacy Ag Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2025, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2025 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, slightly slanted style.

Austin, Texas
March 6, 2026

Legacy Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2025	2024	2023
<u>Assets</u>			
Cash	\$ 198,361	\$ 161,925	\$ 138,043
Loans (includes \$408m, \$354m, and \$350m held at fair value)	420,225,860	377,156,787	375,772,990
Less: allowance for credit losses on loans	1,361,042	1,094,246	1,095,402
Net loans	418,864,818	376,062,541	374,677,588
Accrued interest receivable	3,156,566	2,851,111	2,436,348
Investment in and receivable the Bank:			
Capital stock	8,542,970	6,308,050	6,173,070
Allocated Equity	253,681	253,681	253,681
Other	1,085,305	1,431,942	178,118
Premises and equipment	5,097,634	5,415,984	5,605,940
Other assets	236,163	240,326	220,526
Total assets	\$ 437,435,498	\$ 392,725,560	\$ 389,683,314
<u>Liabilities</u>			
Note payable to the Bank	\$ 360,820,742	\$ 318,438,479	\$ 317,332,782
Advance conditional payments	221,378	-	1,000
Accrued interest payable	1,210,790	1,005,705	942,054
Drafts outstanding	55,970	26,269	43,222
Other liabilities	1,967,910	1,336,055	1,521,950
Total liabilities	364,276,790	320,806,508	319,841,008
<u>Members' Equity</u>			
Capital stock and participation certificates	1,178,260	1,173,240	1,176,510
Nonqualified allocated retained earnings	24,887,468	23,929,068	22,858,251
Unallocated retained earnings	47,030,415	46,784,675	45,738,155
Accumulated other comprehensive income (loss)	62,565	32,069	69,390
Total members' equity	73,158,708	71,919,052	69,842,306
Total liabilities and members' equity	\$ 437,435,498	\$ 392,725,560	\$ 389,683,314

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2025	2024	2023
<u>Interest Income</u>			
Loans	\$ 25,034,240	\$ 22,728,744	\$ 20,921,016
<u>Interest Expense</u>			
Note payable to the Bank	13,464,624	11,732,787	10,010,564
Advance conditional payments	3,424	3,046	197
Total interest expense	<u>13,468,048</u>	<u>11,735,833</u>	<u>10,010,761</u>
Net interest income	<u>11,566,192</u>	<u>10,992,911</u>	<u>10,910,255</u>
Provision for (reversal of) credit losses	341,705	366	(204,576)
Net interest income after provision for credit losses (credit loss reversal)	<u>11,224,487</u>	<u>10,992,545</u>	<u>11,114,831</u>
<u>Noninterest Income</u>			
Patronage Income from the Bank	724,559	1,123,387	1,127,881
Loan fees	600,453	347,541	354,480
Refunds from Farm Credit System			
Insurance Corporation	50,184	85,099	164
Financially related services income	94	140	126
Gain on other property owned, net	-	822	50
Gain on sale of premises and equipment, net	-	49,710	393,419
Other noninterest income	97,889	68,742	77,577
Total noninterest income	<u>1,473,179</u>	<u>1,675,441</u>	<u>1,953,697</u>
<u>Noninterest Expenses</u>			
Salaries and employee benefits	5,411,984	4,670,777	4,578,407
Directors' expense	234,889	181,905	241,224
Purchased services	568,883	535,913	480,663
Travel	316,897	281,192	283,932
Occupancy and equipment	680,311	660,278	694,823
Communications	109,233	123,241	113,883
Advertising	129,783	123,945	159,185
Public and member relations	256,211	250,948	269,738
Supervisory and exam expense	146,063	149,905	138,931
Insurance Fund premiums	267,244	245,433	434,537
Other components of net periodic postretirement benefit cost	12,781	6,441	7,809
Other noninterest expense	309,249	320,636	307,202
Total noninterest expenses	<u>8,443,528</u>	<u>7,550,614</u>	<u>7,710,334</u>
NET INCOME	<u>4,254,138</u>	<u>5,117,372</u>	<u>5,358,194</u>
Other comprehensive income:			
Change in postretirement benefit plans	30,496	(37,321)	8,940
COMPREHENSIVE INCOME	<u>\$ 4,284,634</u>	<u>\$ 5,080,051</u>	<u>\$ 5,367,134</u>

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2022	\$ 1,192,520	\$ 21,076,255	\$ 45,466,759	\$ 60,450	\$ 67,795,984
Cumulative effect of a change in accounting principle			(74,032)		(74,032)
Balance at January 1, 2023	1,192,520	21,076,255	45,392,727	60,450	67,721,952
Comprehensive income			5,358,194	8,940	5,367,134
Capital stock/participation certificates issued	146,800				146,800
Capital stock/participation certificates retired	(162,810)				(162,810)
Patronage dividends:					
Cash			(3,230,770)		(3,230,770)
Nonqualified allocations		1,781,996	(1,781,996)		
Balance at December 31, 2023	1,176,510	22,858,251	45,738,155	69,390	69,842,306
Comprehensive income	-	-	5,117,372	(37,321)	5,080,051
Capital stock/participation certificates issued	116,035				116,035
Capital stock/participation certificates issued	(119,305)				(119,305)
Patronage dividends:					
Cash			(3,000,035)		(3,000,035)
Nonqualified allocations		1,070,817	(1,070,817)		
Balance at December 31, 2024	1,173,240	23,929,068	46,784,675	32,069	71,919,052
Comprehensive income			4,254,138	30,496	4,284,634
Capital stock/participation certificates issued	137,025				137,025
Capital stock/participation certificates issued	(132,005)				(132,005)
Patronage dividends:					
Cash			(3,049,998)		(3,049,998)
Nonqualified allocations		958,400	(958,400)		
Balance at December 31, 2025	\$ 1,178,260	\$ 24,887,468	\$ 47,030,415	\$ 62,565	\$ 73,158,708

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 4,254,138	\$ 5,117,372	\$ 5,358,194
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	341,705	366	(204,576)
Depreciation	458,266	447,558	423,406
(Gain) loss on sale of premises and equipment, net	-	(49,710)	(393,419)
(Gain) loss on sale of other assets	-	(822)	(50)
(Increase) decrease in accrued interest receivable	(305,455)	(414,763)	(627,886)
Decrease (increase) in other receivables from the Bank	346,637	(1,253,824)	223,223
Decrease (increase) in other assets	4,163	(18,978)	20,278
Increase in accrued interest payable	205,085	63,651	199,868
Increase (decrease) in other liabilities	661,825	(227,738)	(253,734)
Net cash provided by operating activities	5,966,364	3,663,112	4,745,304
Cash flows from investing activities:			
Increase in loans, net	(43,292,807)	(1,488,187)	(11,947,050)
Cash recoveries of loans previously charged off	44,961	3,000	6,569
Farm Credit Bank of Texas:			
Purchase of investment in	(2,234,920)	(134,980)	(156,300)
Allocated equity in	-	-	(253,681)
Purchases of premises and equipment	(35,526)	(227,002)	(1,027,702)
Proceeds from sales of premises and equipment	-	123,500	575,154
Net cash used in investing activities	(45,518,292)	(1,723,669)	(12,803,010)

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

Legacy Ag Credit, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	2024	2023
Cash flows from financing activities:			
Net draws on note payable to the Bank	42,382,263	1,105,697	11,725,659
Increase (decrease) in drafts outstanding	29,701	(16,953)	(411,611)
Increase (decrease) in advance conditional payments	221,378	(1,000)	1,000
Issuance of capital stock and participation certificates	137,025	116,035	146,800
Retirement of capital stock and participation certificates	-	-	-
	(132,005)	(119,305)	(162,810)
Cash patronage paid	(3,049,998)	(3,000,035)	(3,230,770)
Net cash provided by (used in) financing activities	39,588,364	(1,915,561)	8,068,268
Net increase in cash	36,436	23,882	10,562
Cash at the beginning of the year	161,925	138,043	127,481
Cash at the end of the year	\$ 198,361	\$ 161,925	\$ 138,043
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	119,344	-	-
Supplemental cash flow information:			
Cash paid during the year for interest	\$ 13,259,539	\$ 11,732,787	\$ 9,810,696

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

- A. Organization: Legacy Ag Credit, ACA, including its wholly owned subsidiaries, Legacy, PCA and Legacy Land Bank, FLCA (collectively called “the association”), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in 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 (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). As of Dec. 31, 2025, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various services and other organizations.

The Farm Credit Bank of Texas (bank) and its related associations are collectively referred to as the “District.” The bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. As of Dec. 31, 2025, the District consisted of the bank, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations; (2) to ensure the retirement of protected borrower capital at par or stated value; and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses, by FCSIC, of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as FCSIC in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

- B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, people eligible to borrow and financial services that can be offered by the association. The association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the bank.

The association also serves as an intermediary in offering credit life insurance.

The association's financial condition may be affected by factors that affect the bank. The financial condition and results of operations of the bank may materially affect stockholders' investments in the association. The bank's Annual Report to Stockholders discusses the material aspects of the District's financial condition, changes in financial condition and results of operations. In addition, the bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the association will be provided with the bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned, and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments.

Recently Issued or Adopted Accounting Pronouncements:

In December 2025, Financial Accounting Standards Board (FASB) issued an update titled, "Narrow-Scope Improvements." The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other codification topics and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The update is effective for public business entities for interim reporting periods within annual reporting periods beginning after Dec. 15, 2027, and for other entities after Dec. 15, 2028, with early adoption permitted. The association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In November 2025, the FASB issued an update titled, "Financial Instruments - Credit Losses - Purchased Loans." The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after Dec. 15, 2026, including interim periods within those years. Early adoption is permitted. The association is

currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

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

In December 2023, the FASB issued an update titled “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 update 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 Dec. 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 but will affect the income tax disclosures.

- A. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- B. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 or fewer years. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct note origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectibility of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the amortized cost in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a

sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable. The association elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the consolidated balance sheets. The association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty. Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans. Collateral dependent loans are loans secured by collateral, including but not limited to, agricultural real estate, crop inventory, equipment and livestock. The association is required to measure the current credit losses (CECL) of a collateral dependent loan based on fair value of the collateral the reporting date when the association determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses. Effective Jan. 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance-sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancelable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Balance Sheet,
- the allowance for credit losses on unfunded commitments, which is presented on the Balance Sheet in other liabilities and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the balance sheet.

Allowance for Credit Losses on Loans. Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods. The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given time frame) by the LGD (percentage of the loan expected to be collected at default.)

The association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans, and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or nonrecoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating, or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectibility of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The association's macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third-party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The association also considers loan and borrower characteristics, such as internal risk ratings, industry and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Before Jan. 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments. The association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the consolidated balance sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancelable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancelable.

Also adopted, effective Jan. 1, 2023, was guidance requiring a creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers who are experiencing financial difficulties. The guidance eliminated the accounting guidance for troubled debt restructurings by creditors. The guidance also requires disclosure of current period gross charge-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

- C. **Capital Stock Investment in the Farm Credit Bank of Texas:** The association's investment in the bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the association's proportional utilization of the bank compared to other District associations. For 2025, the investment required of the association was 2.50% of association's average borrowings from the bank. For 2024 and 2023, the investment required of the association was 2% of the association's average borrowings from the bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheets.

If needed to meet regulatory capital adequacy requirements, the bank's board of directors may increase the percentage of stock held by an association from 2.50% of the average outstanding balance of borrowings from the bank to a maximum of 5% of the average outstanding balance of borrowings from the bank.

- D. **Other Property Owned, Net:** Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheets. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.
- E. **Premises and Equipment:** Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- F. **Advance Conditional Payments:** The association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance

sheets. Advance conditional payments are not insured. Interest is generally paid by the association on such accounts at rates established by the board of directors.

- G. **Employee Benefit Plans:** Substantially all employees of the association may be eligible to participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to Jan. 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The “projected unit credit” actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to Jan. 1, 1996, and employees hired on or after Jan. 1, 1996. Participants in the DC plan direct the placement of their employers’ contributions, 5.0% of eligible pay for the year ended Dec. 31, 2025, made on their behalf into various investment alternatives.

The structure of the District’s DB plan is characterized as multiemployer, because neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The association recognized pension costs for the DC plan of \$178,984, \$178,291 and \$180,423 for the years ended Dec. 31, 2025, 2024 and 2023 respectively. For the DB plan, the association recognized pension costs of \$7,858, \$8,725, and \$14,382, for the years ended Dec. 31, 2025, 2024 and 2023, respectively.

The association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100% of employee contributions up to 3.0% of eligible earnings and to match 50% of employee contributions for the next 2.0% of employee contributions, up to a maximum employer contribution of 4.0% of eligible earnings. Association 401(k) plan costs are expensed as incurred. The association’s contributions to the 401(k) plan were \$139,632, \$137,451 and \$136,283, for the years ended Dec. 31, 2025, 2024 and 2023, respectively.

In addition to pension benefits, the association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer; consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheets.

- H. **Income Taxes:** The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The association is eligible to operate 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 refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the association’s taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management’s estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the association’s expected patronage program, which reduces taxable earnings.
- I. **Patronage Refunds From the Farm Credit Bank of Texas:** The association records patronage refunds from the bank on an accrual basis.
- J. **Fair Value Measurement:** The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 12, "Fair Value Measurements."

- K. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

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

A summary of loans as of December 31 follows table.

Loan Type	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 352,100,153	83.8%	\$ 317,427,752	84.1%	\$ 316,952,280	84.3%
Agribusiness:						
Processing and marketing	22,976,596	5.5%	19,166,774	5.1%	15,356,382	4.1%
Loans to cooperatives	1,528,459	0.4%	1,476,397	0.4%	2,567,359	0.7%
Farm-related business	971,141	0.2%	863,294	0.2%	2,475,307	0.7%
Production and intermediate-term	21,231,915	5.1%	14,816,090	3.9%	13,782,434	3.7%
Rural residential real estate	10,329,939	2.5%	10,806,572	2.9%	10,237,682	2.7%
Communication	8,796,234	2.1%	9,180,840	2.4%	8,631,222	2.3%
Energy	2,061,428	0.5%	2,457,867	0.7%	2,785,077	0.7%
Water and waste-water	229,995	0.1%	961,201	0.3%	2,985,247	0.8%
Total	\$ 420,225,860	100.2%	\$ 377,156,787	100.0%	\$ 375,772,990	100.0%

The association may purchase or sell 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 participations purchased and sold as of Dec. 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	\$ 31,761,590	\$ 19,277,129	\$ -	\$ -	\$ 31,761,590
Agribusiness	24,505,056	-	-	-	24,505,056	-
Production and intermediate-term	9,735,633	-	-	-	9,735,633	-
Communication	8,796,234	-	-	-	8,796,234	-
Energy	2,061,428	-	-	-	2,061,428	-
Water and waste-water	229,995	-	-	-	229,995	-
Total	\$ 77,089,934	\$ 19,277,129	\$ -	\$ -	\$ 77,089,934	\$ 19,277,129

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 entity manages credit risk associated with 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, each institution that makes 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 loan risk rating model based on internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is

management's assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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

- acceptable - assets are expected to be fully collectible and represent the highest quality,
- other assets especially mentioned (OAEM) - assets are currently collectible but exhibit some potential weakness,
- substandard - assets exhibit some serious weakness in repayment capacity, equity, or collateral pledged on the loan,
- doubtful - assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- loss - assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans by loan type as of Dec. 31, 2025, 2024 and 2023:

	<u>2025</u>		<u>2024</u>		<u>2023</u>
Real estate mortgage					
Acceptable	97.0	%	97.7	%	97.4
OAEM	0.7		1.9		2.4
Substandard/doubtful	2.3		0.4		0.2
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Production and intermediate term					
Acceptable	99.9		100.0		93.5
OAEM	0.0		-		6.5
Substandard/doubtful	0.1		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Loans to cooperatives					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Processing and marketing					
Acceptable	96.6		96.1		96.8
OAEM	-		3.9		3.2
Substandard/doubtful	3.4		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Farm-related business					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Communication					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Energy					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Water and waste-water					
Acceptable	100.0		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	-		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Rural residential real estate					
Acceptable	99.7		100.0		100.0
OAEM	-		-		-
Substandard/doubtful	0.3		-		-
	<u>100.0</u>		<u>100.0</u>		<u>100.0</u>
Total Loans					
Acceptable	97.3		97.9		97.4
OAEM	0.6		1.8		2.4
Substandard/doubtful	2.2		0.3		0.2
	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>

Accrued interest receivable on loans of \$3,156,566, \$2,851,111 and \$2,436,348 at Dec. 31, 2025, 2024 and 2023, respectively, has been excluded from the amortized cost of loans and is reported separately in the consolidated balance sheets. During 2025, 2024 and 2023, the bank reversed \$17,215, \$2,119 and \$1,466, respectively, in accrued interest receivable against interest income.

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Nonaccrual loans:			
Real estate mortgage	\$ 909,708	\$ 342,511	\$ 440,261
Rural residential real estate	30,032	-	-
Total nonperforming assets	<u>\$ 939,740</u>	<u>\$ 342,511</u>	<u>\$ 440,261</u>
Nonaccrual loans as a percentage of total loans	0.2%	0.1%	0.1%
Nonperforming assets as a percentage of total loans	0.2%	0.1%	0.1%
Nonperforming assets as a percentage of capital	1.3%	0.5%	0.6%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses, as well as interest income recognized on nonaccrual during the periods ending December 31, 2025, December 31, 2024, and December 31, 2023:

	<u>December 31, 2025</u>			Interest Income Recognized For the Year Ended December 31, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 909,708	\$ 909,708	\$ 173,377
Production and intermediate-term	-	-	-	1,344
Rural residential real estate	-	30,032	30,032	-
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 939,740</u>	<u>\$ 939,740</u>	<u>\$ 174,721</u>
	<u>December 31, 2024</u>			Interest Income Recognized For the Year Ended December 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 342,511	\$ 342,511	\$ 90,583
Agribusiness	-	-	-	924
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 342,511</u>	<u>\$ 342,511</u>	<u>\$ 91,507</u>
	<u>December 31, 2023</u>			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 440,261	\$ 440,261	\$ 111,928
Production and intermediate-term	-	-	-	49,537
Agribusiness	-	-	-	1,847
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 440,261</u>	<u>\$ 440,261</u>	<u>\$ 163,312</u>

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

December 31, 2025:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 380,302	\$ 720,027	\$ 1,100,329	\$ 350,999,824	\$ 352,100,153	\$ -
Production and intermediate-term	-	-	-	21,231,915	21,231,915	-
Loans to cooperatives	-	-	-	1,528,459	1,528,459	-
Processing and marketing	-	-	-	22,976,596	22,976,596	-
Farm-related business	-	-	-	971,141	971,141	-
Communication	-	-	-	8,796,234	8,796,234	-
Energy	-	-	-	2,061,428	2,061,428	-
Water and waste-water	-	-	-	229,995	229,995	-
Rural residential real estate	30,032	-	30,032	10,299,907	10,329,939	-
Total	\$ 410,334	\$ 720,027	\$ 1,130,361	\$ 419,095,499	\$ 420,225,860	\$ -

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	Amortized Cost >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	\$ -

December 31, 2023:	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	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$2,130,621	\$ -	\$ 2,130,621	\$ 316,896,424	\$ 319,027,045	\$ -
Production and intermediate-term	-	-	-	13,965,427	13,965,427	-
Loans to cooperatives	-	-	-	2,575,352	2,575,352	-
Processing and marketing	-	-	-	15,393,229	15,393,229	-
Farm-related business	-	-	-	2,493,419	2,493,419	-
Communication	-	-	-	8,664,344	8,664,344	-
Energy	-	-	-	2,795,324	2,795,324	-
Water and waste-water	-	-	-	3,017,809	3,017,809	-
Rural residential real estate	-	-	-	10,277,389	10,277,389	-
Total	\$2,130,621	\$ -	\$ 2,130,621	\$ 376,078,717	\$ 378,209,338	\$ -

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 agribusiness and energy loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon adoption of CECL accounting guidance on Jan. 1, 2023, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

As of Dec. 31, 2025, the association had no modified loans with borrowers experiencing financial difficulties.

As of Dec. 31, 2024, the association had one real estate mortgage loan at an amortized cost of \$120,523 (100% of total loan modifications and 0.04% of total real estate mortgage loans at amortized cost), which was granted a term extension. Accrued interest receivable on the modified loan was \$490 and payment on the loan was current as of Dec. 31, 2024, thus creating no material financial effect to the association.

As of Dec. 31, 2023, the association had no modified loans with borrowers experiencing financial difficulties.

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 have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the years ended Dec. 31, 2025; Dec. 31, 2024; and Dec. 31, 2023, are as follows:

	Production and						Rural		Total
	Real Estate Mortgage	Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Residential Real Estate		
Allowance for Credit Losses on Loans:									
Balance at December 31, 2024	\$ 892,871	\$ 40,986	\$ 92,790	\$ 29,392	\$ 683	\$ 1,758	\$ 35,766	\$ 1,094,246	
Charge-offs	-	(119,345)	-	-	-	-	-	(119,345)	
Recoveries	-	44,961	-	-	-	-	-	44,961	
Provision for credit losses (credit loss reversal)	186,660	92,602	65,763	124	(307)	(1,380)	(2,282)	341,180	
Balance at December 31, 2025	\$ 1,079,531	\$ 59,204	\$ 158,553	\$ 29,516	\$ 376	\$ 378	\$ 33,484	\$ 1,361,042	

Allowance for Credit Losses on Unfunded Commitments:

Balance at December 31, 2024	\$ 93	\$ 16,921	\$ 9,587	\$ 1,874	\$ 18	\$ -	\$ -	\$ 28,493
Provision for credit losses (credit loss reversal)	8,577	(10,352)	2,953	(673)	20	-	-	525
Balance at December 31, 2025	\$ 8,670	\$ 6,569	\$ 12,540	\$ 1,201	\$ 38	\$ -	\$ -	\$ 29,018

	Production and						Rural		Total
	Real Estate Mortgage	Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Residential Real Estate	International	
Allowance for Credit Losses on Loans:									
Balance at December 31, 2023	\$ 940,360	\$ 16,919	\$ 67,755	\$ 30,472	\$ 1,462	\$ 19,605	\$ 18,850	\$ (21)	\$ 1,095,402
Charge-offs	(1,094)	-	-	-	-	-	-	-	(1,094)
Recoveries	1,094	3,000	-	-	-	-	-	-	4,094
Provision for credit losses (credit loss reversal)	(47,396)	35,642	13,721	108	(356)	(678)	(656)	(19)	366
Transfers to/from reserve for unfunded commitments	(93)	(14,575)	11,314	(1,188)	1	-	-	19	(4,522)
Commodity Reclassification	-	-	-	-	(424)	(17,169)	17,572	21	-
Balance at December 31, 2024	\$ 892,871	\$ 40,986	\$ 92,790	\$ 29,392	\$ 683	\$ 1,758	\$ 35,766	\$ -	\$ 1,094,246

Allowance for Credit Losses on Unfunded Commitments:

Balance at December 31, 2023	\$ -	\$ 2,346	\$ 20,901	\$ 686	\$ 19	\$ -	\$ -	\$ 19	\$ 23,971
Transfers to/from reserve for unfunded commitments	93	14,575	(11,314)	1,188	(1)	-	-	(19)	4,522
Balance at December 31, 2024	\$ 93	\$ 16,921	\$ 9,587	\$ 1,874	\$ 18	\$ -	\$ -	\$ -	\$ 28,493

	Production and						Rural		Total
	Real Estate Mortgage	Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Residential Real Estate	International	
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	\$ 863,647	\$ 16,578	\$ 297,202	\$ 3,060	\$ 54,663	\$ 859	\$ 7,339	\$ -	\$ 1,243,348
Adjustment in beginning balance due to change in accounting for credit losses	(38,313)	14,684	33,954	5,719	1,151	17,593	-	-	34,788
Balance at January 1, 2023	825,334	31,262	331,156	8,779	55,814	18,452	7,339	-	1,278,136
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	3,600	-	-	2,969	-	-	-	6,569
Provision for credit losses (credit loss reversal)	114,668	(22,306)	(273,995)	21,736	(57,320)	1,153	11,490	-	(204,574)
Merger adjustment	-	-	-	-	-	-	-	(2)	(2)
Transfers to/from reserve for unfunded commitments	358	4,363	10,594	(43)	(1)	-	21	(19)	15,273
Balance at December 31, 2023	\$ 940,360	\$ 16,919	\$ 67,755	\$ 30,472	\$ 1,462	\$ 19,605	\$ 18,850	\$ (21)	\$ 1,095,402

Allowance for Credit Losses on Unfunded Commitments:

Balance at December 31, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment in beginning balance due to change in accounting for credit losses	358	6,709	31,496	642	18	-	21	-	39,244
Balance at January 1, 2023	358	6,709	31,496	642	18	-	21	-	39,244
Transfers to/from reserve for unfunded commitments	(358)	(4,363)	(10,594)	43	1	-	(21)	19	(15,273)
Balance at December 31, 2023	\$ -	\$ 2,346	\$ 20,902	\$ 685	\$ 19	\$ -	\$ -	\$ 19	\$ 23,971

The allowance for credit losses as of Dec. 31, 2025, was \$1,361,042, reflecting an increase of \$266,796 from Dec. 31, 2024. The increase was driven primarily by loan portfolio growth and fluctuations in loan portfolio risk weightings in addition to certain model input factors (described below) affecting the estimate.

The association's macroeconomic forecast includes a weighted average selection of third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the Dec. 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. The economic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit bank of Texas is a requirement of borrowing from the bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheets. Estimating the fair value of the association's investment in the Farm Credit Bank of Texas is not practicable, because the stock is not traded. The association owned 1.21%, 1.21% and 1.24% of the issued stock of the bank as of Dec. 31, 2025, 2024 and 2023. As of those dates, the bank's assets totaled \$42.15 billion, \$39.5 billion, and \$37.28 billion and members' equity totaled \$2.10 billion, \$1.78 billion and \$1.69 billion. The bank's earnings were \$212.3 million, \$222.0 million and \$199.9 million during 2025, 2024 and 2023.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following as of Dec. 31:

	2025	2024	2023
Land and improvements	\$ 1,233,252	\$ 1,233,252	\$ 1,233,252
Building and improvements	3,851,820	3,851,820	3,833,550
Furniture and equipment	508,960	505,889	494,915
Computer equipment and software	242,366	299,037	302,602
Automobiles	855,644	852,994	904,048
	<u>6,692,042</u>	<u>6,742,992</u>	<u>6,768,367</u>
Accumulated depreciation	(1,594,408)	(1,327,008)	(1,162,427)
Total	<u>\$ 5,097,634</u>	<u>\$ 5,415,984</u>	<u>\$ 5,605,940</u>

The association owns buildings in Sulphur Springs, Canton, Gilmer, Longview and Terrell, and leases office space in Sulphur Springs (three locations) and Marshall. Lease expense was \$73,200, \$73,200 and \$65,550, for 2025, 2024 and 2023, respectively. Minimum annual lease payments for the next three years are as follows:

	<u>Operating Leases</u>
2025	\$ 73,200
2026	73,200
2027	-
2028	-
Thereafter	-
Total lease payments	<u>\$ 146,400</u>

NOTE 6 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following as of December 31:

	2025	2024	2023
Accounts receivable - other	\$ 201,485	\$ 182,567	\$ 180,558
Other	34,678	57,759	39,968
Total	<u>\$ 236,163</u>	<u>\$ 240,326</u>	<u>\$ 220,526</u>

Other liabilities comprised the following as of December 31:

	2025	2024	2023
Accounts payable	\$ 1,485,967	\$ 845,177	\$ 1,077,327
Postretirement benefits liability	220,702	245,113	193,902
Accrued annual leave	258,247	240,866	242,406
Other	2,994	4,899	8,315
Total	<u>\$ 1,967,910</u>	<u>\$ 1,336,055</u>	<u>\$ 1,521,950</u>

NOTE 7 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct note pricing and asset/liability management process. The association's indebtedness to the bank represents borrowings by the association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the association's assets and is governed by a general financing agreement (GFA). The interest rate on the direct note is based upon the bank's cost of funding the loans the association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the GFA, which is Sept. 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the association's direct note from the bank as of Dec. 31, 2025, 2024 and 2023, was \$360,820,742 at 3.97%, \$318,438,479 at 3.72% and \$317,332,782 at 3.23%, respectively.

Under the Act, the association is obligated to borrow only from the bank unless the bank approves borrowing from other funding sources. The bank and FCA regulations have established limitations on the association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. As of Dec. 31, 2025, 2024 and 2023, the association's note payable was within the specified limitations. The maximum amount the association may borrow from the bank as of Dec. 31, 2025, was \$420,016,183 as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended Dec. 31, 2025, 2024 and 2023, the association was not subject to remedies associated with the covenants in the general financing agreement.

Other than our funding relationship with the bank, we have no other uninsured or insured debt.

NOTE 8 — MEMBERS' EQUITY:

A description of the association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of Jan. 6, 1988, or were issued or allocated prior to Oct. 6, 1988.

In accordance with the Act and the association's capitalization bylaws, each borrower is required to invest in the association as a condition of borrowing. The investment in Class A capital stock (for farm loans) or participation certificates (for rural home and farm related business loans) is equal to 2% of the loan amount, up to a maximum amount of \$1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our board of directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. As of Dec. 31, 2025, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

If needed to meet regulatory capital adequacy requirements, the board of directors of the association may increase the percentage of stock requirement for each borrower up to a maximum of 5% of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, and participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. As of Dec. 31, 2025, 2024, and 2023, the association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A, Class C capital stock and participation certificates. In the event of liquidation of the association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the association's obligations to external parties and to the bank would be distributed to the association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2025, 2024 and 2023, respectively:

Date Declared	Date Paid	Patronage Declared
January 2025	March 2025	3,050,000
January 2024	March 2024	3,000,000
January 2023	March 2023	3,231,241

In January 2026, Legacy declared a \$2,200,000 cash patronage for all members who had eligible loans with the association during fiscal year 2025. The anticipated payment date is March 2026.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of Dec. 31, 2025, the association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year. The following sets forth the regulatory capital ratio requirements and ratios at Dec. 31, 2025:

	2025	2024	2023	Regulatory Minimums with Buffer
Risk-weighted:				
Common equity tier 1 ratio	16.65%	18.63%	18.40%	7.00%
Tier 1 capital ratio	16.65%	18.63%	18.40%	8.50%
Total capital ratio	17.00%	18.96%	18.71%	10.50%
Permanent capital ratio	16.71%	18.69%	18.46%	7.00%
Non-risk-weighted:				
Tier 1 leverage ratio	15.10%	16.73%	16.50%	5.00%
UREE leverage ratio	14.82%	16.43%	16.19%	1.50%

Risk-weighted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes that generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months.
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

Risk-weighted assets are calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for credit losses from risk-weighted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvment, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions; and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5% must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions, including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The components of the association's risk-weighted capital, based on 90-day average balances, were as follows at Dec. 31, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	46,206,088	46,206,088	46,206,088	46,206,088
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	1,185,527	1,185,527	1,185,527	1,185,527
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*			1,342,301	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(8,194,101)	(8,194,101)	(8,194,101)	(8,194,101)
	64,084,982	64,084,982	65,427,283	64,084,982
Denominator:				
Risk-adjusted assets excluding allowance	393,006,003	393,006,003	393,006,003	393,006,003
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(8,194,101)	(8,194,101)	(8,194,101)	(8,194,101)
Allowance for loan losses				(1,311,251)
	384,811,902	384,811,902	384,811,902	383,500,651
Calculated Ratio	16.65%	16.65%	17.00%	16.71%

*Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the association's non-risk-weighted capital, based on 90-day average balances, were as follows at Dec. 31, 2025:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	46,206,088	46,206,088
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	1,185,527	-
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	(8,194,101)	(8,194,101)
	<u>64,084,982</u>	<u>62,899,455</u>
Denominator:		
Total Assets	433,387,245	433,387,245
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(8,851,799)	(8,851,799)
	<u>424,535,446</u>	<u>424,535,446</u>
Calculated Ratio	15.10%	14.82%

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the association had the following shares of Class A capital stock and participation certificates outstanding at a par value of \$5 per share:

ACA Table			
	2025	2024	2023
Class A stock	218,807	214,958	216,516
Participation certificates	16,845	19,690	18,786
Total	<u>235,652</u>	<u>234,648</u>	<u>235,302</u>

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Nonpension postretirement benefits			
	Before Tax	Deferred Tax	Net of Tax
December 31, 2025	\$ 62,565	\$ -	\$ 62,565
December 31, 2024	\$ 32,069	\$ -	\$ 32,069
December 31, 2023	\$ 69,390	\$ -	\$ 69,390

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive income (loss) at January 1	\$ 32,069	\$ 69,390	\$ 60,450
Actuarial gains (losses)	32,468	(32,670)	12,642
Amortization of prior service (credit) costs included in salaries and employee benefits	(1,565)	(1,565)	(1,565)
Amortization of actuarial (gain) loss included in salaries and employee benefits	(407)	(3,086)	(2,137)
Other comprehensive income (loss), net of tax	30,496	(37,321)	8,940
Accumulated other comprehensive income at December 31	<u>\$ 62,565</u>	<u>\$ 32,069</u>	<u>\$ 69,390</u>

NOTE 9 — INCOME TAXES:

There was no provision for income taxes for the years ended Dec. 31, 2025, 2024 and 2023.

The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of the association and FLCA subsidiary earnings. The provision for (benefit from) income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Federal tax at statutory rate	\$ 893,369	\$ 1,074,648	\$ 1,125,221
Effect of nontaxable FLCA subsidiary	(1,766,783)	(1,856,040)	(1,721,821)
Change in valuation allowance	873,414	781,392	596,600
Provision for (benefit from) income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets and liabilities are comprised of the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Deferred Tax Assets</u>			
Allowance for credit losses	\$ 11,101	\$ 5,043	\$ 3,553
Loss carryforwards	9,203,016	8,331,648	7,555,101
Gross deferred tax assets	9,214,117	8,336,691	7,558,654
Less: Valuation allowance	(9,214,117)	(8,336,691)	(7,558,654)
Net deferred tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The ACA is required to maintain an investment in the bank of 2.5% of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the bank over that allocated to the 2.5% investment requirement. Upon formation of the ACA, additional amounts of excess investment previously held by the PCA were included in the calculation of the 2.5% requirement of the ACA.

The association recorded valuation allowances of \$9,214,117, \$8,336,691 and \$7,558,654 during 2025, 2024 and 2023, respectively. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

NOTE 10 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multiemployer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (bank and associations). No

portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The association records current contributions to the DB Plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year.
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan.
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the plan and to designate a vesting schedule

The association did not elect to participate in the Supplemental 401(k) Plan to active employees during 2025, 2024 and 2023.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The “projected unit credit” actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of Dec. 31, 2025.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the association chooses to stop participating in some of its multiemployer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the association’s contributions and the percentage of association contribution to total plan contributions for the years ended Dec. 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Funded status of plan	78.1 %	75.7 %	73.3 %
Association's contribution	\$ 7,858	\$ 8,725	\$ 14,382
Percentage of Association's contribution to total contributions	0.2 %	0.2 %	0.2 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 78.3%, 76.2% and 74.1% at Dec. 31, 2025, 2024 and 2023, respectively.

Other Postretirement Benefits: In addition to pension benefits, the association provides certain health-care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2025	2024	2023
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	\$ 245,113	\$ 207,648	\$ 220,962
Service cost	4,651	3,698	3,446
Interest cost	12,781	11,092	11,077
Plan participants' contributions	1,091	1,065	1,035
Actuarial loss (gain)	(32,468)	32,670	(12,642)
Benefits paid	(10,466)	(11,060)	(16,230)
Accumulated postretirement benefit obligation, end of year	\$ 220,702	\$ 245,113	\$ 207,648
Change in Plan Assets			
Plan assets at fair value, beginning of year	\$ -	\$ -	\$ -
Company contributions	9,375	9,995	15,195
Plan participants' contributions	1,091	1,065	1,035
Benefits paid	(10,466)	(11,060)	(16,230)
Plan assets at fair value, end of year	\$ -	\$ -	\$ -
Funded status of the plan	\$ (220,702)	\$ (245,113)	\$ (207,648)
Amounts Recognized on the Balance Sheets			
Other liabilities	\$ (220,702)	\$ (245,113)	\$ (207,648)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	\$ (62,129)	\$ (30,068)	\$ (65,824)
Prior service cost (credit)	(436)	(2,001)	(3,566)
Total	\$ (62,565)	\$ (32,069)	\$ (69,390)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	12/31/2025	12/31/2024	12/31/2023
Discount rate	5.60%	5.35%	5.50%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	8.40%/10.10%	9.20%/10.80%	7.50%/8.40%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2035	2034	2034

Total Cost	2025	2024	2023
Service cost	\$ 4,651	\$ 3,698	\$ 3,446
Interest cost	12,781	11,092	11,077
Amortization of:			
Unrecognized prior service cost	(1,565)	(1,565)	(1,565)
Unrecognized net loss (gain)	(407)	(3,086)	(2,137)
Net postretirement benefit cost	\$ 15,460	\$ 10,139	\$ 10,821

Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income

Net actuarial loss (gain)	\$ (32,468)	\$ 32,670	\$ (12,642)
Amortization of net actuarial loss (gain)	407	1,565	2,137
Amortization of prior service cost	1,565	3,086	1,565
Total recognized in other comprehensive income	\$ (30,496)	\$ 37,321	\$ (8,940)

AOCI Amounts Expected to be Amortized Into Expense in 2026

Unrecognized prior service cost	(436)	\$ (1,565)	\$ (1,565)
Unrecognized net loss (gain)	(3,154)	(407)	(3,086)
Total	\$ (3,590)	\$ (1,972)	\$ (4,651)

Weighted-Average Assumptions Used to Determine Benefit Cost

	12/31/2024	12/31/2023	12/31/2022
Measurement date			
Discount rate	5.35%	5.50%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	9.20%/10.80%	7.50%/8.40%	7.20%/7.70%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034	2033	2031

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)

Fiscal 2026	\$ 8,423
Fiscal 2027	8,601
Fiscal 2028	8,734
Fiscal 2029	8,792
Fiscal 2030	8,823
Fiscal 2031–2035	53,755

Expected Contributions

Fiscal 2026	\$ 8,423
-------------	----------

NOTE 11 — RELATED PARTY TRANSACTIONS:

Directors of the association, except for any director-elected directors, are required to be borrowers/stockholders of the association. Also, in the ordinary course of business, the association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such people are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such people at Dec. 31, 2025, 2024 and 2023 for the association amounted to \$7,929,185, \$7,341,428 and \$4,803,803. During 2025, 2024 and 2023, \$1,726,989, \$3,893,110 and \$3,810,548 of new loans were made, and repayments totaled \$1,139,232, \$1,355,485 and \$7,718,165, respectively. In the opinion of management, no such loans were outstanding as of Dec. 31, 2025, 2024 and 2023 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the bank and passed through to the District associations, such as FCSIC expenses. The bank charges the individual District associations directly for these services based on each association’s proportionate usage. These expenses totaled \$517,048, \$477,331 and \$612,721 in 2025, 2024 and 2023, respectively.

The association received patronage payments from the bank totaling \$724,559, \$1,123,387 and 845,603 (\$591,922 cash and \$253,681 allocated equity) during 2025, 2024 and 2023, respectively.

NOTE 12 — 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, “Summary of Significant Accounting Policies,” for additional information.

The association had no assets and liabilities measured at fair value on a recurring basis as of Dec. 31, 2025, 2024 and 2023, respectively.

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

		December 31, 2025			
		Fair Value Measurement Using			
	<u>Total Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:					
Cash	\$ 198,361	\$ 198,361	\$ -	\$ -	\$ 198,361
Net loans	418,864,818	-	-	407,414,318	407,414,318
Total Assets	<u>\$419,063,179</u>	<u>\$ 198,361</u>	<u>\$ -</u>	<u>\$407,414,318</u>	<u>\$407,612,679</u>
Liabilities:					
Note payable to Bank	<u>\$360,820,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$350,988,939</u>	<u>\$350,988,939</u>
		December 31, 2024			
		Fair Value Measurement Using			
	<u>Total Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:					
Cash	\$ 161,925	\$ 161,925	\$ -	\$ -	\$ 161,925
Net loans	376,062,541	-	-	354,167,915	354,167,915
Total Assets	<u>\$376,224,466</u>	<u>\$ 161,925</u>	<u>\$ -</u>	<u>\$354,167,915</u>	<u>\$354,329,840</u>
Liabilities:					
Note payable to Bank	<u>\$318,438,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$299,952,556</u>	<u>\$299,952,556</u>
		December 31, 2023			
		Fair Value Measurement Using			
	<u>Total Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:					
Cash	\$ 138,043	\$ 138,043	\$ -	\$ -	\$ 138,043
Net loans	374,677,588	-	-	349,731,081	349,731,081
Total Assets	<u>\$374,815,631</u>	<u>\$ 138,043</u>	<u>\$ -</u>	<u>\$349,731,081</u>	<u>\$349,869,124</u>
Liabilities:					
Note payable to Bank	<u>\$317,332,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$296,265,955</u>	<u>\$296,265,955</u>

Uncertainty of Fair Value Measurements

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

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

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

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. System institutions utilize appraisals to value these loans and other property owned and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2, “Summary of Significant Accounting Policies,” accounting 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the association for assets and liabilities:

Loans Evaluated for Impairment

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral because 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.

NOTE 13 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, “Summary of Significant Accounting Policies,” the association is involved in various legal proceedings in the ordinary 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.

The association may participate in financial instruments with off balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination

clauses and may require payment of a fee. As of Dec. 31, 2025, \$25,691,774 commitments and \$363,893 of commercial letters of credit were outstanding.

Because many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 14 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2025				
	First	Second	Third	Fourth	Total
Net interest income	\$ 2,778	\$ 2,895	\$ 2,906	\$ 2,987	\$ 11,566
(Provision for) reversal of loan losses	(92)	19	(224)	(45)	(342)
Noninterest income (expense), net	(1,638)	(1,597)	(1,594)	(2,141)	(6,970)
Net income	\$ 1,048	\$ 1,317	\$ 1,088	\$ 801	\$ 4,254

	2024				
	First	Second	Third	Fourth	Total
Net interest income	\$ 2,739	\$ 2,748	\$ 2,750	\$ 2,756	\$ 10,993
(Provision for) reversal of loan losses	35	(36)	8	(7)	-
Noninterest income (expense), net	(1,619)	(1,369)	(1,404)	(1,484)	(5,876)
Net income	\$ 1,155	\$ 1,343	\$ 1,354	\$ 1,265	\$ 5,117

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 2,862	\$ 2,650	\$ 2,737	\$ 2,816	\$ 11,065
(Provision for) reversal of loan losses	87	81	128	(91)	205
Noninterest income (expense), net	(1,267)	(1,052)	(1,723)	(1,871)	(5,913)
Net income	\$ 1,682	\$ 1,679	\$ 1,142	\$ 854	\$ 5,357

NOTE 15 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through March 6, 2026, which is the date the financial statements were issued or available to be issued, and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the people eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

Legacy serves its 10-county territory through its main administrative and lending office at 303 Connally St., Sulphur Springs, Texas 75482. Additionally, five branch lending offices are located throughout the territory. The association owns office buildings in Sulphur Springs, Gilmer, Canton, Terrell and Longview. The association leases three office buildings in Sulphur Springs and one building in Marshall.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 7, "Note Payable to the bank"; Note 10, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 16 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The association's financial condition may be impacted by factors that affect the Farm Credit bank of Texas, as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the bank may materially affect the stockholders' investment in the association.

The annual and quarterly stockholder reports of the bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720 or calling (512) 465-0738. Copies of the bank annual and quarterly stockholder reports can also be requested by e-mailing fcb@farmcreditbank.com. The annual and quarterly stockholder reports are also available on its website at www.farmcreditbank.com.

The association’s quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter-end and can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, Texas 75482 or calling (903) 885-9566. Copies of the association’s quarterly stockholder reports can also be requested by emailing *sherry.sturgis@legacyaca.com*. The association’s annual stockholder report is available on its website at *www.legacyaca.com* 75 days after the fiscal year end. Copies of the association’s annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended Dec. 31, 2025, required to be disclosed, is incorporated herein by reference to the “Five-Year Summary of Selected Consolidated Financial Data” included in this annual report to stockholders.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

“Management’s Discussion and Analysis,” which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The association’s member-elected and director-elected board of directors and senior officers are as follows:

<u>NAME</u>	<u>POSITION</u>	<u>DATE ELECTED/ EMPLOYED</u>	<u>TERM EXPIRES</u>
Terry D. Milligan	Chairman of the Board	2010	2028
Cheryl Scott	Board-appointed director	2019	2028
Brandon Sides	Director	2017	2026
Danny Evans	Director	2018	2027
Thomas Goodson	Director	2021	2027
Whit Dale	Director	2023	2026
Clay Smith	Director	2025	2028
Derrell Chapman	Chief Executive Officer	2017	-
Heather Johnson	Chief Financial Officer	2011	-
Jake Agaron	SVP/Chief Credit Officer	2014	-
Yancy Murray	Chief Lending Officer	2007	-
Sherry Sturgis	SVP/Chief Administrative Officer	2007	-

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Terry D. Milligan, director, chairman of the board and a member of the audit committee. Milligan owns and operates a beef cattle and hay production operation in Van Zandt County and Bryan and Atoka counties in Oklahoma, and he operates Milligan & Company Fire Ant Control. Milligan retired from the USDA in 2015 after 34 years of service. Milligan holds an associate’s degree in Farm and Ranch Management from Murray State College in Tishomingo, Okla. He has served as chairman of the board since 2016. Milligan is the association’s representative on the Farm Credit Bank of Texas Stockholder Advisory Council, chairman of the Farm Credit Bank of Texas nominating committee and is a member of the Farm Credit 10th District Council. He has served as stockholder-elected director since his election in 2010.

Cheryl Scott, CPA, director and chair of the audit committee. Scott resides in the Miller Grove community in Hopkins County, Texas, and is a certified public accountant licensed in the state of Texas and an accounting instructor at East Texas A&M University. She earned a Bachelor of Science degree in Professional Accountancy and a Master of Business Administration degree from East Texas A&M University. Scott also served as the business manager for the NCAA Lone Star Conference, which concluded in 2020. Scott currently serves as treasurer for both the Dixon Baptist

Church and the Sulphur Springs High School Robotics Booster. Scott was selected as an outside or board-appointed director in 2019.

Brandon Sides, director, vice chairman of the board and chairman of the compensation committee. He resides in Canton, Texas, located in VanZandt County, where he is owner and operator of Sides Pea Farm & Processing Facility. He has served on the Dallas School District Farm to School Steering Committee in an advisory capacity since 2015. Sides holds a Bachelor of Arts degree in political science with a minor in business and Spanish from the University of Texas. Sides has served as stockholder-elected director since his election in 2017.

Danny Evans, director and member of the audit committee. Evans resides in Hopkins County near Sulphur Springs, Texas, where he owns and operates a beef cattle and hay production operation. He holds a Bachelor of Science degree in agricultural education from East Texas A&M University, where he also earned a master's degree in agriculture. Evans currently serves on the board of the Hopkins/Rains County Farm Bureau, and served on the Hopkins County Civic Center Board until 2025. Evans has served as stockholder-elected director since his election in 2018.

Thomas Goodson, director and member of the audit committee. Goodson resides in Smith County and owns and operates with his wife Goodson Land and Cattle Company, a 150-head beef cattle operation that produces registered Angus seed stock. He also serves as manager of DLG Properties, LLC, which holds investment real estate. Goodson served as vice president of East Texas Seals, LLC, president of ETS Houston, LLC, Manager of Packers Services, LLC dba Allamon Tool, oil and gas industry and supply businesses, until February 2026, and was president of Parker Hannifin District Advisory Council, a drilling equipment manufacturing company, from 2021 through 2024. He also serves as a member / manager of True Vine Brewing, LLC, a brewing company in Tyler, Texas, and was a director of 4 Gens Ministry from 2021 through 2022. He earned a bachelor's degree in business administration from the University of North Texas. Goodson has served as stockholder-elected director since his election in 2021.

Whit Dale, director and member of the compensation committee. Dale holds a Bachelor of Science degree in animal science from East Texas A&M University. He has served as a public safety officer with the Highland Park Department of Public Safety for more than 18 years and is a licensed real estate agent in the state of Texas at Century 21 Patterson Agency. Dale owns and operates a cow/calf and hay operation in Rains County, Texas. In addition, he serves on the board of the Hopkins/Rains County Farm Bureau and as vice president of the Texas Simmental Simbrah Association, which works to improve the position of Simmental and Simbrah cattle in Texas. He resides in Point, Texas, and has served as stockholder-elected director since his election in 2023.

Clay Smith, director and member of the compensation committee. He currently serves as president of Circle S Farms, LLC, a six broiler house operation capable of producing approximately 1.2 million birds each year, which owns and operates with his wife. Smith is a contract poultry grower for Wayne-Sanderson Farms through Circle S Farms, LLC, and owns and operates Smith Builders & Developers LLC, a company specializing in commercial construction and development. He also has business interests in other entities that hold personal real estate investments. Smith serves on the board of Upper Sabine Valley Solid Waste Management District. He resides in the Mineola, Texas, area in Wood County. He received a Bachelor of Arts degree in Business Administration/Management from East Texas A&M University. Smith was elected to the board in 2025.

Derrell Chapman, CPA, has served as the chief executive officer of the association since September 2017. He served as president and CEO and as a director of First Federal Bank Texas and its holding company, East Texas Financial Services Inc., both in Tyler, Texas, from 1989 through 2013. He previously served as chief financial officer of those same entities. Chapman was also a regional president for a \$22 billion commercial bank in the Tyler market from 2014-2016. He has a Bachelor of Business Administration degree in finance from Texas A&M University in College Station. Chapman is a certified public accountant licensed in the state of Texas and has more than 40 years of experience in the financial services industry.

Heather Johnson, CPA, joined Legacy in 2011 and currently serves as chief financial officer, having previously served as controller. She has more than 30 years of financial accounting and reporting experience. Johnson currently serves as a board member for the nonprofit Hopkins County Health Care Foundation, a fundraising foundation supporting health and wellness in Hopkins County. Johnson holds a Bachelor of Business Administration degree in accounting from Texas Christian University and is a certified public accountant licensed in the state of Texas.

Jake Aragon joined the association in 2014 and currently serves as chief credit officer. He has more than 25 years of farm credit experience in various capacities with associations across the Farm Credit System. Aragon holds a Bachelor of Business Administration degree in finance with a minor in management and a Bachelor of Accountancy degree with a minor in economics from New Mexico State University.

Yancy Murray, joined Legacy in 2007 and serves as chief lending officer. Murray has more than 20 years of lending experience in commercial banking farm credit. Murray serves as the Fire Commissioner/Treasurer of Harrison County Emergency Services District #8. He holds a Bachelor of Business Administration degree in management from East Texas Baptist University.

Sherry Sturgis joined Legacy in 2007 and serves as senior vice president and chief administrative officer. Sturgis has more than 30 years of banking experience in the Sulphur Springs area, beginning her banking career in 1988, and has extensive operational experience, including credit operations and human resource management. She attended East Texas A&M University.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the association in the form of an honorarium at the rate of \$850 per day for in-person official activities, \$150 for teleconference meetings lasting one hour or less, and \$300 for teleconferences lasting more than one hour. For committee meetings conducted the same day as the board meetings, additional compensation at the rate of \$150 per hour for a time period not to exceed three hours was also paid to board members. The chair of the board and audit committee chair each received a monthly retainer of \$1,100 but were paid the regular honorarium for all other in-person activities each month. Directors were reimbursed for certain expenses incurred while representing the association in an official capacity. Mileage for attending official meetings during 2025 was paid at the IRS-approved rate of 70 cents per mile. A copy of the travel policy is available to stockholders of the association upon request.

Director	Number of Days Served		Total Compensation in 2025
	Board Meetings	Other Official Activities	
Terry D. Milligan	14	39	\$ 36,088
Cheryl Scott	13	40	30,413
Brandon Sides	13	20	23,833
Danny Evans	14	24	21,438
Thomas Goodson	14	23	19,888
Whit Dale	14	18	22,283
Clay Smith	8	6	9,100
Robert Tiller	6	1	4,533
			\$ 167,573

The aggregate compensation paid to directors in 2025, 2024 and 2023 was \$167,573, \$130,597 and \$180,225, respectively. Additional details regarding director compensation paid for committee service (which is included in the table above) is as follows for 2025:

Director	Committee		
	Audit	Compensation	Other Official Activities
Terry D. Milligan	\$ 3,538	-	\$ 20,500
Cheryl Scott	3,788	-	15,675
Brandon Sides	-	433	13,750
Danny Evans	3,688	-	7,950
Thomas Goodson	3,688	-	6,400
Whit Dale	-	433	12,050
Clay Smith	-	150	3,550
Robert Tiller	-	133	-
	\$ 14,700	\$ 1,149	\$ 79,874

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$67,302, \$51,309 and \$60,999 in 2025, 2024 and 2023, respectively.

Directors did not receive any noncash compensation.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

The compensation plan for all employees provides for base salaries to be administered consistent with competitive financial industry survey data of like-sized financial institutions. In 2025, bonuses were paid in accordance with the bonus plan as discussed below.

A critical factor to the association's success is its ability to attract, develop and retain staff members who are knowledgeable and efficient in their ability to support the association in the execution of its strategic objectives and delivery of association results that maximize the value to the stockholders. This objective holds particularly true for the association's chief executive officer (CEO) and senior officer group. The association operates utilizing a compensation program that focuses on the performance and contributions of its employees in achieving the association's financial and operational objectives, all for the ultimate benefit of its stockholder/members. The association's board of directors, through its compensation committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the association's evaluation and establishment of salary and incentive plans used by the association.

All association employees, with the exception of the CEO and loan officers who do not meet established minimums of production goals, can earn compensation above base salary through an annual success-sharing incentive plan. The term of the plan is each calendar year beginning January 1 through December 31. The Team-Based Plan is based upon the achievement of predetermined association performance goals for interest rate spreads, accrual loan volume growth, adjusted net income and loan fees collected.

Production-based incentive payments can be earned by loan officers when they meet and exceed their team-based loan production goals. Loan officers can earn 10-25 basis points times the amount of their team-based loan production based on a tiered production goal established by management. The loan officer team must achieve a minimum in core portfolio loan production in order to earn any incentive under the association wide portion of the plan.

Additionally, a pool will be created based on 50% of the total dollars in incentive payments earned by the loan officer production incentive results, and the team members other than the relationship managers/loan officers will share in that pool in a manner as determined and defined by the CEO.

The following criteria is also used for determining eligibility for the incentive pay: (1) the association must receive an overall rating of "satisfactory" on credit administration on its Internal Credit Review, and (2) eligible employees must receive an annual performance rating of "meets standards" on their individual performance reviews.

Chief Executive Officer (CEO) Compensation Policy

The CEO may be awarded additional compensation above his base salary based upon board discretion. The board takes into consideration the CEO's performance relative to a previously agreed upon CEO Principal Accountabilities document, various association performance metrics, a peer performance comparison and district CEO overall compensation packages.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the association during 2025, 2024 and 2023. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Perquisite (d)	Total
Derrell Chapman, CEO	2025	\$ 265,000	\$ 50,000	\$ 42,191	\$ 357,191
	2024	265,000	-	35,548	300,548
	2023	260,000	20,000	37,109	317,109
Senior Officers/OHCI (a)					
5	2025	\$ 785,875	\$ 176,659	\$ 129,540	\$ 1,092,074
5	2024	784,302	27,411	115,161	926,874
5	2023	761,098	66,860	100,249	928,207

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.

(b) Gross salary, including retention plan compensation for certain senior officers.

(c) Bonuses paid in early 2026 related to 2025 performance.

(d) Perquisite includes contributions to 401(k) and defined contribution plans, automobile benefits and premiums paid for life insurance.

Certain employees are assigned association-owned vehicles for use in normal business operations and for a defined allowance of personal miles. Said employees reimburse the association for personal miles at a board-established rate. For all nonreimbursed personal mileage traveled in association vehicles, the association includes in the earnings of the respective employees an amount derived by an IRS-established method. Amounts relating to personal use of association vehicles are included in the “Perquisite” column in the table above along with other association-provided benefits. Employees who use their personal automobile for business purposes were reimbursed during 2025 at the IRS-approved rate of 70 cents per mile. Employees assigned association automobiles reimburse the association for personal miles at a board-established rate.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2025, 2024 and 2023.

Disclosure of the compensation paid during 2025 to any senior officer or officer included in the table is available and will be disclosed to stockholders of the association upon written request.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting association business. A copy of the association’s travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 11 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS’ AND SENIOR OFFICERS’ INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There have been no events that have occurred in the past five years (bankruptcy, conviction or naming in a criminal proceeding, or judgment or finding limiting a right to engage in a business) that are material to the evaluation of the ability or integrity of any person who served as director or senior officer of the association.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The association selected PricewaterhouseCoopers LLP to audit its financial statements and provide an opinion thereon for its 2025 annual report. The total fees for professional services rendered by PricewaterhouseCoopers LLP for the association related to 2025 were \$114,450 for audit services, \$15,600 for tax services and \$2,000 for nonaudit services.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The association has no business relationships with any unincorporated business entities as of Dec. 31, 2025.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 6, 2026, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the association or its members.

CREDIT AND SERVICES PLAN TO YOUNG, BEGINNING, AND SMALL (YBS) FARMERS AND RANCHERS

The association makes a concerted and cooperative effort to offer credit and related services to young, beginning, or small (YBS) farmers, ranchers, producers or harvesters of aquatic products as supported by their creditworthiness. Sound and constructive credit to YBS farmers may include credit for nonagricultural purposes (Other Credit Needs) as well as agricultural purposes.

Definitions for YBS Farmers and Ranchers

Young Farmer or Rancher – a farmer, rancher or producer/harvester of aquatic products who was age 35 or younger as of the date when the loan was originally made.

Beginning Farmer or Rancher – a farmer, rancher or producer/harvester of aquatic products who had 10 or fewer years of experience at farming, ranching, or producing or harvesting aquatic products as of the date the loan was originally made.

Small Farmer or Rancher – a farmer, rancher or producer/harvester of aquatic products who normally generates less than \$350,000 in annual gross cash farm income of agricultural or aquatic products at the date the loan was originally made.

The association's YBS plan outlines strategies to increase market share including a YBS market outreach program that generates participation and involvement by association staff at the field level. Strategies include showcasing the YBS Program on the association's website, Legacy's Community Commitment initiative, promoting the New Generation Loan Program, sponsorships, educational programs and utilization of demographic information by state and county.

The results of these outreach and education programs are reported to the board on an annual basis.

The following table summarizes information regarding loan counts and current commitment volume outstanding to young, beginning, and small farmers and ranchers:

	At December 31, 2025			
	Loan Counts	Loan Volume	Percentage of Total	Percentage of Total
			Loan Counts	Loan Volume
Young only	4	399,652	0.3%	0.1%
Young & beginning	31	18,677,552	2.1%	5.6%
Young & small	24	4,234,530	1.7%	1.3%
Beginning only	45	28,069,455	3.1%	8.5%
Beginning & small	651	116,260,396	44.9%	35.1%
Small only	378	68,014,550	26.1%	20.5%
Young, beginning & small (YBS)	190	41,517,023	13.1%	12.5%
Non-YBS	128	53,831,687	8.8%	16.3%
Total	1,451	\$ 331,004,845	100.0%	100.0%

The following table summarizes information regarding new loans to young, beginning, and small farmers and ranchers:

	At December 31, 2025			
	Loan Counts	Loan Volume	Percentage of Total	Percentage of Total
			Loan Counts	Loan Volume
Young only	2	284,946	1.1%	0.3%
Young & beginning	6	6,108,871	3.2%	7.4%
Young & small	6	2,522,021	3.2%	3.1%
Beginning only	6	3,928,420	3.2%	4.8%
Beginning & small	85	27,945,155	45.9%	34.0%
Small only	41	20,601,488	22.2%	25.1%
Young, beginning & small (YBS)	32	11,572,397	17.3%	14.1%
Non-YBS	7	9,175,060	3.8%	11.2%
Total	185	\$ 82,138,358	100.0%	100.0%

USDA 2022 Census of Agricultural Data

In February 2024, USDA published its 2022 Ag Census (census). The census provides information about America’s farms and ranches and those who operate them, including new data about on-farm decision making, down to the county level. Information collected directly from farmers and ranchers tells us that farm numbers and land in farms have declined since the 2017 Census. A comparison of the 2022 Census with the 2017 Census indicates an increase in larger operations (5,000 acres or more) but fewer smaller and middle-sized farms. The average age of all farmers and ranchers continues to rise. It should be noted that from the 2017 Census to the 2022 Census, there has been an increase of 3.87% in farmers 35 years of age and younger.

Demographic data from the census indicates 6% or 1,384 of farm operators are classified as young, 33% or 7,494 are classified as beginning, and 97% or 21,627 farm operations are classified as small within Legacy’s ten county territory. Compared to the census figures, Legacy services 16.3% of total young farmers, 11.1% of total beginning farmers, and 5.1% of total small farmers within our territory. While census data is based on the number of farms and association data is based on the number of loans and thus cannot be directly compared, these figures indicate significant opportunity within our territory to increase our outreach to the young, beginning, and small farmers segment.

Each year, the board and management establish quantitative targets within the strategic business plan to measure and evaluate progress toward serving YBS farmers and ranchers in our territory. These targets for performance included increasing combined service to the YBS segment in both percentage of total loans by number (goal of 71.3%) and percentage of total loans by volume (goal of 66.63%); Legacy met all its YBS lending goals for fiscal year 2025.

The association works to identify and meet the unique needs of YBS operations by offering or sponsoring related services and programs including but not limited to educational workshops, credit life insurance and fee appraisal services, recognition and allowance for circumstances unique to YBS applicants, support of federal- and state-sponsored guarantee programs and facilitation of loan processing with Farm Service Agency and Texas Department of Agriculture.

Important components of the Legacy's YBS efforts include emphasis placed on outreach programs. The association has a long-standing belief that an investment in young producers, agricultural students and youth activities is important to the long-term success of the cooperative. Legacy's efforts in such outreach include co-sponsorship of value-added workshops within Legacy's territory, sponsorship of career day events at local universities, Texas AgriLife Extension Service events, local charitable and civic events, and sponsoring an association borrower to attend the annual Farm Credit Young Leaders Program, awarding scholarships to area youth involved in agriculture and supporting local agriculture endeavors such as hay shows, livestock shows and rodeos are vital ways Legacy invests in the future of our rural communities.

The association develops a comprehensive array of marketing efforts to include youth activities and events including supporting and purchasing show animals in territory youth livestock shows, 4-H and FFA activities and conventions, young professional groups and agricultural leadership opportunities. Legacy's annual poultry growers conference targets outreach to potential YBS borrowers by extending invitations to high school and college students majoring in agriculture or ag-related fields, to increase awareness of the poultry industry and highlight Legacy's involvement in the poultry industry and its focus on YBS borrowers.

Search engine marketing through digital and keyword advertising is also an important means of educating and serving this demographic.

In summary, the association fulfills its mission of providing agricultural credit and meeting the specific credit and related service needs of young, beginning, and small farmers, ranchers and producers/harvesters of aquatic products through specific lending programs, quantitative performance measures and broad-based objectives.

Legacy Ag Credit, ACA
P.O. Box 468
Sulphur Springs, Texas 75483-0468

ADDRESS SERVICE REQUESTED