2025 ANNUAL REPORT

Customer-owned Board-governed Focused on long-term strength

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A LETTER FROM THE CEO

GROWTH & MOMENTUM

We reached historic milestones in 2025 and strengthened our foundation for the future.

The year 2025 was a year of discovery and opportunity for Alabama Ag Credit and a year that proved our ability to grow stronger through challenge. This annual report reflects the hard work of our employees, our members, and the entire Farm Credit System. Because of that shared commitment, we did not just endure adversity, we advanced.

In 2025, Alabama Ag Credit reached a historic milestone, surpassing $1.5 billion in assets for the first time, with growth of more than 9 percent over the prior year. We continue to maintain some of the strongest credit quality in the Farm Credit System, with 99 percent of our loans classified as non-adverse.

While agriculture faced economic pressures, we worked to lessen the impact on our borrowers by reducing our average margin, even as our cost of funds increased. Though this meant lower profit per loan, we focused on operational efficiency to ensure we continue delivering the consistent, dependable service you expect.

Looking ahead to 2026, we will expand our services through new product development to strengthen our return on assets and position the association for long-term success. Our goal is to increase profitability through innovation. As a cooperative, stronger earnings allow us to reinvest in our communities and return more value to you. In March 2026, we will return 50% of patronage-sourced net income to our members and retain the remainder to strengthen our capital and protect the association for years to come.

Choosing Alabama Ag Credit is about more than securing a loan. It is about supporting a lender committed to the future of agriculture in Alabama. If you believe the next generation should have access to a true agricultural lender, then where you do business matters.

Thank you for allowing us to serve as your lender of choice.

Nick Hartley
President/Chief Executive Officer

2026 - 2027
Young AgVisory Committee

The Young AgVisory Council, pictured above, brings together young producers from across Alabama for leadership development, networking, and insight into the Farm Credit System while helping guide the association's efforts to support young, beginning, and small farmers.

- **01. Advocating for Agriculture**

  In November, Alabama Ag Credit customers, Terry & Kim Landry, along with board members and staff, traveled to Washington, D.C., for the Farm Credit Fly-In. The group met with policymakers to advocate for the Farm Credit System and a strong Farm Bill.

- **02. Service Member Savings**

  At Alabama Ag Credit, we're proud to support those who've served our country. Through our Service Member Savings Program, service members and veterans can receive up to $1,500 off loan origination fees as our thank you for their service.

2025
JumpStart Grant Winners

The five recipients of Alabama Ag Credit's Jumpstart Grant program are pictured above. The program awards five $10,000 grants to start-up farmers who have been farming for less than two years or plan to begin within the next year, supporting the next generation of Alabama agriculture. Applicants are evaluated based on their business plans, financial understanding, and proposed use of funds.

- **03. Enhance brand visibility**
  Our summer interns joined interns from AL Farmers Federation, Farm Service Agency, Sweet Grown AL, and the AL Department of Agriculture for Agricultural Intern Tour Day. Pictured at the Alabama Forestry Association with President Chris Isaacson.

- **04. Sponsored Farm Tour**
  Alabama Ag Credit was honored to sponsor Tuskegee University students' attendance at the National Black Growers Council Model Farm Series Tour in Marianna, Florida. During the two-day event, students had the opportunity to connect with industry leaders and learn from innovative producers.

GROWTH IN ACTION

Alabama Ag Credit continued to expand its impact in 2025, strengthening our balance sheet and deepening our support of Alabama agriculture.

$1.58B
IN TOTAL ASSESTS AS OF 12/31/2025

23.5%
INCREASE IN CATTLE BUSINESS IN 2025

14%
INCREASE IN POULTRY BUSINESS IN 2025

MISSION

Supporting Rural Communities and Agriculture through:

397K

in donations and sponsorships - because growth isn't just something we finance, it's something we fuel.

EMPLOYEES SUPPORTING LOCAL FARMERS MARKET DURING FARMERS MARKET WEEK

$11,390 | AWARDED TO FARMERS

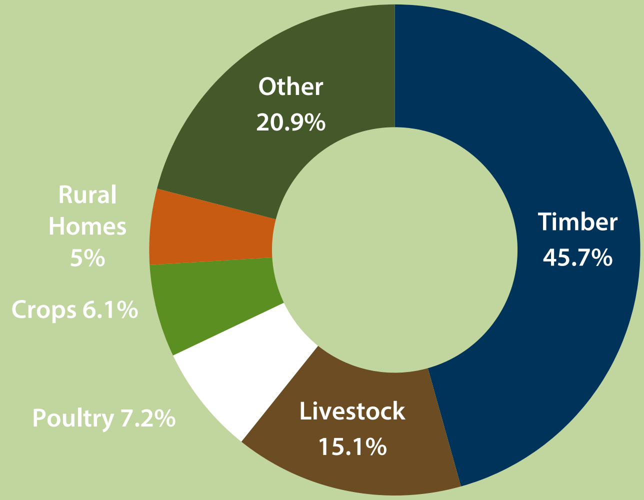
through our Vendor Voucher program that helps small farmers sell directly to consumers

COMMODITY CONCENTRATION

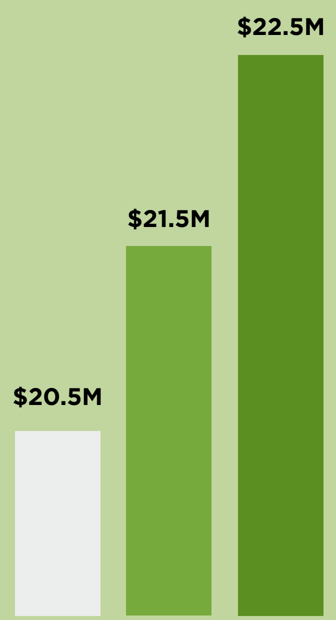
By serving a diverse range of agricultural industries, loan sizes, and geographic areas, Alabama Ag Credit helps manage risk and balance the cyclical nature of agriculture. While our portfolio includes many sectors, a significant portion is tied to timber, reflecting Alabama's heavily forested landscape and the important role forestry plays in the state's rural economy.

The Association's largest portfolio concentration is in timber. Importantly, most timber loans have repayment sources outside the timber industry, and those sources are widely diversified. Only about 9 percent of timber loans rely directly on active timber operations for repayment, helping mitigate the overall risk associated with this concentration.

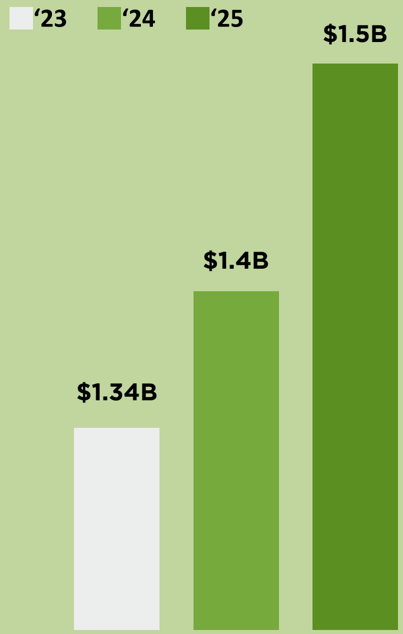
The concentration chart can be seen to the left.



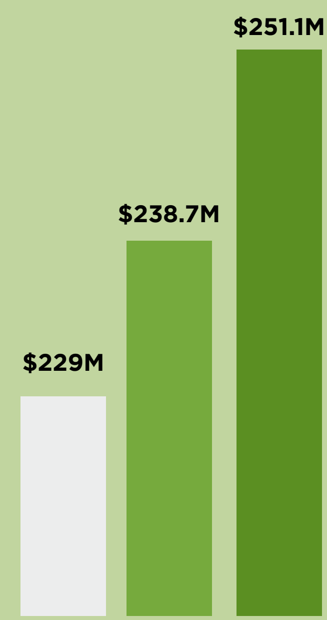
TOTAL INCOME



LOAN VOLUME



TOTAL CAPITAL



Annual 4-H donation. Investing in the next generation of leaders is at the core of our mission

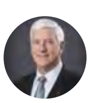
2025 BOARD OF DIRECTORS

Our Board of Directors provides strategic leadership and governance to ensure Alabama Ag Credit remains strong, member-focused, and positioned for long-term growth. Representing our stockholders, they oversee policy, financial soundness, and vision - guiding our association's continued growth in service, portfolio strength, and team development.

Chairman

Larry Gibson
West Region

Vice Chairman



Carl Sanders
Wiregrass Region

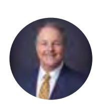
Annie Dee
At Large

Bradfield Evans
Central Region

Mark Platt
Gulf Coast Region

Richard Meadows
At Large

Roman McLeod
Appointed



Richard Stabler
Appointed

REPORT OF MANAGEMENT

The consolidated financial statements of Alabama Ag Credit, ACA (Association) 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' 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.

/s/ Nicolas Hartley
President, Chief Executive Officer
March 6, 2026

/s/ Larry H. Gibson Jr.
Chairman, Board of Directors
March 6, 2026

/s/ Heather Smith
Senior Vice President, Chief Financial Officer
March 6, 2026

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2025. In making the assessment, management used the updated Internal Control—Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission on May 14, 2013, commonly referred to as the "COSO 2013" Framework.

Based on the assessment performed, the Association concluded that as of December 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2025. A review of the assessment performed was reported to the Association's audit committee.

/s/ Nicolas Hartley
President, Chief Executive Officer
March 6, 2026

/s/ Heather Smith
Senior. Vice President, Chief Financial Officer
March 6, 2026

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the entire board of directors of Alabama Ag Credit, ACA (Association). In 2025, eight Committee meetings were held. The Committee oversees the scope of the Association'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 the Association's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (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 Alabama Ag Credit, ACA'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 December 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 the Association'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 Association's Annual Report to Stockholders for the year ended December 31, 2025.

Audit Committee Members

Richard M. Stabler, CPA (Retired), Chairman
Larry H. Gibson Jr.
John Carl Sanders
Annie Dee
Richard H. Meadows
Mark D. Platt
Roman McLeod
Bradfield Evans

March 6, 2026

ALABAMA AG CREDIT, ACA

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

	2025	2024	2023	2022	2021
Balance Sheet Data					
Assets					
Cash	**$ 14**	$ 12	$ 11	$ 10	$ 9
Loans	**1,527,326**	1,393,862	1,344,189	1,292,527	1,229,614
Less: allowance for credit losses on loans	**6,554**	10,100	8,797	8,412	8,804
Net loans	**1,520,772**	1,383,762	1,335,392	1,284,115	1,220,810
Investment in and receivable from the Farm Credit Bank of Texas	**36,987**	29,847	24,556	24,058	22,469
Other assets	**25,938**	21,783	21,475	19,346	15,658
Total assets	**$ 1,583,711**	$ 1,435,404	$1,381,434	$1,327,529	$1,258,946
Liabilities					
Obligations with maturities of one year or less	**$ 18,144**	$ 21,546	$ 20,821	$ 22,373	$ 21,351
Obligations with maturities greater than one year	**1,314,465**	1,175,176	1,131,321	1,084,114	1,027,316
Total liabilities	**1,332,609**	1,196,722	1,152,142	1,106,487	1,048,667
Members' Equity					
Capital stock and participation certificates	**4,737**	4,580	4,467	4,485	4,438
Unallocated retained earnings	**245,587**	233,622	224,466	216,119	206,271
Accumulated other comprehensive income (loss)	**778**	480	359	438	(430)
Total members' equity	**251,102**	238,682	229,292	221,042	210,279
Total liabilities and members' equity	**$ 1,583,711**	$ 1,435,404	$1,381,434	$1,327,529	$1,258,946
Statement of Income Data					
Net interest income	**$ 38,932**	$ 36,506	$ 35,378	$ 32,676	$ 31,271
(Provision for credit losses) credit loss reversal	**(1,400)**	(1,300)	(303)	260	(614)
Income from the Farm Credit Bank of Texas	**3,188**	4,403	4,268	7,991	7,356
Other noninterest income	**1,801**	1,535	621	517	603
Noninterest expense	**(20,271)**	(19,648)	(19,497)	(18,508)	(16,598)
Net income (loss)	**$ 22,250**	$ 21,496	$ 20,467	$ 22,936	$ 22,018
Key Financial Ratios for the Year					
Return on average assets	**1.5%**	1.5%	1.5%	1.8%	1.8%
Return on average members' equity	**8.9%**	9.0%	8.8%	10.4%	10.6%
Net interest income as a percentage of average earning assets	**2.6%**	2.7%	2.7%	2.6%	2.6%
Net charge-offs (recoveries) as a percentage of average loans	**0.3%**	0.0%	0.0%	0.0%	0.0%

ALABAMA AG CREDIT, ACA

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

	2025	2024	2023	2022	2021
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**15.9%**	16.7%	16.6%	16.7%	16.7%
Debt as a percentage of members' equity	**530.7%**	501.4%	509.5%	500.6%	498.7%
Allowance for credit losses on loans as a percentage of loans	**0.4%**	0.7%	0.7%	0.7%	0.7%
Common equity tier 1 ratio	**14.1%**	15.5%	15.5%	15.4%	15.6%
Tier 1 capital ratio	**14.1%**	15.5%	15.5%	15.4%	15.6%
Total capital ratio	**14.8%**	16.2%	16.2%	16.0%	16.3%
Permanent capital ratio	**14.2%**	15.6%	15.6%	15.5%	15.7%
Tier 1 leverage ratio	**14.4%**	16.0%	15.9%	15.6%	15.9%
UREE leverage ratio	**14.1%**	15.7%	15.6%	15.3%	17.0%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 12,343**	$ 12,118	$ 13,068	$ 12,132	$ 11,201

The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers as of December 31, 2025. For more information, see Note 9, "Members Equity," in the accompanying consolidated 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 Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called the Association) for the years ended December 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.

Commodity Review and Outlook:

The Association's portfolio is diversified across approximately 45 commodities, with regions of the territory supported by various commodity types. Timber is the largest commodity type, representing approximately 45.7 percent of the portfolio. Cattle, with 15.1 percent of the portfolio, is the second-largest concentration and has a strong presence in all regions. Poultry, primarily in the Wiregrass Region, represents the third-largest concentration, at 7.2 percent. Crop loans for commodities such as soybean, corn and other row crops have the fourth-largest concentration, with 6.1 percent.

The Association's territory is divided into four geographic regions. The Central Alabama Region's primary commodities include timber, cattle, cotton and some poultry and eggs. The Wiregrass Region is led by poultry and eggs, with agricultural enterprises such as peanuts, cotton, timber and cattle also present. The Gulf Coast Region is diverse within its territory. The area along the Gulf Coast features many greenhouse, nursery and floriculture operations. The northern part of the region is heavily supported by timber, lumber mills and pulp/paper manufacturing and row crop operations. The central part of this region has multiple peanut buying points and cotton gins. The area also includes a concentration of peanut and cattle production. The West Alabama Region features large recreational land tracts. Additionally, timber and cattle, along with some cotton, soybeans and peanuts, are major agricultural enterprises.

Management analyzes each commodity segment quarterly as part of the Risk Management Committee meetings. Additionally, the cattle and poultry segments are analyzed more in depth annually by the Association's Credit department.

Description of Business:

Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, 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 Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington, and Wilcox in the state of Alabama.

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). At December 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 service and other organizations.

Note 1 – "Organization and Operations" in the accompanying consolidated financial statements provides more detailed information.

Significant Events:

In August 2025, Chris Higbe, chief credit officer, announced his intention to retire in December 2025. In October 2025, Nick Hartley, president and chief executive officer, announced Mike Anthos as the Association's new chief credit officer effective December 1, 2025. Mr. Anthos comes to the Association with eight years of experience in the Farm Credit system and five years in commercial banking.

In January 2025, the Farm Credit Bank of Texas' (the Bank) board approved a change to the Bank's capitalization policy. Through 2024, Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.0 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement increased to 2.5 percent of the average borrowings from the Bank and is determined on a semi-annual basis. Based on the increase in average borrowings from the Bank, the policy change required an additional $6.5 million investment by the Association.

In June 2024, Douglas Thiessen, president and chief executive officer of the Association, announced his decision to retire on December 31, 2024. In November 2024, the board of directors announced that Nicolas Hartley had been named as the Association's new president and chief executive officer effective January 1, 2025. He comes to the Association with over 16 years of farm credit experience.

Patronage Refunds Received from Farm Credit Bank of Texas:

In December 2025, the Association received a direct loan patronage of $2,282,004 from the Farm Credit Bank of Texas ("Bank"), representing 18 basis points on the average daily balance of the Association's direct loan with the Bank. Also, the Association received a capital markets patronage of $905,885 from the Bank, representing 75 basis points basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2024, the Association received a direct loan patronage of $3,849,929 from the Bank, representing 33.9 basis points on the average daily balance of the Association's direct loan with the Bank. Also, the Association received a capital markets patronage of $562,495 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2023, the Association received a direct loan patronage of $3,030,038 from the Bank, representing 27.3 basis points on the average daily balance of the Association's direct loan with the Bank. This was a significant decline from previous years. As the Bank evaluated economic conditions and portfolio performance throughout the year, its earnings and capital position were markedly behind its business plan forecasts. The Bank notified the District associations that the business plan was being modified to reflect these deficits. Notably, the amount of direct loan patronage would be significantly reduced and would be partially distributed as equity allocations. During 2023, the Association received $702,556 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $394,487 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

Patronage Refunds by Association:

In March 2025, the Association paid a patronage of $12,342,672 in cash from 2024 earnings to the Association's stockholders and in December 2025 declared another patronage of $10,283,921 from 2025 earnings to be paid in March 2026.

In March 2024, the Association paid a patronage of $12,118,389 in cash from 2023 earnings to the Association's stockholders and in December 2024 declared another patronage of $12,342,672 from 2024 earnings to be paid in March 2025.

In March 2023, the Association paid a patronage of $13,068,058 in cash from 2022 earnings to the Association's stockholders and in December 2023 declared another patronage of $12,118,389 from 2023 earnings to be paid in March 2024.

The Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

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.

The composition of the Association's loan portfolio, including principal less funds held of $1,527,325,808, $1,393,862,228 and $1,344,188,480 as of December 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 consolidated financial statements.

Purchase and Sales of Loans:

During 2025, 2024 and 2023, the Association was participating in loans with other lenders. As of December 31, 2025, 2024 and 2023, these participations totaled $239,742,928, $182,004,377 and $138,886,258, or 15.7 percent, 13.1 percent and 10.3 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $10,525,577, $5,882,495 and $0, or 0.7 percent, 0.4 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $164,956,406, $136,600,447 and $79,426,111 as of December 31, 2025, 2024 and 2023, respectively. Included in these amounts are participations sold to entities outside the District of $0, $1,336,615, and $3,654,067 as of December 31 2025, 2024 and 2023, respectively

Risk Exposure:

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While 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.

	2025		**2024**		**2023**	
Operation/Commodity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Timber	**697,432,303**	**45.7%**	676,142,026	48.5%	674,033,799	50.1%
Livestock, except dairy and poultry	**230,323,588**	**15.1%**	186,447,277	13.4%	189,939,595	14.1%
Poultry and eggs	**109,364,428**	**7.1%**	96,017,845	6.9%	109,634,323	8.2%
General farms, primarily crops	**93,522,727**	**6.1%**	98,939,945	7.1%	101,903,332	7.6%
Rural home loans	**76,117,529**	**5.0%**	66,966,802	4.8%	66,310,577	4.9%
Other	**320,565,233**	**21.0%**	269,348,333	19.3%	202,366,854	6.2%
Total	**$ 1,527,325,808**	**100.0%**	$ 1,393,862,228	100.0%	$ 1,344,188,480	100.0%

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
Baldwin	**7.2%**	7.1%	10.6%
Mobile	**5.5%**	7.2%	7.0%
Montgomery	**5.2%**	5.6%	6.6%
Lee	**4.4%**	4.7%	4.3%
Tuscaloosa	**3.7%**	4.5%	4.0%
Other Counties	**48.5%**	53.0%	56.7%
Other States	**25.6%**	17.9%	10.8%
	100.0%	100.0%	100.0%

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

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	**$ 12,846,678**	**88.3%**	$ 4,837,342	99.6%	$ 870,502	100.0%
Accruing loans 90 days or more past due	**1,703,981**	**11.7%**	21,250	0.4%	-	0.0%
Total nonperforming assets	**$ 14,550,659**	**100.0%**	$ 4,858,592	100.0%	$ 870,502	100.0%

At December 31, 2025, 2024 and 2023, nonperforming loans were $14,550,659, $4,858,592 and $870,502, representing 1.0 percent, 0.3 percent and 0.1 percent of loan volume, respectively.

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 obtaining credit guarantees and engaging in loan participations. The Association also has the option of securitizing loans if considered prudent to manage risk.

Allowance for Credit Losses on Loans:

The Association employs a disciplined process and methodology to establish its allowance for credit losses on loans 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. 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, 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 $6,553,851, $10,100,143, and $8,796,563 at December 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 December 31, 2025, was $22,250,143 as compared to $21,496,335 for the year ended December 31, 2024, reflecting an increase of $753,808, or 3.5 percent. The Association's net income for the year ended December 31, 2023 was $20,467,837. Net income increased $1,028,498, or 5.0 percent, in 2024 versus 2023.

Net interest income for 2025, 2024 and 2023 was $38,932,092, $36,506,027 and $35,377,935, respectively, reflecting increases of $2,426,065, or 6.6 percent, for 2025 versus 2024 and $1,128,092, or 3.2 percent, for 2024 versus 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	**$ 1,486,346,189**	**$ 90,167,186**	$ 1,351,374,844	$ 79,787,999	$ 1,316,840,735	$ 71,749,699
Interest-bearing liabilities	**1,269,458,927**	**51,235,094**	1,137,087,259	43,281,972	1,108,823,850	36,371,764
Impact of capital	**$ 216,887,262**		$ 214,287,585		$ 208,016,885	
Net interest income		**$ 38,932,092**		$ 36,506,027		$ 35,377,935

	2025 Average Yield	**2024 Average Yield**	**2023 Average Yield**
Yield on loans	**6.1%**	5.9%	5.4%
Cost of interest-bearing liabilities	**4.0%**	3.8%	3.3%
Interest rate spread	**2.1%**	2.1%	2.2%
Impact of capital	**0.6%**	0.6%	0.5%
Net Interest Income/average earning assets	**2.6%**	2.7%	2.7%

	2025 vs. 2024			**2024 vs. 2023**		
	Increase (decrease) due to			**Increase (decrease) due to**		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 7,968,978**	**$ 2,410,209**	**$10,379,187**	$ 1,885,700	$ 6,152,600	$ 8,038,300
Interest expense	**5,038,595**	**2,914,526**	**7,953,121**	927,098	5,983,150	6,910,248
Net interest income	**$ 2,930,383**	**$ (504,317)**	**$ 2,426,066**	$ 958,602	$ 169,450	$ 1,128,052

Interest income for 2025 increased by $10,379,187, or 13.0 percent, compared to 2024, primarily due to increased loan volume and higher interest rates. Interest expense for 2025 increased by $7,953,121, or 18.4 percent, compared to 2024 due to higher loan volume and increased cost of funds. The interest rate spread decreased by 7 basis points to 2.03 percent in 2025 from 2.10 percent in 2024, primarily because higher interest rates created a less favorable lending environment and market conditions required more competitive pricing. The interest rate spread decreased by 7 basis points to 2.10 percent in 2024 from 2.17 percent in 2023, primarily because the high interest rate environment created a less favorable lending environment.

Noninterest income for 2025 decreased by $949,497, or 16.0 percent, compared to 2024, due primarily to a decrease in patronage income received from the Bank of $1,215,478 and a decrease in gain on sale of premises and equipment of $42,497. These decreases were offset by an increase in loan fees of $217,536. Noninterest income for 2024 increased by $1,049,460, or 21.5 percent, compared to 2023, due primarily to an increase in patronage income received from the Bank of $819,891.

Provisions for loan losses decreased by $3,546,292, or 35.1 percent, compared to 2024, due primarily to the removal of specific allowance on two large credits that were charged off and/or paid off during the year and by the reduction of the qualitative reserve on collateral-dependent loans with a high credit risk (risk-rated 11).

Operating expenses consist primarily of salaries and employee benefits, insurance fund premiums, advertising, public and member relations, travel, and occupancy and equipment. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by $622,823, or 3.2 percent from 2024 to 2025. Increases included an increase in salaries and benefits of $56,579, and $123,246 in travel, $112,039 in purchased services, and $52,102 in advertising. Other noninterest expense also increased by $119,459 due to increased fees for Farm Service Agency guarantees and Farmer Mac fees. The $622,823 increase in operating expenses included an increase of $130,445 in premiums to the Insurance Fund, resulting from an increase in loan volume of 9 percent.

Operating expenses increased by $151,444, or 0.8 percent, from 2023 to 2024. Increases included an increase in salaries and benefits of $483,554, and $488,193 in occupancy and equipment. The increases were offset by a decrease in premiums to the Insurance Fund of $775,719 with premium rates decreasing from 18 basis points to 10 basis points in 2024.

Operating expenses increased by $988,961, or 5.3 percent, from 2022 to 2023. The increase in operating expenses included an increase of $1,051,905 in salaries and benefits. Additionally, increases in advertising of $104,033 contributed to the total operating expense increase. The increases were offset by a decrease in premiums to the Insurance Fund, resulting from a decrease in the premium rates from 20 basis points in 2022 to 18 basis points in 2023.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $674,191, $744,931 and $644,846 for 2025, 2024 and 2023, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income.

For the year ended December 31, 2025, the Association's return on average assets was 1.5 percent, as compared to 1.5 percent and 1.5 percent for the years ended December 31, 2024 and 2023, respectively. For the year ended December 31, 2025, the Association's return on average members' equity was 8.9 percent, as compared to 9.0 percent and 8.8 percent for the years ended December 31, 2024 and 2023, respectively.

Because the Association depends on the Bank for funding, 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 loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,310,016,586, $1,171,471,511 and $1,127,940,073 as of December 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 4.05 percent, 3.87 percent and 3.63 percent at December 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 Bank and related accrued interest payable since December 31, 2024, is due to increased loan volume and associated interest rate increases. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $217,469,082, $223,755,630 and $217,484,275 at December 31, 2025, 2024 and 2023, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2025, was $1,615,000,000 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 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 strong, with total members' equity of $251,101,478, $238,681,765 and $229,292,006 at December 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 percent, 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 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 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 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 minimum regulatory requirements, capital distributions and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

Regulatory ratios remain well above regulatory minimums. The following table reflects the Association's capital ratios at December 31:

	2025	2024	2023	Requirements Including Capital Conservation Buffers
Permanent capital ratio	14.2 %	15.6 %	15.6 %	7.0 %
Common equity tier 1 ratio	14.1	15.5	15.5	7.0
Tier 1 capital ratio	14.1	15.5	15.5	8.5
Total capital ratio	14.8	16.2	16.2	10.5
Tier 1 leverage ratio	14.4	16.0	15.9	5.0
UREE leverage ratio	14.1	15.7	15.6	1.5

Significant Accounting Pronouncements:

The Association adopted, effective January 1, 2023, the "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets carried at amortized cost and certain off-balance-sheet credit exposures. This framework requires management to consider in its estimate of the allowance for credit losses relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amended existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities.

Refer to Note 2 – "Summary of Significant Accounting Policies" in this annual report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2025, the Association was not operating under written agreements with the Farm Credit Administration.

On December 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 was subject to a 60-day public comment period that ended on February 3, 2026.

On January 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 February 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 thousand. The final rule became effective date on January 1, 2026.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 10, "Note Payable to the Bank," in the accompanying consolidated 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 consolidated 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 8, "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 12, "Related Party transactions," in the accompanying consolidated 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:

Regardless of the state of the agricultural economy, your Association'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 Alabama Ag Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Alabama 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

PricewaterhouseCoopers LLP
835 West 6th Street, Suite 1600
Austin, Texas 78703
(512) 477 1300

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.

PricewaterhouseCoopers LLP

Austin, Texas
March 6, 2026

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2025	**2024**	**2023**
Assets			
Cash	**$ 14,340**	$ 11,967	$ 10,995
Loans	**1,527,325,808**	1,393,862,228	1,344,188,480
Less: allowance for credit losses on loans	**6,553,851**	10,100,143	8,796,563
Net loans	**1,520,771,957**	1,383,762,085	1,335,391,917
Accrued interest receivable	**17,362,045**	13,467,459	13,050,872
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**32,130,385**	22,709,260	22,137,880
Allocated equities	**909,011**	909,011	909,011
Accrued patronage receivable	**3,187,889**	4,412,424	394,487
Other	**759,315**	1,816,512	1,115,018
Premises and equipment	**6,811,065**	6,611,319	6,664,139
Other assets	**1,764,641**	1,703,731	1,760,138
Total assets	**$ 1,583,710,648**	$ 1,435,403,768	$ 1,381,434,457
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 1,310,016,586**	$ 1,171,471,511	$ 1,127,940,073
Accrued interest payable	**4,448,710**	3,704,360	3,380,799
Drafts outstanding	**73,868**	514,463	170,052
Patronage distributions payable	**10,297,197**	12,349,651	12,125,139
Other liabilities	**7,772,809**	8,682,018	8,526,388
Total liabilities	**1,332,609,170**	1,196,722,003	1,152,142,451
Members' Equity			
Capital stock and participation certificates	**4,737,285**	4,580,405	4,467,215
Unallocated retained earnings	**245,586,674**	233,621,719	224,465,834
Accumulated other comprehensive income (loss)	**777,519**	479,641	358,957
Total members' equity	**251,101,478**	238,681,765	229,292,006
Total liabilities and members' equity	**$ 1,583,710,648**	$ 1,435,403,768	$ 1,381,434,457

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2025	**2024**	**2023**
Interest Income			
Loans	$ **90,167,186**	$ 79,787,999	$ 71,749,699
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**51,235,094**	43,281,972	36,371,764
Net interest income	**38,932,092**	36,506,027	35,377,935
Provision for credit losses	**1,400,219**	1,300,282	302,672
Net interest income after provision for credit losses	**37,531,873**	35,205,745	35,075,263
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**3,188,020**	4,403,498	4,268,210
Loan fees	**641,519**	423,983	236,770
Refunds from Farm Credit System Insurance Corporation	**-**	365,070	-
Financially related services income	**855**	782	1,915
Gain on sale of premises and equipment, net	**98,779**	141,706	229,462
Other noninterest income	**1,060,277**	603,908	153,130
Total noninterest income	**4,989,450**	5,938,947	4,889,487
Noninterest Expenses			
Salaries and employee benefits	**12,229,296**	12,172,717	11,689,163
Directors' expense	**364,658**	385,603	447,796
Purchased services	**876,360**	764,321	621,727
Travel	**1,054,262**	931,016	932,596
Occupancy and equipment	**1,757,498**	1,721,959	1,233,766
Communications	**288,328**	280,202	302,572
Advertising	**441,440**	389,338	489,458
Public and member relations	**765,390**	726,705	744,205
Supervisory and exam expense	**479,091**	484,537	450,659
Insurance Fund premiums	**1,465,253**	1,339,785	2,115,504
Other components of net periodic postretirement benefit cost	**92,289**	114,318	90,034
Other noninterest expense	**457,315**	337,856	379,433
Total noninterest expenses	**20,271,180**	19,648,357	19,496,913
NET INCOME	**22,250,143**	21,496,335	20,467,837
Other comprehensive income:			
Change in postretirement benefit plans	**297,878**	120,684	(79,483)
COMPREHENSIVE INCOME	$ **22,548,021**	$ 21,617,019	$ 20,388,354

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	$ 4,484,775	$ 216,118,555	$ 438,440	$ 221,041,770
Cumulative effect of a change in accounting principle	-	(2,169)	-	(2,169)
Balance at January 1, 2023	4,484,775	216,116,386	438,440	221,039,601
Net income	-	20,467,837	-	20,467,837
Other comprehensive income	-	-	(79,483)	(79,483)
Capital stock/participation certificates issued	521,525	-	-	521,525
Capital stock/participation certificates retired	(539,085)	-	-	(539,085)
Patronage dividends:				
Cash	-	(12,118,389)	-	(12,118,389)
Balance at December 31, 2023	4,467,215	224,465,834	358,957	229,292,006
Net income	-	21,496,335	-	21,496,335
Other comprehensive income	-	-	120,684	120,684
Capital stock/participation certificates issued	629,015	-	-	629,015
Capital stock/participation certificates retired	(515,825)	-	-	(515,825)
Patronage dividends:				
Cash	-	(12,342,672)	-	(12,342,672)
Change in patronage declared and paid	-	2,222	-	2,222
Balance at December 31, 2024	4,580,405	233,621,719	479,641	238,681,765
Net income	-	22,250,143	-	22,250,143
Other comprehensive income	-	-	297,878	297,878
Capital stock/participation certificates issued	779,860	-	-	779,860
Capital stock/participation certificates retired	(622,980)	-	-	(622,980)
Patronage dividends:				
Cash	-	(10,283,921)	-	(10,283,921)
Change in patronage declared and paid	-	(1,267)	-	(1,267)
Balance at December 31, 2025	**$ 4,737,285**	**$ 245,586,674**	**$ 777,519**	**$ 251,101,478**

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	**2024**	**2023**
Cash flows from operating activities:			
Net income	**$ 22,250,143**	$ 21,496,335	$ 20,467,837
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**1,400,219**	**1,300,282**	**302,672**
Depreciation	**1,391,809**	**948,428**	**650,178**
Gain on sale of premises and equipment, net	**(98,775)**	**(142,053)**	**(228,608)**
Increase in accrued interest receivable	**(3,894,586)**	**(416,587)**	**(2,176,514)**
Decrease (increase) in other receivables from the Farm Credit Bank	**2,281,732**	**(4,719,431)**	**312,034**
Decrease in other assets	**151,874**	**286,456**	**1,002,921**
Increase in accrued interest payable	**744,350**	**323,561**	**759,540**
(Decrease) increase in other liabilities	**(818,982)**	**21,518**	**(1,622,556)**
Net cash provided by operating activities	**23,407,784**	19,098,509	19,467,504
Cash flows from investing activities:			
Increase in loans, net	**(139,256,403)**	**(50,009,209)**	**(51,745,720)**
Cash recoveries of loans previously charged off	**2,676**	**28,045**	**29,860**
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(9,421,125)**	**(571,380)**	**(810,710)**
Purchases of premises and equipment	**(1,008,931)**	**(752,048)**	**(813,679)**
Proceeds from sales of premises and equipment	**354,654**	**333,954**	**364,362**
Net cash used in investing activities	**(149,329,129)**	(50,970,638)	(52,975,887)

ALABAMA 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 Farm Credit Bank of Texas	**138,545,075**	43,531,438	46,446,853
(Decrease) increase in drafts outstanding	**(440,595)**	344,411	170,052
Issuance of capital stock and participation certificates	**779,860**	629,015	521,525
Retirement of capital stock and participation certificates	**(622,980)**	(515,825)	(539,085)
Cash dividends paid	**(12,337,642)**	(12,115,938)	(13,090,041)
Net cash provided by financing activities	**125,923,718**	31,873,101	33,509,304
Net increase in cash	**2,373**	972	921
Cash at the beginning of the year	**11,967**	10,995	10,074
Cash at the end of the year	**$ 14,340**	$ 11,967	$ 10,995
Supplemental schedule of noncash investing and financing activities:			
Loans charged off	**$ 4,954,320**	-	-
Patronage distributions declared	**10,283,921**	12,342,672	12,120,558
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 50,490,744**	$ 43,076,150	$ 35,612,186
Income taxes	**-**	-	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, 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 Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washinton, and Wilcox in the state of Alabama.

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). At December 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 service 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. At December 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,” which is 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, persons 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 and term life insurance to its borrowers.

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. The consolidated financial statements include the accounts of Alabama Ag Credit, PCA, and Alabama Ag Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In December 2025, Financial Accounting Standards Board (FASB) issued an update entitled, "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 December 15, 2027, and for other entities after December 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 entitled, "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 December 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 entitled "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 following sentence is to be included for non-public business entities: The accounting policy election allows an entity to consider collection activity after the balance sheet date when estimating expected credit loses.] The amendments will be effective for annual reporting periods beginning after December 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 entitled "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 December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows but will impact the income tax disclosures.

B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. 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 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan 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 collectability 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 Balance Sheet. 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 January 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 cancellable. 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 timeframe) 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 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 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 collectability 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.

Prior to January 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 Sheet. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable 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 cancellable.

Also adopted, effective January 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 that 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.

D. 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 percent of Association's average borrowings from the Bank. For 2024 and 2023, the investment required of the Association was 2 percent of the Association's average borrowings from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

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

E. 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 sheet. 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.

F. 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.

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

H. Employee Benefit Plans: Employees of the Association 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. Also, the Association sponsors a nonqualified defined contribution 401(k) plan.] The DB plan is closed to new participants. Participants generally include employees hired prior to January 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 January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2025, made on their behalf into various investment alternatives.

   The structure of the District's DB plan is characterized as multi-employer, since 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 $502,228, $451,665 and $205,822 for the years ended December 31, 2025, 2024 and 2023 respectively. For the DB plan, the Association recognized pension costs of $232,478, $217,392 and $348,799 for the years ended December 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 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $322,620, $291,470 and $353,447 for the years ended December 31, 2025, 2024 and 2023, respectively.

   In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $5,132, $16,635 and $21,119 for the years ended December 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 multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans."

I. 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. [If the Association utilizes the book basis, then replace the preceding sentence with "The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments."] A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (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.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. 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 13, "Fair Value Measurements."

L. 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:

	2025		2024		2023	
Loan Type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Real estate mortgage	**$ 1,086,868,083**	**71.2%**	$ 1,000,832,985	71.7%	$ 992,052,287	73.8%
Production and intermediate-term	**158,716,996**	**10.4%**	155,858,822	11.2%	160,374,838	12.0%
Agribusiness:						
Loans to cooperatives	**8,299,322**	**0.5%**	8,902,927	0.6%	9,234,189	0.7%
Processing and marketing	**129,448,238**	**8.5%**	97,992,108	7.0%	57,485,304	4.3%
Farm-related business	**29,300,705**	**1.9%**	21,787,590	1.6%	34,079,473	2.5%
Communication	**11,897,950**	**0.8%**	12,014,400	0.9%	4,162,940	0.3%
Energy	**18,326,510**	**1.2%**	13,409,807	1.0%	5,788,110	0.4%
Water and waste-water	**4,446,946**	**0.3%**	13,359,815	1.0%	13,331,425	1.0%
Rural residential real estate	**69,492,067**	**4.5%**	61,269,467	4.4%	60,352,910	4.5%
Agricultural export finance	**10,528,991**	**0.7%**	8,434,307	0.6%	7,327,004	0.5%
Total	**$ 1,527,325,808**	**100.0%**	$ 1,393,862,228	100.0%	$ 1,344,188,480	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 December 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	$ 25,539,448	$ 78,831,640	$ -	$ -	$ 25,539,448	$ 78,831,640
Production and intermediate-term	36,160,038	11,570,894	-	-	36,160,038	11,570,894
Agribusiness	132,843,045	74,553,872	-	-	132,843,045	74,553,872
Communication	11,897,950	-	-	-	11,897,950	-
Energy	18,326,510	-	-	-	18,326,510	-
Water and waste-water	4,446,946	-	-	-	4,446,946	-
Agricultural export finance	10,528,991	-	-	-	10,528,991	-
Total	$ 239,742,928	$ 164,956,406	$ -	$ -	$ 239,742,928	$ 164,956,406

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 the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, 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 classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans by loan type as of December 31, 2025, 2024 and 2023:

	2025	2024	2023
Real estate mortgage			
Acceptable	**97.9** %	98.3 %	98.4 %
OAEM	**0.7**	1.0	1.0
Substandard/doubtful	**1.4**	0.7	0.6
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**97.4**	98.7	99.1
OAEM	**2.5**	1.2	0.1
Substandard/doubtful	**0.1**	0.1	0.8
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	91.6	84.4
OAEM	**-**	8.4	15.6
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	91.4	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	8.6	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Water and waste-water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.9**	99.3	99.8
OAEM	**0.1**	0.3	0.1
Substandard/doubtful	**0.0**	0.4	0.1
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**98.2**	97.9	98.0
OAEM	**0.8**	1.1	1.4
Substandard/doubtful	**1.0**	1.0	0.6
	100.0 %	100.0 %	100.0 %

Accrued interest receivable on loans of $17,362,045, $13,467,459 and $13,050,872 at December 31, 2025, 2024 and 2023, respectively, has been excluded from the amortized cost of loans and is reported separately in the Balance Sheet. During 2025, 2024 and 2023, the Association reversed $89,135, $0 and $0, respectively, in accrued interest receivable against interest income.

Geographic and commodity concentrations can pose credit risk. The Association's largest portfolio concentration is in timber representing 45.7 percent of the total portfolio. However, most timber loans have repayment sources from outside the timber industry, and such repayment sources are widely varied. Approximately 9 percent of timber loans are dependent on active timber operations for loan repayment. Therefore, the risk associated with the portfolio concentration is mitigated.

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 farmland and 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.

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically 90 days past due), subject to certain conditions. At December 31, 2025, loans totaling $44,566,982 were guaranteed by these commitments. Fees paid for these guarantees totaled $28,521 in 2025 and are included in "other noninterest expense."

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

	December 31, 2025	December 31, 2024	December 31, 2023
Nonaccrual loans:			
Real estate mortgage	**$ 12,831,239**	$ 2,966,082	$ 870,502
Production and intermediate-term	**15,439**	-	-
Agribusiness	**-**	1,871,260	-
Rural residential real estate	**-**	-	-
Total nonaccrual loans	**12,846,678**	4,837,342	870,502
Accruing loans 90 days or more past due:			
Real estate mortgage	**116,693**	-	-
Production and intermediate-term	**1,447,341**	21,250	-
Rural residential real estate	**139,947**	-	-
Total accruing loans 90 days or more past due	**1,703,981**	21,250	-
Total nonperforming assets	**$ 14,550,659**	$ 4,858,592	$ 870,502
Nonaccrual loans as a percentage of total loans	**0.8%**	0.3%	0.1%
Nonperforming assets as a percentage of total loans and other property owned	**1.0%**	0.3%	0.1%
Nonperforming assets as a percentage of capital	**5.8%**	2.0%	0.4%

The following tables provide 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:

	December 31, 2025			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Year Ended December 31, 2025
Nonaccrual loans:				
Real estate mortgage	$ -	$ 12,831,239	$ 12,831,239	$ 115,169
Production and intermediate-term	-	15,439	15,439	-
Agribusiness	-	-	-	163,613
Total nonaccrual loans	$ -	$ 12,846,678	$ 12,846,678	$ 278,782

	December 31, 2024			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ 474,447	$ 2,491,635	$ 2,966,082	$ 231,949
Agribusiness	1,871,260	-	1,871,260	-
Total nonaccrual loans	$ 2,345,707	$ 2,491,635	$ 4,837,342	$ 231,949

	December 31, 2023			
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ 570,767	$ 299,735	$ 870,502	$ 143,624

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	**$ 10,312,162**	**$ 1,799,464**	**$ 12,111,626**	**$ 1,074,756,457**	**$ 1,086,868,083**	**$ 116,693**
Production and intermediate-term	**1,178,692**	**1,451,673**	**2,630,365**	**156,086,631**	**158,716,996**	**1,447,341**
Loans to cooperatives	**-**	**-**	**-**	**8,299,322**	**8,299,322**	**-**
Processing and marketing	**676,644**	**-**	**676,644**	**128,771,594**	**129,448,238**	**-**
Farm-related business	**-**	**-**	**-**	**29,300,705**	**29,300,705**	**-**
Communication	**-**	**-**	**-**	**11,897,950**	**11,897,950**	**-**
Energy	**-**	**-**	**-**	**18,326,510**	**18,326,510**	**-**
Water and waste-water	**-**	**-**	**-**	**4,446,946**	**4,446,946**	**-**
Rural residential real estate	**735,109**	**139,947**	**875,056**	**68,617,011**	**69,492,067**	**139,947**
Agricultural export finance	**-**	**-**	**-**	**10,528,991**	**10,528,991**	**-**
Total	**$ 12,902,607**	**$ 3,391,084**	**$ 16,293,691**	**$ 1,511,032,117**	**$ 1,527,325,808**	**$ 1,703,981**

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	$ 7,248,912	$ 2,290,822	$ 9,539,734	$ 991,293,251	$ 1,000,832,985	$ -
Production and intermediate-term	266,412	21,250	287,662	155,571,160	155,858,822	21,250
Loans to cooperatives	-	-	-	8,902,927	8,902,927	-
Processing and marketing	-	-	-	97,992,108	97,992,108	-
Farm-related business	1,871,260	-	1,871,260	19,916,330	21,787,590	-
Communication	-	-	-	12,014,400	12,014,400	-
Energy	-	-	-	13,409,807	13,409,807	-
Water and waste-water	-	-	-	13,359,815	13,359,815	-
Rural residential real estate	1,209,666	-	1,209,666	60,059,801	61,269,467	-
Agricultural export finance	-	-	-	8,434,307	8,434,307	-
Total	$ 10,596,250	$ 2,312,072	$ 12,908,322	$ 1,380,953,906	$ 1,393,862,228	$ 21,250

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	$ 3,374,124	$ -	$ 3,374,124	$ 988,678,163	$ 992,052,287	$ -
Production and intermediate-term	3,805,109	-	3,805,109	156,569,729	160,374,838	-
Loans to cooperatives	-	-	-	9,234,189	9,234,189	-
Processing and marketing	-	-	-	57,485,304	57,485,304	-
Farm-related business	-	-	-	34,079,473	34,079,473	-
Communication	-	-	-	4,162,940	4,162,940	-
Energy	-	-	-	5,788,110	5,788,110	-
Water and waste-water	-	-	-	13,331,425	13,331,425	-
Rural residential real estate	16,155	-	16,155	60,336,755	60,352,910	-
Agricultural export finance	-	-	-	7,327,004	7,327,004	-
Total	$ 7,195,388	$ -	$ 7,195,388	$ 1,336,993,092	$ 1,344,188,480	$ -

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

For loan modifications granted to borrowers experiencing financial difficulty during 2025, 2024 and 2023, the following tables show the amortized cost of outstanding balances as reflected in the Balance Sheet, disaggregated by loan type and type of modification granted.

	Year Ended December 31, 2025		
	Term Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	$ 3,000,000	$ 3,000,000	0.28%
Production and intermediate-term	575,679	575,679	0.36%
Total	$ 3,575,679	$ 3,575,679	0.23%

	Year Ended December 31, 2024		
	Term Extension	Total	Percentage of Total by Loan Type
Agribusiness	$ 1,960,403	$ 1,960,403	1.52%
Total	$ 1,960,403	$ 1,960,403	0.14%

	Year Ended December 31, 2023		
	Term Extension	Total	Percentage of Total by Loan Type
Production and intermediate-term	$ 117,921	$ 117,921	0.07%
Total	$ 117,921	$ 117,921	0.01%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2025, December 31, 2024, and December 31, 2023, was $51,980, $925 and $1,084, respectively.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2025, 2024 and 2023:

	Term Extension Financial Effect		
	December 31, 2025	December 31, 2024	December 31, 2023
Agribusiness	-	90 days	-
Production and intermediate-term	396 days	-	365 days

There were no loans outstanding at year end to borrowers experiencing financial difficulty that received a modification during 2025 and that subsequently defaulted in 2025.

The following table sets forth the amortized cost of outstanding balances as reflected in the Balance Sheet for loans to borrowers experiencing financial difficulty that received a modification during 2024 and that defaulted in the period presented:

	Modified Loans that Subsequently Defaulted
	Term Extension
Agribusiness	$1,871,260

There were no loans to borrowers experiencing financial difficulty that received a modification during 2023 and that subsequently defaulted in 2023.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty as of December 31, 2025, December 31, 2024, and December 31, 2023:

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2025	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 3,000,000	$ -	$ -
Production and intermediate-term	575,679	-	-
Total	**$ 3,575,679**	**$ -**	**$ -**

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2024	Current	30-89 Days Past Due	90 Days or More Past Due
Agribusiness	$ 89,143	$ 1,871,260	$ -

	Payment Status of Loans Modified in the Past 12 Months		
December 31, 2023	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	$ 117,921	$ -	$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2025, December 31, 2024 and December 31, 2023.

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 have been established by the Association to manage credit exposure. The regulatory limit to a single borrower is 15% of the Association's lending 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 December 31, 2025, December 31, 2024 and December 31, 2023 are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2024	$ 6,414,160	$ 1,237,901	$ 2,111,125	$ 26,305	$ 14,995	$ 11,062	$ 280,503	$ 4,092	$ 10,100,143
Charge-offs	-	-	(4,954,320)	-	-	-	-	-	(4,954,320)
Recoveries	2,676	-	-	-	-	-	-	-	2,676
Provision for credit losses (credit loss reversal)	(1,524,544)	(456,876)	3,395,341	(539)	100	(7,466)	(1,471)	807	1,405,352
Balance at December 31, 2025	**$ 4,892,292**	**$ 781,025**	**$ 552,146**	**$ 25,766**	**$ 15,095**	**$ 3,596**	**$ 279,032**	**$ 4,899**	**$ 6,553,851**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2024	$ 10,833	$ 33,281	$ 19,123	$ 1,835	$ 8,345	$ 865	$ 1,100	$ 2,271	$ 77,653
Provision for credit losses (credit loss reversal)	(8,705)	1,488	9,807	(111)	(6,395)	(453)	408	(1,172)	(5,133)
Balance at December 31, 2025	**$ 2,128**	**$ 34,769**	**$ 28,930**	**$ 1,724**	**$ 1,950**	**$ 412**	**$ 1,508**	**$ 1,099**	**$ 72,520**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2023	$ 8,125,651	$ 218,034	$ 176,780	$ 4,764	$ 3,681	$ 14,013	$ 248,319	$ 5,321	$ 8,796,563
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	28,045	-	-	-	-	-	-	-	28,045
Provision for credit losses (credit loss reversal)	(1,739,536)	1,019,867	1,934,345	21,541	11,313	(2,950)	32,184	(1,229)	1,275,535
Balance at December 31, 2024	**$ 6,414,160**	**$ 1,237,901**	**$ 2,111,125**	**$ 26,305**	**$ 14,994**	**$ 11,063**	**$ 280,503**	**$ 4,092**	**$ 10,100,143**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2023	$ 5,911	$ 27,869	$ 13,750	$ -	$ -	$ 1,021	$ 886	$ 3,467	$ 52,904
Provision for credit losses (credit loss reversal)	4,922	5,412	5,373	1,835	8,345	(156)	214	(1,196)	24,749
Balance at December 31, 2024	**$ 10,833**	**$ 33,281**	**$ 19,123**	**$ 1,835**	**$ 8,345**	**$ 865**	**$ 1,100**	**$ 2,271**	**$ 77,653**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy	Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	$ 7,744,133	$ 443,269	$ 130,793	$ -	$ 813	$ 6,360	$ 84,321	$ 2,664	$ 8,412,353
Adjustment in beginning balance due to change in accounting for credit losses	(570,293)	337,591	108,787	-	3,659	2,250	174,622	4,520	61,136
Balance at January 1, 2023	7,173,840	780,860	239,580	-	4,472	8,610	258,943	7,184	8,473,489
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	29,860	-	-	-	-	-	-	-	29,860
Provision for credit losses (credit loss reversal)	921,951	(562,826)	(62,800)	4,764	(791)	5,403	(10,624)	(1,863)	293,214
Balance at December 31, 2023	**$ 8,125,651**	**$ 218,034**	**$ 176,780**	**$ 4,764**	**$ 3,681**	**$ 14,013**	**$ 248,319**	**$ 5,321**	**$ 8,796,563**
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	$ 8,643	$ 67,822	$ 23,380	$ -	$ -	$ -	$ 117	$ 2,451	$ 102,413
Adjustment in beginning balance due to change in accounting for credit losses	(2,330)	(50,674)	(6,493)	-	-	-	8	522	(58,967)
Balance at January 1, 2023	6,313	17,148	16,887	-	-	-	125	2,973	43,446
Provision for credit losses (credit loss reversal)	(402)	10,721	(3,137)	-	-	1,021	761	494	9,458
Balance at December 31, 2023	**$ 5,911**	**$ 27,869**	**$ 13,750**	**$ -**	**$ -**	**$ 1,021**	**$ 886**	**$ 3,467**	**$ 52,904**

The allowance for credit losses as of December 31, 2025, was $6.6 million, reflecting a decrease of $3.5 million from December 31, 2024. The decrease was driven by the removal of specific allowances on two large credits that were paid down and subsequently charged off during the year and by the reduction of the qualitative reserve on collateral-dependent loans with a high credit risk (risk-rated 11).

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 December 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 sheet. 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 4.6 percent, 4.3 percent and 4.5 percent of the issued stock of the Bank as of December 31, 2025, 2024 and 2023. As of those dates, the Bank's assets totaled $42.2 billion, $39.5 billion and $37.3 billion and members' equity totaled $2.1 billion, $1.8 billion and $1.7 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 at December 31:

	2025	2024	2023
Land and improvements	**$ 1,500,108**	$ 1,500,108	$ 1,500,108
Building and improvements	**4,922,424**	4,783,856	4,761,398
Furniture and equipment	**867,270**	768,903	767,523
Computer equipment and software	**495,509**	522,212	479,752
Automobiles	**2,400,688**	2,182,315	2,039,711
Construction in progress	**58,127**	418	67,980
	10,244,126	9,757,812	9,616,472
Accumulated depreciation	**(3,433,061)**	(3,146,493)	(2,952,333)
Total	**$ 6,811,065**	$ 6,611,319	$ 6,664,139

The Association leases office space in Montgomery (Administration), Demopolis, Selma, and Tuscaloosa, all in Alabama. Lease expense was $351,186, $347,986 and $329,965 for 2025, 2024 and 2023, respectively. Minimum annual lease payments for the next five years are as follows:

	Year ended December 31,
2026	$ 330,982
2027	131,678
2028	49,667
Total	$ 512,327

NOTE 6 — OTHER PROPERTY OWNED, NET:

The Association did not have any other property owned for the years ended December 31, 2025, 2024 and 2023.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets consisted of the following at December 31:

	2025	2024	2023
Captive Insurance Savings	**$ 515,659**	$ 515,659	$ 548,858
Right to use asset	**470,036**	682,819	912,868
Other assets	**778,946**	505,253	298,412
Total	**$ 1,764,641**	$ 1,703,731	$ 1,760,138

Other liabilities consisted of the following at December 31:

	2025	2024	2023
Accumulated postretirement benefit obligation	**$ 2,315,834**	$ 2,613,183	$ 2,669,614
Accrued incentive bonus and related benefits	**2,150,741**	2,290,492	1,706,391
FCS insurance premiums payable	**1,193,765**	1,063,320	1,862,189
Lease liability	**470,036**	682,819	912,868
Other liabilities	**1,642,433**	2,032,204	1,375,326
Total	**$ 7,772,809**	$ 8,682,018	$ 8,526,388

NOTE 8 — 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 loan 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. The interest rate on the direct loan 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 general financing agreement, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 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 loan from the Bank at December 31, 2025, 2024 and 2023, was $1,310,016,586 at 4.1 percent, $1,171,471,511 at 3.9 percent and $1,127,940,073 at 3.7 percent, 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. At December 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 December 31, 2025, was $1,615,000,000, 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 December 31, 2025, 2024 and 2023, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 9 — 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 January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

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 or participation certificates is equal to 2 percent of the aggregate of all the borrower's loans, 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.

The Association's 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. At December 31, 2025, we exceeded the prescribed standards. Further, neither management nor the board of directors anticipate any significant changes in capital that would affect the normal retirement of stock.

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 percent of the individual loan amounts.

Each owner of Class A capital stock (for farm loans) is entitled to a single vote, while participation certificates (for rural home and farm-related business loans) provide no voting rights to their owners.

	2025	2024	2023
Class B stock	**819,347**	793,019	772,715
Participation certificates	**128,110**	123,062	120,728
Total	**947,457**	916,081	893,443

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. Ownership of Class C stock does not entitle holders to any patronage distributions, but stock does carry an equal right to any dividends or common stock declared by the board of directors. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2025, 2024 and 2023, the Association had no Class C stock.

Class P stock may be issued only for allocated surplus distributions, stock dividends, and patronage distributions to borrowers eligible to hold Class A stock. Class P 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. Ownership of Class P stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class P shares is made solely at the discretion of the Association's board of directors. At December 31, 2025, 2024 and 2023, 2022, the Association had no Class P capital 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, Class P 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**
December 2025	**March 2026**	**$ 10,283,921**
December 2024	March 2025	12,342,672
December 2023	March 2024	12,118,389

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of December 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 December 31:

Risk-weighted:	**Regulatory Minimums**	**Regulatory Minimums with Buffer**	**As of December 31, 2025**	**As of December 31, 2024**	**As of December 31, 2023**
Common equity tier 1 ratio	4.5%	7.0%	14.1%	15.5%	15.5%
Tier 1 capital ratio	6.0%	8.5%	14.1%	15.5%	15.5%
Total capital ratio	8.0%	10.5%	14.8%	16.2%	16.2%
Permanent capital ratio	7.0%	7.0%	14.2%	15.6%	15.6%
Non-risk-weighted:					
Tier 1 leverage ratio	4.0%	5.0%	14.4%	16.0%	15.9%
UREE leverage ratio	1.5%	1.5%	14.1%	15.7%	15.6%

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 which 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 is 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 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, 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 non-cumulative 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 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 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 December 31, 2025:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**$ 248,159,955**	**$ 248,159,955**	**$ 248,159,955**	**$ 248,159,955**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,726,855**	**4,726,855**	**4,726,855**	**4,726,855**
Allowance for loan losses and reserve for credit losses subject to certain limitations*			**11,208,795**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(30,123,514)**	**(30,123,514)**	**(30,123,514)**	**(30,123,514)**
	$ 222,763,296	$ 222,763,296	$ 233,972,091	$ 222,763,296
Denominator:				
Risk-adjusted assets excluding allowance	**$ 1,611,335,162**	**$ 1,611,335,162**	**$ 1,611,335,162**	**$ 1,611,335,162**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(30,123,514)**	**(30,123,514)**	**(30,123,514)**	**(30,123,514)**
Allowance for loan losses				**(11,121,279)**
	$ 1,581,211,648	$ 1,581,211,648	$ 1,581,211,648	$ 1,570,090,369

*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 December 31, 2025:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**$ 248,159,955**	**$ 248,159,955**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,726,855**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(30,123,514)**	**(30,123,514)**
	$ 222,763,296	**$ 218,036,441**
Denominator:		
Total Assets	**$ 1,583,250,365**	**$ 1,583,250,365**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(32,365,634)**	**(32,365,634)**
	$ 1,550,884,731	$ 1,550,884,731

The Association’s board of directors has established a Capital Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association’s capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

As mentioned in Note 2, “Summary of Significant Accounting Policies,” the Association is required to purchase stock in the Bank. The level of stock required is calculated annually based on the average borrowings of the Association from the Bank. The required level is currently 2 percent of the average borrowing from the previous 12 months. This stock investment in the Bank reduces the amount of Association capital available for inclusion in the Association’s capital adequacy calculations.

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.

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

Accumulated Other Comprehensive Income			
December 31, 2025	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 777,519**	**$ -**	**$ 777,519**
December 31, 2024	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 479,641	$ -	$ 479,641
December 31, 2023	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 358,957	$ -	$ 358,957

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:

	2025	**2024**	**2023**
Accumulated other comprehensive income at January 1	**$479,641**	$358,957	$438,440
Actuarial gains (losses)	**302,125**	140,917	(39,870)
Amortization of prior service credit included in salaries and employee benefits	**(4,247)**	(20,233)	(20,233)
Amortization of actuarial gain included in salaries and employee benefits	**-**	-	(19,380)
Other comprehensive income (loss), net of tax	**297,878**	120,684	(79,483)
Accumulated other comprehensive income at December 31	**$ 777,519**	$ 479,641	$ 358,957

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income taxes for the years ended December 31 is as follows :

	2025	**2024**	**2023**
Federal tax at statutory rate	**$ 4,672,530**	$ 4,514,230	$ 4,298,246
State tax, net	**1,446,259**	1,397,262	1,330,409
Effect of nontaxable FLCA subsidiary	**(6,733,621)**	(6,238,233)	(5,807,495)
Change in valuation allowance	**584,314**	513,912	(99,812)
Other	**30,518**	(187,171)	278,652
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

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

	2025	**2024**	**2023**
Deferred Tax Assets			
Allowance for credit losses	**$ 84,621**	$ 578,947	$ 22,034
Loss carryforwards	**2,079,985**	977,217	977,217
Other	**(74,186)**	(50,058)	(7,057)
Gross deferred tax assets	**2,090,420**	1,506,106	992,194
Deferred tax asset valuation allowance	**(2,090,420)**	(1,506,106)	(992,194)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded valuation allowances of $2,090,420, $1,506,106 and $992,194 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 11 — 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 multi-employer, 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. For the DB plan, the Association recognized pension costs of $232,478, $217,392 and $348,799 for the years ended December 31, 2024, 2023 and 2022, respectively. The Association recognized pension costs for the DC plan of $322,620, $291,470 and $353,446 for the years ended December 31, 2025, 2024 and 2023, respectively.

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 elected to participate in the Restored Employer and the Elective Deferrals programs of the Supplemental 401(k) Plan. For the Restored Contributions program, the Association contributed $5,132, $16,635 and $21,119 for 2025, 2024, and 2023, respectively. To date, no employees have made contributions to the Elective Deferrals program. There were no payments made from the Supplemental 401(k) Plan to active employees during 2025, 2024 and 2023.

The DB Plan is non-contributory 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 December 31, 2025.

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

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Association chooses to stop participating in some of its multi-employer 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 December 31, 2025, 2024 and 2023:

	2025	2024	2023
Funded status of plan	**78.1** %	75.7 %	73.3 %
Association's contribution	**$ 232,478**	$ 217,392	$ 348,799
Percentage of Association's contribution to total contributions	**5.8** %	5.9 %	5.4 %

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 percent, 75.7 percent and 73.3 percent at December 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 multi-employer and, consequently, the liability for these benefits is included in other liabilities. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost-sharing basis, predicated on length of employment service. Employees hired before this date who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.
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	**$ 2,613,183**	$ 2,669,614	$ 2,533,599
Service cost	**16,213**	34,809	42,006
Interest cost	**137,390**	144,384	129,647
Plan participants' contributions	**44,637**	50,394	47,682
Plan amendments	**-**	-	-
Special termination benefits	**-**	-	-
Actuarial loss (gain)	**(342,979)**	(150,750)	39,870
Benefits paid	**(152,610)**	(135,268)	(123,190)
Accumulated postretirement benefit obligation, end of year	**$ 2,315,834**	$ 2,613,183	$ 2,669,614
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**107,973**	84,874	75,508
Plan participants' contributions	**44,637**	50,394	47,682
Benefits paid	**(152,610)**	(135,268)	(123,190)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (2,315,834)**	$ (2,613,183)	$ (2,669,614)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (2,315,834)**	$ (2,613,183)	$ (2,669,614)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (777,519)**	$ (475,394)	$ (334,487)
Prior service cost (credit)	**-**	(4,247)	(24,470)
Net transition obligation (asset)	**-**	-	-
Total	**$ (777,519)**	$ (479,641)	$ (358,957)
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	**2035/2035**	2034/2034	2034/2034

Total Cost	**2025**	**2024**	**2023**
Service cost	**$ 16,213**	$ 34,809	$ 42,006
Interest cost	**137,390**	144,384	129,647
Expected return on plan assets	**-**	-	-
Amortization of:			
Unrecognized net transition obligation (asset)	**-**	-	-
Unrecognized prior service cost	**(4,247)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**(40,854)**	(9,843)	(19,390)
Net postretirement benefit cost	**$ 108,502**	$ 149,127	$ 132,040
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ (302,125)**	$ (140,907)	$ 39,870
Amortization of net actuarial loss (gain)	**-**	-	19,390
Prior service cost (credit)	**4,247**	20,223	20,223
Amortization of prior service cost	**-**	-	-
Recognition of prior service cost	**-**	-	-
Amortization of transition liability (asset)	**-**	-	-
Total recognized in other comprehensive income	**$ (297,878)**	$ (120,684)	$ 79,483
AOCI Amounts Expected to be Amortized Into Expense in 2026			
Unrecognized net transition obligation (asset)	**$ -**	$ -	$ -
Unrecognized prior service cost	**-**	(40,854)	(20,223)
Unrecognized net loss (gain)	**(85,169)**	(4,247)	(9,843)
Total	**$ (85,169)**	$ (45,101)	$ (30,066)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2024**	**12/31/2023**	**12/31/2022**
Discount rate	**5.35%**	5.50%	5.20%
Interest crediting rate			
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%
Health care cost trend rate assumed for next year - Rx			
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2034/2034**	2033/2033	2031/2031

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)			
Fiscal 2026	**$ 109,695**	$ -	$ -
Fiscal 2027	**115,622**	-	-
Fiscal 2028	**121,513**	-	-
Fiscal 2029	**140,188**	-	-
Fiscal 2030	**138,100**	-	-
Fiscal 2031–2035	**759,887**	-	-
Expected Contributions			
Fiscal 2026	**$ 109,695**	$ -	$ -

NOTE 12 — 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 persons 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 persons at December 31, 2025, 2024 and 2023 for the Association amounted to $10,065,486, $8,240,395 and $8,382,907. During 2025, 2024 and 2023, $8,695,518, $6,459,438 and $6,095,369 of new loans were made, and repayments totaled $6,870,427, $6,601,950 and $6,173,414, respectively. In the opinion of management, no such loans outstanding at December 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 $1,374,019, $1,500,885 and $1,961,324 in 2025, 2024 and 2023, respectively.

The Association received patronage payments from the Bank totaling $3,188,020, $4,403,498 and $4,127,081 during 2025, 2024 and 2023, respectively.

NOTE 13 — 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.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2025, 2024 and 2023 for each of the fair value hierarchy values are summarized below:

December 31, 2025	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	$ 302,625	$ -	$ -	$ 302,625

December 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	$ 261,836	$ -	$ -	$ 261,836

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	$ 201,325	$ -	$ -	$ 201,325

*Accounting guidance requires that the fair value measurement for investments be broken out by the different types of investments held.

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

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

December 31, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ 365,071	$ 365,071

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	$ -	$ -	$ 356,405	$ 356,405

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				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 14,340**	**$ 14,340**	**$ -**	**$ -**	**$ 14,340**
Net loans	**1,520,771,957**	**-**	**-**	**1,456,875,128**	**1,456,875,128**
Total Assets	**$ 1,520,786,297**	**$ 14,340**	**$ -**	**$ 1,456,875,128**	**$ 1,456,889,468**
Liabilities:					
Note payable to Bank	**$ 1,310,016,586**	**$ -**	**$ -**	**$ 1,255,211,052**	**$ 1,255,211,052**
Total Liabilities	**$ 1,310,016,586**	**$ -**	**$ -**	**$ 1,255,211,052**	**$ 1,255,211,052**

	December 31, 2024				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 11,967	$ 11,967	$ -	$ -	$ 11,967
Net loans	1,383,397,014	-	-	1,287,791,283	1,287,791,283
Total Assets	$ 1,383,408,981	$ 11,967	$ -	$ 1,287,791,283	$ 1,287,803,250
Liabilities:					
Note payable to Bank	$ 1,171,471,511	$ -	$ -	$ 1,090,984,224	$ 1,090,984,224
Total Liabilities	$ 1,171,471,511	$ -	$ -	$ 1,090,984,224	$ 1,090,984,224

	December 31, 2023				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,995	$ 10,995	$ -	$ -	$ 10,995
Net loans	1,335,035,512	-	-	1,229,674,953	1,229,674,953
Total Assets	$ 1,335,046,507	$ 10,995	$ -	$ 1,229,674,953	$ 1,229,685,948
Liabilities:					
Note payable to Bank	$ 1,127,940,073	$ -	$ -	$ 1,039,492,001	$ 1,039,492,001
Total Liabilities	$ 1,127,940,073	$ -	$ -	$ 1,039,492,001	$ 1,039,492,001

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.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

About 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:

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

NOTE 14 — 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. At December 31, 2025, the Association had outstanding unfunded commitments totaling $203,253,238. Included in that total were, through participations, letters of credit of $560,772.

Since 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 15 — 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	**$ 9,630**	**$ 9,553**	**$ 9,947**	**$ 9,802**	**$ 38,932**
(Provision for) reversal of loan losses	**140**	**(302)**	**(3,898)**	**2,660**	**(1,400)**
Noninterest income (expense), net	**(3,783)**	**(3,261)**	**(4,221)**	**$ (4,017)**	**(15,282)**
Net income	**$ 5,987**	**$ 5,990**	**$ 1,828**	**$ 8,445**	**$ 22,250**

	2024				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 9,266	$ 8,932	$ 9,000	$ 9,308	$ 36,506
(Provision for) reversal of loan losses	(183)	(2,079)	137	824	(1,300)
Noninterest income (expense), net	(3,754)	(2,840)	(3,146)	(3,969)	(13,710)
Net income	$ 5,329	$ 4,013	$ 5,991	$ 6,163	$ 21,496

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	$ 8,692	$ 8,653	$ 8,924	$ 9,109	$ 35,378
(Provision for) reversal of loan losses	(251)	16	12	(80)	(303)
Noninterest income (expense), net	(3,389)	(2,810)	(4,040)	(4,369)	(14,608)
Net income	$ 5,052	$ 5,859	$ 4,896	$ 4,660	$ 20,467

NOTE 16 — 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. On February 25, 2026, the Bank received a refund of 2025 FCSIC premiums in the amount of $19,270,644. The Association's share of the refund was $663,263 or 3.44 percent and was recorded into income in February. 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 persons 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

The Alabama Ag Credit, ACA (Association) serves its 40-county territory through its main administrative and lending office at 7480 Halcyon Pointe Drive, Suite 201, Montgomery, AL 36117. Additionally, there are nine branch lending offices located throughout the territory. The Association owns the office buildings in Montgomery (branch), Opelika, Enterprise, Dothan, Monroeville and Spanish Fort. The Association leases the office buildings in Montgomery (administrative), Demopolis, Selma and Tuscaloosa.

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 9 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 8, "Note Payable to the Bank," Note 11, "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 14 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 (Bank), 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 Farm Credit Bank of Texas (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 annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end, and the Association's annual stockholder report will be available on its website 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. Copies of the reports can also be obtained by writing to Alabama Ag Credit, ACA, 7480 Halcyon Pointe Dr., Suite 201, Montgomery, Alabama 36117 or calling (334) 270-8687. In addition, copies of the reports can also be requested by emailing *info@alabamaagcredit.com.*

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 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 CONDITION 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:

NAME	POSITION	DATE ELECTED/EMPLOYED	TERM EXPIRES	TIME IN POSITION
Larry H. Gibson, Jr.	Chairman	April 2010	2029	
John Carl Sanders	Vice Chairman	April 2015	2028	
Annie Dee	Director	June 2019	2029	
Richard H. Meadows	Director	July 2020	2026	
Ray Petty*	Director-Elected Director	January 2007	2025	
Mark D. Platt	Director	April 2016	2026	
Richard M. Stabler	Director-Elected Director	August 2020	2026	
Roman L. McLeod	Director-Elected Director	June 2021	2028	
Bradfield Evans	Director	June 2021	2027	
Nicolas Hartley*	President/Chief Executive Officer			1 year
Heather Smith	Sr. VP/Chief Financial Officer			4 years
Keith McKinley	Sr. VP/Chief Relationship Officer			2 year
Chris Higbe**	Sr. VP/Chief Credit Officer			14 years
Michael Anthos**	Sr. VP/Chief Credit Officer			0 years

* Ray Petty retired from the board of directors on January 31, 2025.

** Chris Higbe retired from the Association on December 19, 2025, and Michael Anthos was hired December 1, 2025 as Senior Vice President/Chief Credit Officer.

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

Larry H. Gibson, **Jr**. – Mr. Gibson resides in Aliceville, Alabama, and is president and owner of Gibson Forest Management, Inc., a forestry consulting firm established in 1994, and Gibson Timberlands, LLC, a land and timber company. He manages approximately 60,000 acres of timberland for clients in West Alabama and East Mississippi, where he provides complete forest management services, and he owns approximately 2,400 acres of timberland, where timber and wildlife are the primary commodities. Mr. Gibson is a member of the Alabama Forestry Association, the Society of American Foresters (past state chair), the Association of Consulting Foresters (past state chair), and Alabama Farmers Federation of Pickens County, having served on the boards of each organization. He currently serves as a member of the Pickens County Industrial Board (industrial development). Mr. Gibson earned a bachelor's degree in Forest Management from Mississippi State University. He is a trustee at Hebron United Methodist Church. Mr. Gibson serves as chairman of the Association's board of directors and previously served as vice chairman of the board.

John Carl Sanders – Mr. Sanders resides in Roeton, Alabama, and has been farming full time all of his adult life. He farms in partnership with his son on 1,100 acres, where the primary commodities produced are peanuts, cotton and corn. In addition, Mr. Sanders has a 100-head brood cow operation. Mr. Sanders serves as president of the Alabama Peanut Producers Association (peanut promotion), a director of the American Peanut Council (peanut promotion), a member of the Peanut Standards Board (peanut promotion), director of the Coffee County Farmers Federation (agricultural federation), and a director of the Alabama 4-H Club Foundation (resources for promotion of youth in agriculture). Mr. Sanders earned a bachelor's degree in Agricultural Science from

Auburn University. He is a deacon of Roeton Baptist Church. Mr. Sanders serves as vice chairman of the Association's board of directors and formerly served as chairman of the board.

Annie Dee – Ms. Dee resides in Aliceville, Alabama, and has been farming all of her adult life. She is president and part owner of Dee River Ranch, a family-operated 10,000-acre farm where the principal commodities produced are corn and soybeans. In addition, Dee River Ranch has pine and hardwoods planted on part of the farm. Ms. Dee is part-owner and manager of Dee Farm and Dee River Farm, general partnerships that runs the farming operations located at Dee River Ranch, and Dee Farm Equipment, LLC. The farm also engages in collaborations with several universities in irrigation research projects, and crop variety and fungicide trials. In addition to her work on the farm, Ms. Dee's affiliations and board service include the Alabama Soybean and Corn Association (agricultural commodity promotion), the Pickens County Farmers Federation (agricultural federation), the West Alabama Food Bank (storing and distributing food for hunger relief), the Advisory Board for the Soybean Innovation Lab administered through University of Illinois, and the USDA Cover Crop Advisory Board. Ms. Dee is a Soil Health Partner for the National Association of Conservation Districts and also serves as a lead farmer for the Farm Journal Foundation. In addition, she serves on the NRCS State Advisory Board, the Simplot Grower Solutions Grower Council, and the Agriculture Advisory Council of the Birmingham branch of the Federal Reserve Bank of Atlanta. Formerly, Ms. Dee was a member of Pickens County Cattlewomen (past president), New Era Arts Club (past president), and Corpus Christi Parish Council (past president). She also served on the advisory committee for Auburn University Forestry Department and Auburn University Integrated Pest Management. Additionally, she served on the boards of the United Soybean Board and the Alabama Soybean Producers and has worked with the Howard G. Buffett Foundation on "Invest an Acre" and "Harvesting the Potential" programs. Ms. Dee earned a bachelor's degree in Animal Industries from Clemson University, attends Corpus Christi Church, and serves as the chair of the Association's compensation committee.

Richard H. Meadows – Mr. Meadows resides in Columbia, Alabama, with his wife, Kathy, and they have three sons. He has been involved in the farming business most of his life. Mr. Meadows is an area sales manager for WB Fleming Mineral Company, where he has worked for 19 years. The company is a producer of livestock minerals and is based in Tifton, Georgia, with Mr. Meadows' sales territory covering central and south Alabama and the Florida panhandle. Mr. Meadows is a partner with his brother and other family members in Meadows Creek Farm, LLC, a cattle operation partnership formed in 1985 and based in Houston County, Alabama, focusing on seedstock production of Charolais, Angus and SimAngus cattle. Meadows Creek Farm also grows corn silage, grain sorghum and small grains for cattle feed. Mr. Meadows is past president and current board member of Houston County Cattlemen's Association (treasurer) and Alabama Charolais Association. He is also a past president and now treasurer of Alabama Cattlemen's Association (cattle promotion). Mr. Meadows earned a Bachelor of Science degree in Animal and Dairy Science from Auburn University and a Master of Business Administration degree with concentration in Agricultural Economics from Auburn University. Mr. Meadows is a deacon at Watermark Church in Ashford, Alabama.

Ray Petty – Mr. Petty resides in Birmingham, Alabama, and serves on the Montgomery Advisory Board for an independent commercial bank, ServisFirst Bank, based in Birmingham, Alabama. Mr. Petty was serving on the board of directors of ServisFirst at the time of his appointment as chief development officer in July 2008, a position he held until 2019. Previously, Mr. Petty was retired after a 34-year career in commercial banking with SouthTrust Bank. Mr. Petty served for 27 years in Montgomery, the last 20 as the Montgomery area president. During the last nine years of his Montgomery tenure, Mr. Petty also served as South Alabama/Mississippi regional president. In addition, he taught commercial lending for 15 years at University of South Alabama's banking school. Mr. Petty earned a bachelor's degree in history from Auburn University. He previously served as the chair of the compensation committee. Mr. Petty retired from the Board on January 31, 2025.

Mark D. Platt – Mr. Platt resides in Fruitdale, Alabama, and has been farming full time for the past 25 years. He is co-owner of Platt Farms, a Washington County-based operation that includes 950 acres where principal commodities produced are poultry, soybeans, hay, peanuts, feed grains, cattle and timber. Mr. Platt serves on the boards of Washington County Soil and Water Conservation District (soil and water conservation), Washington County Farmers Federation (agricultural federation) and the Clarke-Washington Farm Service Agency (USDA programs). Mr. Platt is a member of Alabama Farmers Federation, Alabama Cattlemen's Association, and Alabama Peanut Producers Association. Mr. Platt attended Alabama Southern, where he earned an associate degree in Industrial and Business Technology.

Richard M. Stabler – Mr. Stabler resides in Fairhope, Alabama, and is a retired CPA. Mr. Stabler has over 42 years of experience in public accounting and is retired from service as a member/partner with the accounting firm Warren Averett, LLC. He served on the firm's Executive Committee and was chair of the firm's Office Managing Member Council for nine years and served as the office managing member of the Montgomery office of the firm for 10 years. Mr. Stabler also serves on the board of directors of Three Notch Group, a southeast regional engineering and consulting firm based in Andalusia and an investment holding company. Mr. Stabler also serves on the board of the Alabama Shakespeare Festival, a Montgomery-based nonprofit organization that provides a variety of theatrical performances and educational and community programs. Mr. Stabler earned a bachelor's degree in accounting from Troy University and serves as the chairman of the Association's audit committee.

Roman L. McLeod – Mr. McLeod resides in Pike Road, Alabama, and has 28 years of experience in the financial industry. He currently serves as the director of the Office of Cash Management at Auburn University, a position he has held for 11 years. Previously he served in leadership positions with the State of Alabama, Office of State Treasurer for 11 years. Mr. McLeod has also served in various roles in retail and commercial banking for six years. Mr. McLeod serves in the University of North Alabama Alumni Board. He is a certified public manager and is a graduate of Leadership Montgomery. Mr. McLeod earned a Bachelor of Science degree in Business at the University of North Alabama. Mr. McLeod also serves on the board of trustees for Beulah Baptist Church.

Bradfield Evans – Mr. Evans resides in Hope Hull, Alabama, and has been raising cattle since 2010 and doing so full time for the past 11 years. He and his family operate CK Cattle, a Lowndes County-based farming operation that encompasses 3,100 acres of owned and leased pastureland. The cattle operation includes a base herd of approximately 700 registered Angus, Chiangus and SimAngus cows. The farm markets over 250 bulls each year. They also grow 200 acres of corn silage and 400 acres of Bermuda hay. Mr. Evans is the immediate past president of the Lowndes County Cattlemen's Association (beef promotion), past chairman of the Dallas/Lowndes FSA County Committee (USDA programs), and he also serves on the board of the Alabama Farmer's Federation for Lowndes County (agricultural federation). Mr. Evans formerly served as state chair of Alabama Cattlemen's Association Young Cattlemen's Leadership Program Council (developing leadership qualities in young farmers) and has participated as Alabama's delegate to NCBA's Young Cattlemen's Conference (2018). Mr. Evans is a deacon at Hayneville Baptist Church and where he and his wife teach a young adult Sunday school class.

Nicolas Hartley, President/Chief Executive Office – Mr. Hartley joined the Association as President/Chief Executive Officer in January 2025 upon the retirement of Douglas Thiessen. Prior to joining the Association, Mr. Hartley served for over 16 years at AgGeorgia Farm Credit, including the last four years as Chief Lending Officer. Mr. Hartley holds a bachelor's degree from the University of Georgia, a Masters of Business Administration degree from Mercer University, and is a graduate of the LSU School of Banking.

Chris Higbe, Senior Vice President/Chief Credit Officer – Mr. Higbe joined the Association in May 2011 as the Association's VP-Credit, and in May 2012 was named Chief Credit Officer. Prior to joining the Association, Mr. Higbe was employed in various credit-related positions in the commercial banking industry for approximately 19 years, most recently serving for two years as credit manager of a de-novo bank in Prattville, Alabama. Mr. Higbe serves on the board of the Alabama Agribusiness Council (agriculture and forestry promotion). Mr. Higbe is a graduate of Auburn University Montgomery with a Bachelor of Science degree in General Business and a Bachelor of Science degree in accounting. Mr. Higbe retired on December 19, 2025.

Heather Smith, Senior Vice President/Chief Financial Officer – Ms. Smith joined the Association in January 2022 as the Chief Financial Officer. Previously she served as Vice President/Controller for another Farm Credit association for eight years, and before that held various positions in public accounting, government and private businesses. Altogether, Ms. Smith has 28 years of accounting and finance experience. Ms. Smith is a graduate of Athens State University with a Bachelor of Business Administration degree in accounting.

Keith McKinley, Senior Vice President/Chief Lending Officer – Mr. McKinley joined the Association in May of 2017. He was named Vice President/Relationship Manager for the Gulf Coast branch, effective January 2022. In January 2024, Mr. McKinley was named Sr. VP/Chief Relationship Officer. Prior to joining the Association, Mr. McKinley served in other management roles in other commercial lending institutions and has 19 years' experience in the finance industry. He is a 2004 graduate of Auburn University with a Bachelor of Arts degree in Political Science.

Michael Anthos, Senior Vice President/Chief Credit Officer – Mr. Anthos joined the Association on December 1, 2025, as the Chief Credit Officer. Originally from West Virginia, Mr. Anthos helped manage his family's cow/calf operation. He has served eight years in management of credit analysis and as a relationship manager at other farm credit institutions. Most recently, Mr. Anthos served for two and a half years as CFO at an electric cooperative in Colorado. Prior to that, he served for almost four years in various roles at CoBank. He earned bachelor's and master's degrees in business from South University in Savannah, GA, and graduated from the Graduate School of Banking at LSU.

COMPENSATION OF DIRECTORS

The directors' compensation program includes a monthly retainer and a per-day honorarium. A retainer of $1,750 per month was paid to the board chairman and audit committee chairman, and $1,250 per month to all other directors. The honorarium rate of

$500 was paid for each day served in any official capacity as an Association board member. An additional travel-related honorarium of $200 is paid to directors traveling over 100 miles but less than 200 miles to a board or committee meeting, and an additional honorarium of $400 is paid to directors traveling over 200 miles. For multi-day meetings, the increased travel honorarium applies to the first day only. In addition, if multiple meetings are held on the same day (for example, audit committee and board meeting held on the same day), the directors receive an honorarium of $150 for the additional meeting. The directors are also compensated for scheduled conference calls at the rate of $200 per day. Additionally, they are reimbursed for certain expenses incurred while representing the Association in an official capacity. There were no changes to the compensation program during 2023, 2024, or 2025.

Mileage for attending official meetings during 2025, 2024, and 2023 was paid at the IRS-approved prevailing rate at the time. A copy of the travel policy is available to stockholders of the Association upon request.

The aggregate compensation paid to directors in 2025, 2024 and 2023 was $260,400, $280,300 and $304,200, respectively. Additional details regarding director compensation paid for committee service are as follows for 2025:

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2025**
Larry H. Gibson, Jr.	14	27	$ 39,850
John Carl Sanders	11	22	28,500
Annie Dee	14	21	30,250
Richard H. Meadows	14	22	31,650
Ray Petty	3	-	2,800
Mark D. Platt	14	20	30,850
Richard M. Stabler	13	19	38,350
Roman McLeod	14	19	29,650
Bradfield Evans	13	21	28,500
			$ 260,400

	Committee	
Director	**Audit**	**Compensation**
Larry H. Gibson, Jr.	$ 1,200	$ 1,400
John Carl Sanders	850	1,200
Annie Dee	1,500	900
Richard H. Meadows	1,000	1,400
Ray Petty	150	-
Mark D. Platt	1,200	1,600
Richard M. Stabler	1,000	1,600
Roman McLeod	1,200	1,200
Bradfield Evans	1,050	1,200
	$ 9,150	**$ 10,500**

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $104,258, $105,303 and $143,596 in 2025, 2024 and 2023, respectively.

COMPENSATION OF SENIOR OFFICERS

Information regarding senior officer compensation is included in the Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at the Association offices pursuant to §620.2(b).

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 14 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in §620.6(f) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees paid during 2025 for professional services rendered for the Association by PwC were $120,000 for audit services, $13,125 for tax return preparation services and $2,000 for an automated disclosure checklist license. No other services were performed by PwC during the reporting period. All audit and non-audit services performed by PwC during the reporting period were approved by the audit committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association formed an unincorporated business entity for the purpose of acquiring and managing unusual or complex collateral associated with loans. The entity was a single-member limited liability company (LLC), with the Association being the sole member. SA Alabama Properties III, LLC was organized for the purpose of holding and managing foreclosed property. This entity was dissolved in early 2025.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PwC 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 TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: Ten years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $350,000 in annual gross sales of agricultural products

The 2022 USDA Census of Agriculture for Alabama (Census) indicates that in the Association's territory, 7 percent of farm operators are "young," 34.7 percent are "beginning" and 90.5 percent of the farms are "small."

The Association's YBS loans, as a percentage of total loans outstanding on December 31, are reflected in the table below for the past three years.

	Young	**Beginning**	**Small**
2023	17.55 percent	56.38 percent	73.35 percent
2024	18.52 percent	52.59 percent	66.48 percent
2025	18.32 percent	58.00 percent	73.21 percent

The Association's goals over the succeeding three-year period are to reach the percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	**Beginning**	**Small**
2026	19.25percent	53.50 percent	67.00 percent
2027	19.75 percent	54.00 percent	67.25 percent
2028	19.85 percent	56.00 percent	69.25 percent

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 Loan Counts**	**Percentage of Total Loan Volume**
Young only	**38**	**$ 10,458,591**	**0.8%**	**1.0%**
Young & beginning	**90**	**35,020,560**	**1.9%**	**3.3%**
Young & small	**66**	**8,212,641**	**1.4%**	**0.8%**
Beginning only	**92**	**54,394,245**	**1.9%**	**5.1%**
Beginning & small	**2,228**	**394,003,323**	**45.9%**	**37.1%**
Small only	**1,068**	**180,342,869**	**22.0%**	**17.0%**
Young, beginning & small (YBS)	**812**	**83,182,887**	**16.7%**	**7.8%**
Non-YBS	**460**	**295,074,150**	**9.5%**	**27.8%**
Total	**4,854**	**$ 1,060,689,266**	**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 Loan Counts**	**Percentage of Total Loan Volume**
Young only	**17**	**$ 4,978,483**	**0.4%**	**0.5%**
Young & beginning	**38**	**16,382,395**	**0.8%**	**1.5%**
Young & small	**11**	**6,228,616**	**0.2%**	**0.6%**
Beginning only	**37**	**13,164,626**	**0.8%**	**1.2%**
Beginning & small	**418**	**118,732,977**	**8.6%**	**11.2%**
Small only	**179**	**110,657,752**	**3.7%**	**10.4%**
Young, beginning & small (YBS)	**191**	**29,457,669**	**3.9%**	**2.8%**
Non-YBS	**153**	**194,194,129**	**3.2%**	**18.3%**
Total	**1,044**	**$ 493,796,647**	**21.5%**	**46.6%**

The Association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.