

ALABAMA AG CREDIT, ACA

**2026
Quarterly Report**



For the Quarter Ended March 31, 2026

REPORT OF MANAGEMENT

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

/s/ Nicolas Hartley

Nicolas Hartley, Chief Executive Officer

May 7, 2026

/s/ Larry H. Gibson, Jr.

Larry H. Gibson, Jr., Chairman, Board of Directors

May 7, 2026

/s/ Heather Smith

Heather Smith, Sr. VP/Chief Financial Officer

May 7, 2026

/s/ Richard M. Stabler

Richard M. Stabler, CPA, retired, Chairman, Audit Committee

May 7, 2026

First Quarter 2026 Financial Report

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ALABAMA AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Alabama Ag Credit, ACA, referred to as the Association, for the quarter ended March 31, 2026. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2025 Annual Report to Stockholders.

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

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

The first quarter of 2026 has seen drought conditions worsen across the Association's territory with parts of eight counties being in the extreme drought category and approximately half of our territory categorized as severe or extreme drought.

Loan Portfolio

Total loans outstanding at March 31, 2026, including nonaccrual loans and sales contracts, were \$1,580,366,248 compared to \$1,527,325,808 at December 31, 2025, reflecting an increase of 3.5 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.0 percent at March 31, 2026, compared to 0.8 percent at December 31, 2025.

The Association recorded \$0 in recoveries and \$161,473 in charge-offs for the three months ended March 31, 2026, and \$1,069 in recoveries and \$0 in charge-offs for the three months ended March 31, 2025. The Association's allowance for loan losses was 0.4 percent and 0.4 percent of total loans outstanding as of March 31, 2026, and December 31, 2025, respectively.

Risk Exposure

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

	<u>March 31, 2026</u>		<u>December 31, 2025</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 16,184,150	99.6%	\$ 12,846,678	88.3%
90 days past due and still accruing interest	52,111	0.4%	1,703,981	11.7%
Total	<u>\$ 16,236,261</u>	<u>100.0%</u>	<u>\$ 14,550,659</u>	<u>100.0%</u>

Results of Operations

The Association had net income of \$4,744,479 for the three months ended March 31, 2026, as compared to net income of \$5,986,631 for the same period in 2025, reflecting a decrease of 20.7 percent. Net interest income was \$9,419,612 for the three months ended March 31, 2026, compared to \$9,629,688 for the same period in 2025.

	<u>March 31, 2026</u>		<u>March 31, 2025</u>	
	<u>Average Balance</u>	<u>Interest</u>	<u>Average Balance</u>	<u>Interest</u>
Loans	\$ 1,555,823,867	\$ 22,980,089	\$ 1,416,300,178	\$ 21,257,010
Interest-bearing liabilities	<u>1,336,341,877</u>	<u>13,560,477</u>	<u>1,193,881,496</u>	<u>11,627,322</u>
Impact of capital	<u>\$ 219,481,990</u>		<u>\$ 222,418,682</u>	
Net interest income		<u>\$ 9,419,612</u>		<u>\$ 9,629,688</u>

	<u>2026 Average Yield</u>	<u>2025 Average Yield</u>
	Yield on loans	6.0%
Cost of interest-bearing liabilities	4.1%	3.9%
Interest rate spread	1.9%	2.0%
Net interest income as a percentage of average earning assets	2.5%	2.8%

	<u>Three Months Ended March 31, 2026 vs. March 31, 2025</u>		
	<u>Increase (decrease) due to</u>		
	<u>Volume</u>	<u>Rate</u>	<u>Total</u>
Interest income - loans	\$ 2,094,082	\$ (371,003)	\$ 1,723,079
Interest expense	<u>1,387,420</u>	<u>545,736</u>	<u>1,933,156</u>
Net interest income	<u>\$ 706,662</u>	<u>\$ (916,739)</u>	<u>\$ (210,077)</u>

Interest income for the three months ended March 31, 2026, increased by \$1,723,079, or 8.1 percent, from the same period of 2025, primarily due to an increase in average loan volume offset by a slight decline in yields on earning assets. Interest expense for the three months ended March 31, 2026, increased by \$1,933,155, or 16.6 percent, from the same period of 2025 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the first quarter of 2026 was \$1,555,823,867, compared to \$1,416,300,178 in the first quarter of 2025. The average net interest rate spread on the loan portfolio for the first quarter of 2026 was 1.9 percent, compared to 2.0 percent in the first quarter of 2025.

Noninterest income for the three months ending March 31, 2026, increased by \$6,963, or 0.5 percent over the same period of 2025. The increase for the three-month period is due primarily to an increase in loan fees and a refund received from Farm Credit System Insurance Corporation (FCSIC) offset by a decrease in the patronage income accrual from the Farm Credit Bank of Texas.

Noninterest expenses for the three months ended March 31, 2026, increased by \$277,086, or 5.3 percent, as compared to the same period in 2025. The increase is primarily due to increased salaries and employee benefits, purchased services, FCSIC premiums, and public and member relations offset by a decrease in occupancy and equipment expense and business insurance. Also included in the increases was an increase in other noninterest expense due to increased fees from Farmer Mac. Salaries and benefits increased due to annual increases. Purchased services increased primarily due to the addition of a monthly IT charge from the Bank. FCSIC expenses increased due to the increase in loan volume. Public and member relations increased primarily due to the timing of events compared to prior year. Business insurance decreased due to amortizing the premium over the entire year in 2026 versus recognizing all the expense in the first quarter in 2025. Occupancy and equipment decreased primarily due to reduced costs for computer and software licenses and less furniture and equipment purchases in 2026.

The Association's return on average assets for the three months ended March 31, 2026, was 1.2 percent compared to 1.7 percent for the same period in 2025. The Association's return on average equity for the three months ended March 31, 2026, was 7.7 percent, compared to 10.1 percent for the same period in 2025.

Liquidity and Funding Sources

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

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Note payable to the Bank	\$ 1,357,798,399	\$ 1,310,016,586
Accrued interest on note payable	4,668,463	4,448,710
Total	<u>\$ 1,362,466,862</u>	<u>\$ 1,314,465,296</u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$1,357,798,399 as of March 31, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.0 percent at March 31, 2026. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2025, is due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$223,699,766 at March 31, 2026. The maximum amount the Association may borrow from the Bank as of March 31, 2026, was \$1,615,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, 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.

Capital Resources

The Association's capital position increased by \$4,797,388 at March 31, 2026, compared to December 31, 2025. The Association's debt as a percentage of members' equity was 5.3:1 as of March 31, 2026, compared to 5.2:1 as of December 31, 2025.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2026, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2025 Annual Report of Association more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank 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 by calling (512) 483-9204. The annual and quarterly stockholder reports for the bank are also available on its website at www.farmcreditbank.com.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Alabama Ag Credit, ACA, 7480 Halcyon Pointe Drive, Ste 201, Montgomery, AL 36117 or calling (334)270-8687. The quarterly stockholder reports will be available on the Association's website at www.AlabamaAgCredit.com approximately 40 days after quarter end. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing info@AlabamaAgCredit.com. The Association's annual stockholder report is 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.

Alabama Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	March 31, 2026 (unaudited)	December 31, 2025
<u>ASSETS</u>		
Cash	\$ 13,475	\$ 14,340
Loans	1,580,366,248	1,527,325,808
Less: allowance for credit losses on loans	<u>7,013,237</u>	<u>6,553,851</u>
Net loans	1,573,353,011	1,520,771,957
Accrued interest receivable	15,381,945	17,362,045
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	32,130,385	32,130,385
Allocated Equities	909,011	909,011
Accrued Patronage Receivable	1,000,832	3,187,889
Other	363,844	759,315
Premises and equipment, net	6,874,443	6,811,065
Other assets	<u>1,748,833</u>	<u>1,764,641</u>
Total assets	<u>\$ 1,631,775,779</u>	<u>\$ 1,583,710,648</u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 1,357,798,399	\$ 1,310,016,586
Accrued interest payable	4,668,463	4,448,710
Drafts outstanding	28,259	73,868
Patronage distributions payable	993,231	10,297,197
Other liabilities	<u>12,365,086</u>	<u>7,772,809</u>
Total liabilities	<u>1,375,876,913</u>	<u>1,332,609,170</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	4,811,490	4,737,285
Unallocated retained earnings	250,331,153	245,586,674
Accumulated other comprehensive income	<u>756,223</u>	<u>777,519</u>
Total members' equity	255,898,866	251,101,478
Total liabilities and members' equity	<u>\$ 1,631,775,779</u>	<u>\$ 1,583,710,648</u>

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

Alabama Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended	
	March 31,	
	2026	2025
<u>INTEREST INCOME</u>		
Loans	\$ 22,980,089	\$ 21,257,010
<u>INTEREST EXPENSE</u>		
Note payable to the Farm Credit Bank of Texas	13,560,477	11,627,322
Net interest income	9,419,612	9,629,688
<u>PROVISION FOR LOAN LOSSES</u>	622,052	(139,901)
Net interest income after provision for credit losses on loans	8,797,560	9,769,589
<u>NONINTEREST INCOME</u>		
Income from the Farm Credit Bank of Texas:		
Patronage income	263,177	971,591
Loan fees	335,891	109,198
Refunds from Farm Credit System Insurance Corporation	663,263	-
Gain on sale of premises and equipment, net	-	2,578
Other noninterest income	155,575	327,576
Total noninterest income	1,417,906	1,410,943
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	3,193,883	3,167,022
Directors' expense	112,584	106,696
Purchased services	555,085	163,945
Travel	183,558	186,389
Occupancy and equipment	316,947	443,348
Communications	88,333	72,972
Advertising	92,458	83,674
Public and member relations	160,498	122,895
Supervisory and exam expense	130,291	123,561
Business insurance expense	81,909	271,488
Insurance fund premiums	311,525	270,469
Other components of net periodic postretirement benefit cost	14,357	23,072
Other noninterest expense	229,559	158,370
Total noninterest expenses	5,470,987	5,193,901
<u>NET INCOME</u>	4,744,479	5,986,631
Other comprehensive income:		
Other comprehensive income, net of tax	(21,296)	(11,274)
<u>COMPREHENSIVE INCOME</u>	\$ 4,723,183	\$ 5,975,357

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

Alabama Ag Credit, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2024	\$ 4,580,405	\$ 233,621,719	\$ 479,641	\$ 238,681,765
Net income	-	5,986,631	-	5,986,631
Other comprehensive income	-	-	(11,274)	(11,274)
Capital stock/participation certificates	178,000	-	-	178,000
Capital stock/participation certificates	(149,375)	-	-	(149,375)
Balance at March 31, 2025	<u>\$ 4,609,030</u>	<u>\$ 239,608,350</u>	<u>\$ 468,367</u>	<u>\$ 244,685,747</u>
Balance at December 31, 2025	\$ 4,737,285	\$ 245,586,674	\$ 777,519	\$ 251,101,478
Net income	-	4,744,479	-	4,744,479
Other comprehensive income	-	-	(21,296)	(21,296)
Capital stock/participation certificates	242,655	-	-	242,655
Capital stock/participation certificates	(168,450)	-	-	(168,450)
Balance at March 31, 2026	<u>\$ 4,811,490</u>	<u>\$ 250,331,153</u>	<u>\$ 756,223</u>	<u>\$ 255,898,866</u>

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

ASSOCIATION NEW MODEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of 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 (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with U.S generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025, as contained in the 2025 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2026. Descriptions of the significant accounting policies are included in the 2025 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting

In December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events 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 ASU 2025-08 Financial Instruments - Credit Losses (Topic 326) - 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 September 2025, the FASB issued ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where (a) capitalization occurs when management has authorized and committed to funding, and (b) it is probable that the project will be completed and the software used as intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient, which allows 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 amendments also provide 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 Association adopted this guidance on January 1, 2026 under a prospective approach. The impact of adoption did not have an impact on the Association's financial condition, results of operations or cash flows

In December 2023, the FASB issued ASU 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this 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. Effective January 1, 2025, the Association adopted this guidance. The adoption of this guidance did not have a material impact on the Association's financial condition, results of operations or cash flows but did impact the income tax disclosures..

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

A summary of loans by type follows:

Loan Type	<u>March 31, 2026</u>	<u>December 31, 2025</u>
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 1,124,191,255	\$ 1,086,868,083
Production and intermediate-term	168,310,976	158,716,996
Agribusiness:		
Loans to cooperatives	8,293,091	8,299,322
Processing and marketing	135,166,905	129,448,238
Farm-related business	30,162,303	29,300,705
Communication	12,869,046	11,897,950
Energy	19,877,830	18,326,510
Water and waste-water	3,248,345	4,446,946
Rural residential real estate	66,225,982	69,492,067
Agricultural export finance	12,020,515	10,528,991
Total	<u>\$ 1,580,366,248</u>	<u>\$ 1,527,325,808</u>

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

The following table presents information regarding the balances of participations purchased and sold at March 31, 2026:

	<u>Other Farm Credit Institutions</u>	
	<u>Participations</u>	<u>Participations</u>
	<u>Purchased</u>	<u>Sold</u>
Real estate mortgage	\$ 25,162,077	\$ 78,422,225
Production and intermediate-term	40,867,391	19,983,061
Agribusiness	141,249,337	74,208,981
Communication	12,869,046	-
Energy	19,877,830	-
Water and waste-water	3,248,345	-
Agricultural export finance	12,020,515	-
Total	<u>\$255,294,541</u>	<u>\$ 172,614,267</u>

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were \$6,109,693 and \$7,499,657 at March 31, 2026, and December 31, 2025, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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

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

The following table shows the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2026 and December 31, 2025:

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Real estate mortgage		
Acceptable	96.9 %	97.9 %
OAEM	1.4	0.7
Substandard/doubtful	<u>1.7</u>	<u>1.4</u>
	100.0	100.0
Production and intermediate-term		
Acceptable	98.8	97.4
OAEM	1.1	2.5
Substandard/doubtful	<u>0.1</u>	<u>0.1</u>
	100.0	100.0
Agribusiness		
Acceptable	95.6	100.0
OAEM	4.4	-
Substandard/doubtful	<u>-</u>	<u>-</u>
	100.0	100.0
Energy and water/waste-water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	<u>-</u>	<u>-</u>
	100.0	100.0
Communication		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	<u>-</u>	<u>-</u>
	100.0	100.0
Rural residential real estate		
Acceptable	99.4	99.9
OAEM	0.1	0.1
Substandard/doubtful	<u>0.5</u>	<u>-</u>
	100.0	100.0
Agricultural export finance		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	<u>-</u>	<u>-</u>
	100.0	100.0
Total loans		
Acceptable	97.2	98.2
OAEM	1.6	0.8
Substandard/doubtful	<u>1.2</u>	<u>1.0</u>
	<u>100.0</u> %	<u>100.0</u> %

Accrued interest receivable on loans of \$15,381,945 and \$17,362,045 at March 31, 2026 and December 31, 2025 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association wrote off accrued interest receivable

against interest income of \$55,611 during the three months ended March 31, 2026. During the three months ended March 31, 2025, the Association did not write off accrued interest receivable.

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

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Nonaccrual loans:		
Real estate mortgage	\$ 16,037,714	\$ 12,831,239
Production and intermediate-term	6,489	15,439
Rural residential real estate	<u>139,947</u>	<u>-</u>
Total nonaccrual loans	<u>\$ 16,184,150</u>	<u>\$ 12,846,678</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	\$ 44,841	\$ 116,693
Production and intermediate-term	-	1,447,341
Rural residential real estate	<u>7,270</u>	<u>139,947</u>
Total accruing loans 90 days or more past due	<u>\$ 52,111</u>	<u>\$ 1,703,981</u>
Total nonperforming assets	<u>\$ 16,236,261</u>	<u>\$ 14,550,659</u>
Nonaccrual loans as a percentage of total loans	1.0%	0.8%
Nonperforming assets as a percentage of total loans and other property owned	1.0%	1.0%
Nonperforming assets as a percentage of capital	6.3%	5.8%

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual during the period:

	<u>March 31, 2026</u>			<u>Interest Income Recognized</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended March 31, 2026</u>
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 16,037,714	\$ 16,037,714	\$ -
Production and intermediate-term	-	6,489	6,489	30
Rural residential real estate	-	-	<u>139,947</u>	<u>-</u>
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 16,044,203</u>	<u>\$ 16,184,150</u>	<u>\$ 30</u>

	<u>December 31, 2025</u>			<u>Interest Income Recognized</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	<u>For the Three Months Ended March 31, 2025</u>
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 12,831,239	\$ 12,831,239	\$ 78,829
Production and intermediate-term	-	15,439	15,439	-
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 12,846,678</u>	<u>\$ 12,846,678</u>	<u>\$ 78,829</u>

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Amortized Cost >90 Days Past Due and Accruing
March 31, 2026						
Real estate mortgage	\$ 8,861,517	\$ 3,166,786	\$ 12,028,303	\$ 1,112,162,954	\$ 1,124,191,257	\$ 44,841
Production and intermediate term loans to cooperatives	4,461,135	1,381	4,462,516	163,848,459	168,310,975	-
Processing and marketing	-	-	-	8,293,091	8,293,091	-
Farm-related business	680,360	-	680,360	134,486,544	135,166,904	-
Communication	932,749	-	932,749	29,229,554	30,162,303	-
Energy	-	-	-	12,869,046	12,869,046	-
Water and waste-water	-	-	-	19,877,830	19,877,830	-
Rural residential real estate	-	-	-	3,248,345	3,248,345	-
Agricultural export finance	618,565	147,217	765,782	65,460,200	66,225,982	7,270
Total	\$ 15,554,326	\$ 3,315,384	\$ 18,869,710	\$ 1,561,496,538	\$ 1,580,366,248	\$ 52,111
December 31, 2025						
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 loans to cooperatives	1,178,692	1,451,673	2,630,365	156,086,631	158,716,996	1,447,341
Processing and marketing	-	-	-	8,299,322	8,299,322	-
Farm-related business	676,644	-	676,644	128,771,594	129,448,238	-
Communication	-	-	-	29,300,705	29,300,705	-
Energy	-	-	-	11,897,950	11,897,950	-
Water and waste-water	-	-	-	18,326,510	18,326,510	-
Rural residential real estate	-	-	-	4,446,946	4,446,946	-
Agricultural export finance	735,109	139,947	875,056	68,617,011	69,492,067	139,947
Total	\$ 12,902,607	\$ 3,391,084	\$ 16,293,691	\$ 1,511,032,117	\$ 1,527,325,808	\$ 1,703,981

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

For loan modifications granted to borrowers during the three months ended March 31, 2026, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of March 31, 2026, disaggregated by loan type and type of modification granted.

For the Three Months Ended March 31, 2026⁽¹⁾		
Term Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 3,103,825	\$3,103,825 0.20%

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

For the three months ended March 31, 2025, the Association did not have any loan modifications related to interest rate reduction, term extension, principal forgiveness, or payment deferral. Accordingly, there were no amounts for accrued interest receivable related to loan modifications for that period.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended March 31, 2026 and 2025 was \$0 and \$0, respectively.

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2026 and 2025:

Financial Effect	
For the Three Months Ended March 31, 2026	
	Term Extension
Real estate mortgage	365 days

The following table sets forth an aging analysis at March 31, 2026 of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2026:

March 31, 2026			
Payment Status of Loans Modified in the Past 12 Months			
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	\$ 6,103,825	-	-
Production and intermediate-term	649,563	-	-
Total	\$ 6,753,388	\$ -	\$ -

There were no loans modified in the three months ended March 31, 2026, that subsequently defaulted.

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2026.

Allowance for Credit Losses

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

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2026 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communi- cations	Energy and Water/Wast e Disposal	Rural Residential Real Estate	Inter- national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2025	\$ 4,892,293	\$ 781,025	\$ 552,146	\$ 25,765	\$ 18,691	\$ 279,033	\$ 4,900	\$ 6,553,852
Charge-offs	(161,473)	-	-	-	-	-	-	(161,473)
Recoveries	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	284,271	5,220	325,689	(3,410)	(2,862)	7,963	3,987	620,858
Balance at March 31, 2026	\$ 5,015,091	\$ 786,245	\$ 877,835	\$ 22,355	\$ 15,829	\$ 286,995	\$ 8,887	\$ 7,013,237
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2025	\$ 2,127	\$ 34,769	\$ 28,930	\$ 1,724	\$ 2,361	\$ 1,509	\$ 1,099	\$ 72,520
Provision for unfunded commitments	417	(1,683)	1,612	(207)	(1,059)	(737)	2,853	1,194
Balance at March 31, 2026	\$ 2,544	\$ 33,086	\$ 30,542	\$ 1,517	\$ 1,302	\$ 772	\$ 3,952	\$ 73,714

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2025 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agri-business	Communi- cations	Energy and Water/Wast e Disposal	Rural Residential Real Estate	Inter- national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2024	\$ 6,414,160	\$ 1,237,901	\$ 2,111,125	\$ 26,305	\$ 26,057	\$ 280,503	\$ 4,092	\$ 10,100,143
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	1,069	-	-	-	-	-	-	1,069
Provision for loan losses (credit loss reversal)	(135,713)	12,161	7,290	(953)	(870)	(10,760)	(483)	(129,328)
Balance at March 31, 2025	\$ 6,279,516	\$ 1,250,062	\$ 2,118,415	\$ 25,352	\$ 25,187	\$ 269,743	\$ 3,609	\$ 9,971,884
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	\$ 10,833	\$ 33,281	\$ 19,123	\$ 1,835	\$ 9,210	\$ 1,100	\$ 2,271	\$ 77,653
Provision for unfunded commitments	(3,259)	(1,304)	(3,717)	(57)	(2,167)	373	(442)	(10,573)
Balance at March 31, 2025	\$ 7,574	\$ 31,977	\$ 15,406	\$ 1,778	\$ 7,043	\$ 1,473	\$ 1,829	\$ 67,080

Discussion of Changes in Allowance for Credit Losses

The ACL increased \$459,386 to \$7,013,237 at March 31, 2026, as compared to \$6,553,851 at December 31, 2025. This is largely due to portfolio growth in the first three months of 2026 and the downgrade of one capital markets credit.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two of years. The economic scenarios utilized in the March 31, 2026, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums wih Buffer	As of March 31, 2026
Common equity tier 1 ratio	7.00%	13.9%
Tier 1 capital ratio	8.50%	13.9%
Total capital ratio	10.50%	14.3%
Permanent capital ratio	7.00%	13.9%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	14.0%
UREE leverage ratio	1.50%	13.7%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2026:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 248,024,467	\$ 248,024,467	\$ 248,024,467	\$ 248,024,467
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,771,844	4,771,844	4,771,844	4,771,844
Allowance for loan losses and reserve for credit losses subject to certain limitations			6,549,103	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(33,039,396)	(33,039,396)	(33,039,396)	(33,039,396)
	<u>\$ 219,756,915</u>	<u>\$ 219,756,915</u>	<u>\$ 226,306,018</u>	<u>\$ 219,756,915</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,618,797,552	\$ 1,618,797,552	\$ 1,618,797,552	\$ 1,618,797,552
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(33,039,396)	(33,039,396)	(33,039,396)	(33,039,396)
Allowance for loan losses				(6,475,896)
	<u>\$ 1,585,758,156</u>	<u>\$ 1,585,758,156</u>	<u>\$ 1,585,758,156</u>	<u>\$ 1,579,282,260</u>

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 248,024,467	\$ 248,024,467
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,771,844	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(33,039,396)	(33,039,396)
	<u>\$ 219,756,915</u>	<u>\$ 214,985,071</u>
Denominator:		
Total Assets	\$ 1,608,699,134	\$ 1,608,699,134
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(33,329,091)	(33,329,091)
	<u>\$ 1,575,370,043</u>	<u>\$ 1,575,370,043</u>

The following table presents the components of capital as of:

	March 31, 2026	December 31, 2025
Capital stock and participation certificates	\$ 4,811,490	\$ 4,737,285
Accumulated other comprehensive loss	756,223	777,519
Retained earnings	250,331,153	245,586,674
Total Capital	<u>\$ 255,898,866</u>	<u>\$ 251,101,478</u>

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	2026	2025
Accumulated other comprehensive income (loss) at January 1	\$ 777,519	\$ 479,641
Amortization of actuarial (gain) loss included in salaries and employee benefits	(21,296)	(11,274)
Accumulated other comprehensive income (loss) at March 31	<u>\$ 756,223</u>	<u>\$ 468,367</u>

NOTE 4 — INCOME TAXES:

Alabama Ag Credit, ACA, conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Alabama Ag Credit, ACA, operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Alabama Ag Credit, ACA, can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2025 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>March 31, 2026</u>				
Assets:				
Assets held in non-qualified benefits trusts	\$ 263,307	\$ -	\$ -	\$ 263,307
<u>December 31, 2025</u>				
Assets:				
Assets held in non-qualified benefits trusts	\$ 302,625	\$ -	\$ -	\$ 302,625

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

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The Associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 13 to the 2025 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2025 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

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

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: As discussed in Note 2 and Note 11 to the 2025 Annual Report to Stockholders, employees of the Association participate in either the Texas Farm Credit District's (District) defined benefit pension plan (DB Plan) or the District's defined contribution plan (DC Plan).

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and Associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January of each year and amortized into expense on a monthly basis; unamortized contributions are included in "Other Assets" in the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense, and the remaining unamortized contributions amounts as of March 31:

	2026	2025
DB Contribution	\$ 140,304	\$ 232,478
YTD Amortization	(35,085)	(58,119)
Unamortized Contributions	\$ 105,219	\$ 174,359

Association contributions to the DC Plan are expensed as incurred. For the three months ended March 31, 2026 and 2025, the Association recognized pension costs for the DC Plan of \$195,535 and \$202,628, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. The Association's contributions to the 401(k) plan were \$112,239 and \$120,685 for the three months ended March 31, 2026 and 2025, 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 the consolidated balance sheet.

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

	Pension Benefits	
	2026	2025
Three months ended March 31:		
Service cost	\$ 3,985	\$ 4,053
Interest cost	31,664	34,348
Amortization of prior service (credits) costs	-	(1,062)
Amortization of net actuarial (gain) loss	(21,292)	(10,214)
Net periodic benefit cost	\$ 14,357	\$ 27,125

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2026, was \$2,323,051 and is included in other liabilities on the Balance Sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 7, 2026, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 7, 2026.