ALABAMA AG CREDIT, ACA

2026

Quarterly Report

For the Quarter Ended June 30, 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 *August 6, 2026*	/s/ Larry H. Gibson, Jr. Larry H. Gibson, Jr., Chairman, Board of Directors *August 6, 2026*
/s/ Heather Smith Heather Smith, EVP/Chief Financial Officer *August 6, 2026*	/s/ Richard M. Stabler Richard M. Stabler, CPA, retired, Chairman, Audit Committee *August 6, 2026*

Second Quarter 2026 Financial Report

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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 June 30, 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.

Loan Portfolio

Total loans outstanding at June 30, 2026, including nonaccrual loans and sales contracts, were $1,594,597,086 compared to $1,527,325,808 at December 31, 2025, reflecting an increase of 4.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.9 percent at June 30, 2026, compared to 0.8 percent at December 31, 2025.

The Association recorded $0 in recoveries and $19,187 in charge-offs for the three months ended June 30, 2026, and $0 in recoveries and $0 in charge-offs for the three months ended June 30, 2025. For the six months ended June 30, 2026, the Association recorded $0 in recoveries and $180,660 in charge-offs, compared to $1,069 in recoveries and $0 in charge-offs for the six months ended June 30, 2025. The Association's allowance for loan losses was 0.5 percent and 0.4 percent of total loans outstanding as of June 30, 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.

	June 30, 2026		December 31, 2025	
	Amount	**%**	**Amount**	**%**
Nonaccrual	**$ 14,624,064**	**100.0%**	$ 12,846,678	88.3%
90 days past due and still accruing interest	**-**	**0.0%**	1,703,981	11.7%
Total	**$ 14,624,064**	**100.0%**	$ 14,550,659	100.0%

Results of Operations

The Association had net income of $4,168,426 and $8,968,514 for the three and six months ended June 30, 2026, as compared to net income of $5,989,670 and $11,976,304 for the same periods in 2025, reflecting decreases of 30.4 percent and 25.1 percent. Net interest income was $9,829,425 and $19,304,648 for the three and six months ended June 30, 2026, compared to $9,552,794 and $19,182,483 for the same periods in 2025.

	Six Months Ended			
	June 30, 2026		June 30, 2025	
	Average Balance	**Interest**	**Average Balance**	**Interest**
Loans	**$ 1,576,897,689**	**$ 46,935,519**	$ 1,445,387,067	$ 43,498,386
Interest-bearing liabilities	**1,358,579,849**	**27,630,871**	1,227,824,632	24,315,903
Impact of capital	**$ 218,317,840**		$ 217,562,435	
Net interest income		**$ 19,304,648**		$ 19,182,483

	2026 Average Yield	2025 Average Yield
Yield on loans	**6.0%**	6.1%
Cost of interest-bearing liabilities	**4.1%**	4.0%
Interest rate spread	**1.9%**	2.1%
Net interest income as a percentage of average earning assets	**2.5%**	2.7%

	Six Months Ended June 30, 2026 vs. June 30, 2025		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 3,957,674**	**$ (520,541)**	**$ 3,437,133**
Interest expense	**2,589,405**	**725,563**	**3,314,968**
Net interest income	**$ 1,368,270**	**$ (1,246,105)**	**$ 122,165**

Interest income for the three and six months ended June 30, 2026, increased by $1,658,443 and $3,437,133, or 7.5 percent and 7.9 percent, from the same periods of 2025, primarily due to an increase in average loan volume. Interest expense for the three and six months ended June 30, 2026, increased by $1,381,812 and $3,314,968, or 10.9 percent and 13.6 percent, from the same periods of 2025 due to increases in interest rates and an increase in average debt volume. Average loan volume for the second quarter of 2026 was $1,597,746,360, compared to $1,474,172,640 in the second quarter of 2025. Average loan volume for the six months ended June 30, 2026, was $1,576,897,689, compared to $1,445,387,067 for the same period in 2025. The average net interest rate spread on the loan portfolio for the six months ended June 30, 2026, was 1.9 percent, compared to 2.1 percent for the same period in 2025.

Noninterest income for the three months ending June 30, 2026, decreased by $619,066, or 45.8 percent over the same period of 2025. The decrease for the three-month period is due primarily to a decrease in the patronage income accrual from the Farm Credit Bank of Texas offset by an increase in loan fees.

Noninterest expenses for the three and six months ended June 30, 2026, increased by $1,189,845 and $1,466,934, or 25.8 percent and 15.0 percent, as compared to the same periods in 2025. The increase is primarily due to increased salaries and employee benefits, purchased services, FCSIC premiums, occupancy and equipment expense, and public and member relations offset by a decrease in advertising. 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 increased primarily increased furniture and equipment purchases in 2026.

The Association's return on average assets for the six months ended June 30, 2026, was 1.1 percent compared to 1.6 percent for the same period in 2025. The Association's return on average equity for the six months ended June 30, 2026, was 7.1 percent, compared to 9.9 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.

	June 30, 2026	December 31, 2025
Note payable to the Bank	$ 1,377,139,936	$ 1,310,016,586
Accrued interest on note payabl	4,720,049	4,448,710
Total	**$ 1,381,859,985**	$ 1,314,465,296

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 $1,377,139,936 as of June 30, 2026, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.1 percent at June 30, 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 $218,802,499 at June 30, 2026. The maximum amount the Association may borrow from the Bank as of June 30, 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.

The Association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. Beginning in 2025, the investment requirement of the Association increased to 2.50% of the average borrowings from the Bank, equalized semi-annually.

Capital Resources

The Association's capital position increased by $9,087,621 at June 30, 2026, compared to December 31, 2025. The Association's debt as a percentage of members' equity was 5.34:1 as of June 30, 2026, compared to 5.31:1 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 June 30, 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.

Alabama Ag Credit, ACA

CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (unaudited)	December 31, 2025
ASSETS		
Cash	$ 7,443	$ 14,340
Loans	1,594,597,086	1,527,325,808
Less: allowance for credit losses on loans	7,576,592	6,553,851
Net loans	1,587,020,494	1,520,771,957
Accrued interest receivable	15,962,694	17,362,045
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	33,627,565	32,130,385
Allocated Equities	909,011	909,011
Accrued Patronage Receivable	2,759,480	3,187,889
Other	605,008	759,315
Premises and equipment, net	6,721,013	6,811,065
Other assets	913,057	1,764,641
Total assets	$ 1,648,525,765	$ 1,583,710,648
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 1,377,139,936	$ 1,310,016,586
Accrued interest payable	4,720,049	4,448,710
Drafts outstanding	83,159	73,868
Patronage distributions payable	133	10,297,197
Other liabilities	6,393,389	7,772,809
Total liabilities	1,388,336,666	1,332,609,170
MEMBERS' EQUITY		
Capital stock and participation certificates	4,898,130	4,737,285
Unallocated retained earnings	254,556,037	245,586,674
Accumulated other comprehensive income	734,932	777,519
Total members' equity	260,189,099	251,101,478
Total liabilities and members' equity	$ 1,648,525,765	$ 1,583,710,648

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 June 30,		Six Months Ended June 30,	
	2026	2025	**2026**	2025
INTEREST INCOME				
Loans	**$ 23,899,818**	$ 22,241,375	**$ 46,935,519**	$ 43,498,386
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**14,070,393**	12,688,581	**27,630,871**	24,315,903
Net interest income	**9,829,425**	9,552,794	**19,304,648**	19,182,483
PROVISION FOR LOAN LOSSES	**591,414**	302,450	**1,213,466**	162,549
Net interest income after provision for credit losses on loans	**9,238,011**	9,250,344	**18,091,182**	19,019,934
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**344,198**	1,137,306	**607,375**	2,108,897
Loan fees	**225,570**	115,450	**561,460**	224,648
Refunds from Farm Credit System Insurance Corporation	**-**	-	**663,263**	-
Gain (loss) on sale of premises and equipment, net	**4,528**	(27,441)	**4,528**	(24,863)
Other noninterest income	**157,817**	125,864	**313,392**	453,440
Total noninterest income	**732,113**	1,351,179	**2,150,018**	2,762,122
NONINTEREST EXPENSES				
Salaries and employee benefits	**3,377,868**	2,941,819	**6,571,751**	6,108,841
Directors' expense	**78,407**	79,271	**190,991**	185,967
Purchased services	**563,546**	131,467	**1,118,631**	295,412
Travel	**412,091**	267,066	**595,649**	453,455
Occupancy and equipment	**330,539**	272,142	**647,486**	715,491
Communications	**76,490**	78,379	**164,823**	151,352
Advertising	**88,788**	114,350	**181,246**	198,024
Public and member relations	**173,049**	141,949	**333,548**	264,843
Supervisory and exam expense	**91,376**	94,648	**221,667**	218,209
Insurance fund premiums	**325,296**	302,521	**636,821**	844,478
Other components of net periodic postretirement benefit cost	**14,357**	23,072	**28,714**	46,144
Other noninterest expense	**269,891**	165,169	**581,359**	323,536
Total noninterest expenses	**5,801,698**	4,611,853	**11,272,686**	9,805,752
NET INCOME	**4,168,426**	5,989,670	**8,968,514**	11,976,304
Other comprehensive income:				
Other comprehensive income, net of tax	**(21,291)**	(11,274)	**(42,587)**	(22,548)
COMPREHENSIVE INCOME	**$ 4,147,135**	$ 5,978,396	**$ 8,925,927**	$ 11,953,756

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	-	11,976,305	-	11,976,305
Other comprehensive income	-	-	(22,548)	(22,548)
Capital stock/participation certificates issued	394,125	-	-	394,125
Capital stock/participation certificates retired	(311,610)	-	-	(311,610)
Balance at June 30, 2025	$ 4,662,920	$ 245,598,024	$ 457,093	$ 250,718,037
Balance at December 31, 2025	**$ 4,737,285**	**$ 245,586,674**	**$ 777,519**	**$ 251,101,478**
Net income	**-**	**8,968,514**	**-**	**8,968,514**
Other comprehensive income	**-**	**-**	**(42,587)**	**(42,587)**
Capital stock/participation certificates issued	**479,525**	**-**	**-**	**479,525**
Capital stock/participation certificates retired	**(318,680)**	**-**	**-**	**(318,680)**
Patronage refunds:				
Cash	**-**	**849**	**-**	**849**
Balance at June 30, 2026	**$ 4,898,130**	**$ 254,556,037**	**$ 734,932**	**$ 260,189,099**

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

Alabama Ag Credit, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

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 Pronouncements

In December 2025, the 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 development 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	**June 30, 2026 Amount**	December 31, 2025 Amount
Production agriculture:		
Real estate mortgage	**$ 1,155,989,880**	$ 1,086,868,083
Production and intermediate-term	**180,886,145**	158,716,996
Agribusiness:		
Loans to cooperatives	**6,403,409**	8,299,322
Processing and marketing	**113,997,658**	129,448,238
Farm-related business	**26,217,949**	29,300,705
Communication	**13,946,267**	11,897,950
Energy	**20,356,719**	18,326,510
Water and waste-water	**3,248,652**	4,446,946
Rural residential real estate	**63,020,924**	69,492,067
Agricultural export finance	**10,529,483**	10,528,991
Total	**$ 1,594,597,086**	$ 1,527,325,808

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

The following table presents information regarding the balances of participations purchased and sold at June 30, 2026:

	Other Farm Credit Institutions	
	Participations Purchased	**Participations Sold**
Real estate mortgage	$ 20,768,131	$ 77,291,214
Production and intermediate-term	45,597,855	20,689,781
Agribusiness	137,694,178	-
Communication	13,946,267	-
Energy	20,356,719	-
Water and waste-water	3,248,652	-
Agricultural export finance	10,529,483	-
Total	$ 252,141,285	$ 97,980,995

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 $5,996,879 and $7,499,657 at June 30, 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 June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Real estate mortgage		
Acceptable	**98.1** %	**97.9** %
OAEM	**0.6**	**0.7**
Substandard/doubtful	**1.3**	**1.4**
	100.0	100.0
Production and intermediate-term		
Acceptable	**97.8**	**97.4**
OAEM	**1.2**	**2.5**
Substandard/doubtful	**1.0**	**0.1**
	100.0	100.0
Agribusiness		
Acceptable	**94.9**	**100.0**
OAEM	**-**	**-**
Substandard/doubtful	**5.1**	**-**
	100.0	100.0
Energy and water/waste-water		
Acceptable	**100.0**	**100.0**
OAEM	**-**	**-**
Substandard/doubtful	**-**	**-**
	100.0	100.0
Communication		
Acceptable	**100.0**	**100.0**
OAEM	**-**	**-**
Substandard/doubtful	**-**	**-**
	100.0	100.0
Rural residential real estate		
Acceptable	**98.6**	**99.9**
OAEM	**0.2**	**0.1**
Substandard/doubtful	**1.2**	**-**
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	**100.0**
OAEM	**-**	**-**
Substandard/doubtful	**-**	**-**
	100.0	100.0
Total loans		
Acceptable	**97.8**	**98.2**
OAEM	**0.6**	**0.8**
Substandard/doubtful	**1.6**	**1.0**
	100.0 %	100.0 %

Accrued interest receivable on loans of $15,962,694 and $17,362,045 at June 30, 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 $19,187 during the six months ended June 30, 2026. During the six months ended June 30, 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:

	June 30, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	**$ 12,564,106**	$ 12,831,239
Production and intermediate-term	**1,724,696**	$ 15,439
Rural residential real estate	**335,262**	-
Total nonaccrual loans	**$ 14,624,064**	$ 12,846,678
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ -**	$ 116,693
Production and intermediate-term	**-**	1,447,341
Rural residential real estate	**-**	139,947
Total accruing loans 90 days or more past due	**$ -**	$ 1,703,981
Total nonperforming assets	**$ 14,624,064**	$ 14,550,659
Nonaccrual loans as a percentage of total loans	**0.9%**	0.8%
Nonperforming assets as a percentage of total loans and other property owned	**0.9%**	1.0%
Nonperforming assets as a percentage of capital	**5.6%**	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 loans during the period:

	June 30, 2026			**Interest Income Recognized**	
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended June 30, 2026**	**For the Six Months Ended June 30, 2026**
Nonaccrual loans:					
Real estate mortgage	**$ -**	**$ 12,564,106**	**$ 12,564,106**	**$ -**	**$ -**
Production and intermediate-term	**14,708**	**1,709,988**	**1,724,696**	**1,736**	**1,766**
Rural residential real estate	**-**	**335,262**	**335,262**	**-**	**-**
Total nonaccrual loans	**$ 14,708**	**$ 14,609,356**	**$ 14,624,064**	**$ 1,736**	**$ 1,766**

	December 31, 2025			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025
Nonaccrual loans:					
Real estate mortgage	$ -	$ 12,831,239	$ 12,831,239	$ 2,159	$ 80,988
Production and intermediate-term	-	15,439	15,439	-	-
Total nonaccrual loans	$ -	$ 12,846,678	$ 12,846,678	$ 2,159	$ 80,988

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

June 30, 2026	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
Real estate mortgage	$ 14,487,649	$ 475,000	$ 14,962,649	$ 1,141,027,232	$ 1,155,989,881	$ -
Production and intermediate term	3,649,727	1,458,638	5,108,365	175,777,779	180,886,144	-
Loans to cooperatives	-	-	-	6,403,409	6,403,409	-
Processing and marketing	680,373	-	680,373	113,317,285	113,997,658	-
Farm-related business	-	-	-	26,217,949	26,217,949	-
Communication	-	-	-	13,946,267	13,946,267	-
Energy	-	-	-	20,356,719	20,356,719	-
Water and waste-water	-	-	-	3,248,652	3,248,652	-
Rural residential real estate	67,475	139,947	207,422	62,813,502	63,020,924	-
Agricultural export finance	-	-	-	10,529,483	10,529,483	-
Total	$ 18,885,224	$ 2,073,585	$ 20,958,809	$ 1,573,638,277	$ 1,594,597,086	$ -

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 Past Due 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

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 Difficulty

There were no loan modifications to borrowers experiencing financial difficulties in the three months ended June 30, 2026.

For loan modifications granted to borrowers during the three months ended June 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2025, disaggregated by loan type and type of modification granted.

	For the Three Months Ended June 30, 2025(1)	
	Term Extension	Percentage of Total by Loan Type
Real estate mortgage	$ 3,308,299	0.2%
Production and Intermediate-Term	2,259,949	0.2%
Total	$ 5,568,248	0.4%

(1) Excludes loans that were modified during the period but were paid off, sold or charged-off prior to December 31, 2024.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended June 30, 2026 and 2025 was $193,233 and $459,463, respectively.

For loan modifications granted to borrowers during the six months ended June 30, 2026, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2026, disaggregated by loan type and type of modification granted.

	For the Six Months Ended June 30, 2026	
	Term Extension	**Percentage of Total by Loan Type**
Real estate mortgage	**$ 3,103,825**	**0.2%**

For loan modifications granted to borrowers during the six months ended June 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2025, disaggregated by loan type and type of modification granted.

	For the Six Months Ended June 30, 2025	
	Term Extension	Percentage of Total by Loan Type
Real estate mortgage	$ 3,308,299	0.2%
Production and Intermediate-Term	2,259,949	0.2%
Total	$ 5,568,248	0.4%

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2025 (there were no modifications in the three months ended June 30, 2026):

	Financial Effect For the Three Months Ended June 30, 2025
	Term Extension
Real estate mortgage	104 days
Production and Intermediate Term	104 days

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2026 and 2025:

	Financial Effect For the Six Months Ended June 30, 2026
	Term Extension
Real estate mortgage	**365 days**

	Financial Effect For the Six Months Ended June 30, 2025
	Term Extension
Real estate mortgage	104 days
Production and Intermediate Term	104 days

There were no loans to borrowers experiencing financial difficulties that defaulted during the three and six months ended June 30, 2026 and 2025, and received a modification in the twelve months before default.

The following table sets forth an aging analysis at June 30, 2026 of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2026:

	June 30, 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	$ 5,971,712	$ -	$ -
Production and intermediate-term	649,563	-	-
Total	**$ 6,621,275**	**$ -**	**$ -**

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

	June 30, 2025		
	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 3,308,299	$ -	$ -
Production and intermediate-term	2,259,949	-	-
Total	**$ 5,568,248**	**$ -**	**$ -**

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 2026 or at December 31, 2025.

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 for the three and six months ended June 30, 2026 is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at March 31, 2026	$ 5,015,090	$ 786,245	$ 877,835	$ 22,355	$ 15,829	$ 286,995	$ 8,887	$ 7,013,236
Charge-offs	(8,785)	(10,402)	-	-	-	-	-	(19,187)
Recoveries	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	607,786	17,442	6,968	1,460	(3,093)	(43,309)	(4,711)	582,543
Balance at June 30, 2026	$ 5,614,091	$ 793,285	$ 884,803	$ 23,815	$ 12,736	$ 243,686	$ 4,176	$ 7,576,592
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2026	$ 2,544	$ 33,086	$ 30,542	$ 1,517	$ 1,302	$ 772	$ 3,952	$ 73,714
Provision for unfunded commitments	5,626	(1,830)	5,998	(1,517)	(533)	(534)	1,660	8,870
Balance at June 30, 2026	$ 8,170	$ 31,256	$ 36,539	$ -	$ 769	$ 238	$ 5,612	$ 82,585

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2025	**$ 4,892,293**	**$ 781,025**	**$ 552,146**	**$ 25,765**	**$ 18,691**	**$ 279,033**	**$ 4,900**	**$ 6,553,852**
Charge-offs	**(170,258)**	**(10,402)**	**-**	**-**	**-**	**-**	**-**	**(180,660)**
Recoveries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provision for credit losses/(credit loss reversal)	**892,057**	**22,662**	**332,657**	**(1,950)**	**(5,955)**	**(35,347)**	**(724)**	**1,203,400**
Balance at June 30, 2026	**$ 5,614,092**	**$ 793,285**	**$ 884,803**	**$ 23,815**	**$ 12,736**	**$ 243,686**	**$ 4,176**	**$ 7,576,592**
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	**6,043**	**(3,513)**	**7,609**	**(1,724)**	**(1,592)**	**(1,271)**	**4,513**	**10,065**
Balance at June 30, 2026	**$ 8,170**	**$ 31,256**	**$ 36,539**	**$ -**	**$ 769**	**$ 238**	**$ 5,612**	**$ 82,585**

A summary of changes in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2025 is as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at March 31, 2025	$ 6,279,516	$ 1,250,062	$ 2,118,415	$ 25,352	$ 25,187	$ 269,743	$ 3,609	$ 9,971,884
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses (credit loss reversal)	676,090	(468,845)	73,102	55	(753)	4,106	(160)	$ 283,595
Merger adjustment[1]								-
Balance at June 30, 2025	$ 6,955,606	$ 781,217	$ 2,191,517	$ 25,407	$ 24,434	$ 273,849	$ 3,449	$ 10,255,479
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2025	$ 7,574	$ 31,977	$ 15,406	$ 1,778	$ 7,043	$ 1,473	$ 1,829	$ 67,080
Provision for unfunded commitments	10,639	(2,103)	9,070	(3)	(2,304)	837	(359)	15,777
Balance at June 30, 2025	$ 18,213	$ 29,874	$ 24,476	$ 1,775	$ 4,739	$ 2,310	$ 1,470	$ 82,857

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2024	$ 6,414,160	$ 1,237,901	$ 2,111,125	$ 26,305	$ 26,057	$ 280,503	$ 4,092	$ 10,100,143
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	1,070	-	-	-	-	-	-	1,070
Provision for loan losses (credit loss reversal)	540,376	(456,684)	80,392	(898)	(1,623)	(6,654)	(643)	154,266
Balance at June 30, 2025	$ 6,955,606	$ 781,217	$ 2,191,517	$ 25,407	$ 24,434	$ 273,849	$ 3,449	$ 10,255,479
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	7,380	(3,407)	5,353	(60)	(4,471)	1,210	(801)	5,204
Balance at June 30, 2025	$ 18,213	$ 29,874	$ 24,476	$ 1,775	$ 4,739	$ 2,310	$ 1,470	$ 82,857

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses on loans increased $1,022,740 to $7,576,592 at June 30, 2026, as compared to $6,553,852 at December 31, 2025. This is largely due to portfolio growth during the first six months of 2026 and the downgrade of one capital markets credit.

The Association's macroeconomic forecasts include a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the June 30, 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 forecasts 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 June 30, 2026**
Common equity tier 1 ratio	7.0%	13.8%
Tier 1 capital ratio	8.5%	13.8%
Total capital ratio	10.5%	14.2%
Permanent capital ratio	7.0%	13.8%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.0%	13.9%
UREE leverage ratio	1.5%	13.6%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2026:

Risk-adjusted Capital Ratios

	Common equity tier 1 ratio	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	$ 252,685,882	$ 252,685,882	$ 252,685,882	$ 252,685,882
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,850,307	4,850,307	4,850,307	4,850,307
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	7,124,784	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(33,072,667)	(33,072,667)	(33,072,667)	(33,072,667)
	$ 224,463,522	$ 224,463,522	$ 231,588,306	$ 224,463,522
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,661,838,324	$ 1,661,838,324	$ 1,661,838,324	$ 1,661,838,324
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(33,072,667)	(33,072,667)	(33,072,667)	(33,072,667)
Allowance for loan losses				(7,050,872)
	$ 1,628,765,657	$ 1,628,765,657	$ 1,628,765,657	$ 1,621,714,785

Non-risk-adjusted Capital Ratios

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**$ 252,685,882**	**$ 252,685,882**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,850,307**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(33,072,667)**	**(33,072,667)**
	$ 224,463,522	**$ 219,613,215**
Denominator:		
Total Assets	**$ 1,648,612,426**	**$ 1,648,612,426**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(33,524,098)**	**(33,524,098)**
	$ 1,615,088,328	**$ 1,615,088,328**

The following table presents the components of capital as of:

	June 30, 2026	December 31, 2025
Capital stock and participation certificates	$ 4,898,130	$ 4,737,285
Accumulated other comprehensive income (loss)	734,932	777,519
Retained earnings	254,556,037	245,586,674
Total Capital	**$ 260,189,099**	**$ 251,101,478**

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the six months ended June 30:

	2026	2025
Accumulated other comprehensive income (loss) at January 1	**$ 777,519**	$ 479,641
Amortization of actuarial gain included in salaries and employee benefits	**(42,587)**	(22,548)
Accumulated other comprehensive income (loss) at June 30	**$ 734,932**	$ 457,093

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, and a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 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:

June 30, 2026	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in non-qualified benefits trusts	$ 271,338	$ -	$ -	$ 271,338

December 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in non-qualified benefits trusts	$ 302,625	$ -	$ -	$ 302,625

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

June 30, 2026	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 12,624	$ 12,624

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

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 Association utilizes appraisals to value these loans and other property owned and takes 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 June 30:

	2026	2025
DB Contribution	$ 140,304	$ 232,478
YTD Amortization	(70,170)	(116,239)
Unamortized Contributions	$ 70,134	$ 116,239

Association contributions to the DC Plan are expensed as incurred. For the three months ended June 30, 2026 and 2025, the Association recognized pension costs for the DC Plan of $107,713 and $99,598, 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 $71,256 and $66,564 for the three months ended June 30, 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 and six months ended June 30:

	Other Benefits	
Three months ended June 30:	**2026**	**2025**
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

	Other Benefits	
Six months ended June 30:	**2026**	**2025**
Service cost	**$ 7,970**	$ 8,107
Interest cost	**63,328**	68,695
Amortization of prior service (credits) costs	**-**	(2,124)
Amortization of net actuarial (gain) loss	**(42,584)**	(20,427)
Net periodic benefit cost	**$ 28,714**	$ 54,251

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 6, 2026, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of that date.