

Colonial Farm Credit, ACA
2025 ANNUAL REPORT

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Message from the President

Colonial Farm Credit continued to advance its mission in 2025—providing reliable, consistent credit and financial services to the agricultural and rural communities in our territory. Despite volatile weather patterns and continued margin pressures for farmers, we remained closely engaged with our customers. As part of our annual fall outreach, we assessed harvest outcomes, operational expectations, and future financing needs. These discussions indicate that while credit risk is elevated, it remains manageable. We anticipate similar conditions in 2026 and are well positioned to support our customers through them.

Loan volume to new customers increased compared with the prior three years. Growth occurred across several categories, including processing & marketing, farm-related business, and real estate mortgages. Production and intermediate-term loan balances remained high at year-end due to delayed crop sales typically used to pay down operating lines. Purchased participation loans also contributed to earnings and enhanced portfolio diversification; in 2025, we added more than \$20 million in high-quality assets. Overall, our average daily loan balance grew 7.6% over 2024—the strongest growth rate the Association has experienced in more than 15 years.

Credit quality remained strong and stable. At year-end, non-earning assets represented just 0.4% of total assets, and high-risk assets remained historically low and well below those of our peers.

Net income for 2025 was \$15.7 million, significantly exceeding budget. This performance was driven primarily by:

- Provision for credit losses that was \$735 thousand lower than budget, reflecting continued strong credit quality.
- Net interest income that was nearly \$2 million higher than budget, supported by higher loan volume and earnings on our lendable equity—a benefit of our solid capital position.

In recognition of these results, your Board of Directors approved a patronage refund of \$12.5 million, returning nearly 80% of the Association's net income to our member-owners. This marks the 28th consecutive year of profit sharing with our customers. We are proud to return this value to you during another year marked by uncertainty and operational challenges. The refund will be distributed in April 2026 and exceeds the budgeted amount of \$9.4 million due to our stronger-than-expected earnings.

Looking ahead, we expect some softening in credit quality in 2026, along with higher loan-loss provisions than we have seen in recent years. Operating expenses are also projected to rise, driven primarily by increased service fees from our District Bank as legacy systems are replaced with new technology. While these factors present headwinds, we remain well positioned to meet them. We expect earnings to remain adequate and will continue our commitment to returning a substantial portion of annual income to our member-owners through patronage.

Throughout 2026, we will stay focused on meeting the credit needs of all eligible customers and supporting those affected by challenging economic conditions.

As the Farm Credit System enters its 110th year, your cooperative stands strong—supported by a robust financial foundation, a diverse and high-quality loan portfolio, sound underwriting practices, dedicated employees, and exceptional governance. Our combination of competitive rates, meaningful patronage refunds, personal service, and deep local expertise continues to distinguish Colonial Farm Credit in the financial services landscape.

Thank you for your loyalty and support. We look forward to serving your financial needs in 2026 and beyond.

/s/ Paul B. Franklin, Sr.
President & Chief Executive Officer

Report of Management

The accompanying consolidated financial statements and related financial information appearing throughout this annual report have been prepared by management of Colonial Farm Credit, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The consolidated financial statements have been audited by independent auditors, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The consolidated financial statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2025 Annual Report of Colonial Farm Credit, ACA, that the report has been prepared under the oversight of the audit committee of the Board of Directors and 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/ Jennifer U. Cuthbertson
Chair of the Board

/s/ Paul B. Franklin, Sr.
President & Chief Executive Officer

/s/ Diane S. Fowlkes
Chief Financial Officer

March 10, 2026

Consolidated Five - Year Summary of Selected Financial Data

<i>(dollars in thousands)</i>	December 31,				
	2025	2024	2023	2022	2021
Balance Sheet Data					
Cash	\$ 63	\$ 45	\$ 45	\$ 86	\$ 44
Loans	902,281	846,855	805,569	773,453	751,079
Allowance for credit losses on loans	(1,961)	(1,520)	(1,254)	(698)	(2,625)
Net loans	900,320	845,335	804,315	772,755	748,454
Equity investments in other Farm Credit institutions	15,094	12,248	12,186	9,108	6,151
Other assets	16,443	15,613	15,189	13,190	19,717
Total assets	\$ 931,920	\$ 873,241	\$ 831,735	\$ 795,139	\$ 774,366
Notes payable to AgFirst Farm Credit Bank*	\$ 702,037	\$ 646,062	\$ 609,306	\$ 574,936	\$ 556,606
Accrued interest payable and other liabilities with maturities of less than one year	21,857	22,175	20,421	19,740	24,451
Total liabilities	723,894	668,237	629,727	594,676	581,057
Capital stock and participation certificates	5,535	5,553	5,611	5,631	5,699
Unallocated retained earnings	202,503	199,281	196,395	194,812	187,951
Accumulated other comprehensive income (loss)	(12)	170	2	20	(341)
Total members' equity	208,026	205,004	202,008	200,463	193,309
Total liabilities and members' equity	\$ 931,920	\$ 873,241	\$ 831,735	\$ 795,139	\$ 774,366
Statement of Income Data					
Net interest income	\$ 28,449	\$ 27,860	\$ 24,395	\$ 22,964	\$ 22,245
Provision for (reversal of) allowance for credit losses	465	316	39	(1,949)	(7)
Noninterest income (expense), net	(12,276)	(10,034)	(8,297)	(5,052)	(1,512)
Net income	\$ 15,708	\$ 17,510	\$ 16,059	\$ 19,861	\$ 20,740
Key Financial Ratios					
Rate of return on average:					
Total assets	1.77%	2.12%	2.02%	2.58%	2.82%
Total members' equity	7.35%	8.29%	7.74%	9.85%	10.45%
Net interest income as a percentage of					
average earning assets	3.30%	3.47%	3.15%	3.04%	3.08%
Net (chargeoffs) recoveries to average loans	0.004%	0.001%	0.016%	0.003%	0.005%
Total members' equity to total assets	22.32%	23.48%	24.29%	25.21%	24.96%
Debt to members' equity (:1)	3.48	3.26	3.12	2.97	3.01
Allowance for credit losses to loans	0.22%	0.18%	0.16%	0.09%	0.35%
Permanent capital ratio	20.85%	22.61%	23.60%	23.66%	24.33%
Common equity tier 1 capital ratio	20.81%	22.57%	23.57%	23.64%	24.25%
Tier 1 capital ratio	20.81%	22.57%	23.57%	23.64%	24.25%
Total regulatory capital ratio	21.02%	22.77%	23.71%	23.73%	24.61%
Tier 1 leverage ratio**	22.44%	23.98%	24.95%	25.51%	25.97%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	21.83%	23.33%	24.25%	24.80%	25.91%
Net Income Distribution					
Estimated patronage refunds:					
Cash	\$ 12,486	\$ 14,617	\$ 13,000	\$ 13,000	\$ 18,466

* General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2026.

** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.

Management's Discussion & Analysis of Financial Condition & Results of Operations

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of Colonial Farm Credit, ACA, (Association) for the year ended December 31, 2025 with comparisons to the years ended December 31, 2024 and December 31, 2023. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other sections in this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" reflected in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration, (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of eastern Virginia and southern Maryland. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, www.agfirst.com, or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, www.colonialfarmcredit.com, or by calling 1-804-746-1252, or writing to Diane Fowlkes, Colonial Farm Credit, ACA, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

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

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK

Production agriculture is a cyclical business that is heavily influenced by many factors, including commodity prices, input costs, weather, government policies (including, among other things, tax, trade, tariffs, immigration, crop insurance and ad hoc aid), interest rates, global agricultural production levels, pathogenic outbreaks in livestock and poultry and various other factors that affect supply and demand.

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business or events that occur subsequent to its issuance. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information or data for the Association.

The USDA's February 2026 forecast projects net farm income (income after expenses from production; a broader measure of profits) for 2025 at \$154.5 billion, a \$27.0 billion increase from 2024, and \$45.9 billion above the 10-year average. The forecasted increase in net farm income for 2025, as compared with 2024, is primarily due to increases in cash receipts for animals and animal products of \$22.3 billion, direct government payments of \$20.5 billion and an upward change in the value of inventory adjustment of \$13.0 billion, partially offset by an increase in cash expenses of \$19.6 billion and a decrease in cash receipts for crops of \$6.9 billion.

The USDA's outlook projects net farm income for 2026 at \$153.4 billion, a \$1.1 billion or 0.7% decrease from 2025 and \$44.8 billion above the 10-year average in nominal dollars. The forecasted decrease in net farm income for 2026 is primarily due to an expected decrease in cash receipts for animals and animal products at \$17.0 billion, a negative change in the value of inventory adjustment of \$5.6 billion and an increase in cash expenses of \$4.1 billion, mostly offset by increases in direct government payments of \$13.8 billion, cash farm-related income of \$9.2 billion and cash receipts for crops of \$2.8 billion. The decrease in animals and animal products reflects anticipated falling receipts for eggs and milk due to lower prices, while beef cattle receipts are expected to continue growing in 2026. The overall increase in direct government payments reflects higher anticipated payments from Farm Bill programs that trigger payments when commodity prices fall, while supplemental and ad hoc disaster aid payments are expected to remain high.

Working capital, a measure of liquidity, (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to increase \$8.9 billion or 6.1% in 2025 to \$154.9 billion from \$146.0 billion in 2024.

The value of farm real estate is an important measure of the farm sector's financial performance, considering that farm real estate comprises a substantial share of farm sector assets. Farm real estate accounted for roughly 83% of the total value of the U.S. farm sector assets for 2025 and 2024 according to the USDA in its February 2026 forecast. Consequently, changes in farmland values often affect the financial strength of agricultural producers as farm real estate serves as a principal source of collateral for farm loans.

USDA's forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 4.2% in 2025 to \$3.8 trillion. Farm real estate value is expected to increase 4.0% and non-real estate farm assets are expected to increase 5.9%, while farm sector debt is forecasted to increase 5.4% in 2025. Farm real estate debt accounts for 65.0% of total farm debt in 2025, as compared with 65.2% in 2024.

Farm sector solvency ratios measure the ability of a farm to satisfy its debt obligations when due and for which lower values for these ratios are preferred. The USDA is forecasting the debt-to-equity ratio to increase slightly from 15.4% in 2024 to 15.6% in 2025 and for the debt-to-asset ratio to increase slightly from 13.4% in 2024 to 13.5% in 2025. These ratios are well below their peak of 28.5% and 22.2% in 1985.

Expected agricultural commodity prices can influence the production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields.

Global economic conditions, government actions (including tariffs) and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the U.S. dollar and domestic government support for agriculture.

The following table sets forth the commodity prices as reported by USDA per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2022 to December 31, 2025:

Commodity	12/31/25	12/31/24	12/31/23	12/31/22
Hogs	\$ 62.30	\$ 62.30	\$ 53.30	\$ 62.50
Milk	\$ 19.00	\$ 23.30	\$ 20.40	\$ 24.50
Broilers	\$ 0.64	\$ 0.75	\$ 0.72	\$ 0.73
Turkeys	\$ 1.21	\$ 0.51	\$ 0.47	\$ 1.22
Corn	\$ 4.10	\$ 4.23	\$ 4.80	\$ 6.58
Soybeans	\$ 10.40	\$ 9.79	\$ 13.10	\$ 14.40
Wheat	\$ 4.95	\$ 5.49	\$ 6.79	\$ 8.97
Beef Cattle	\$ 221.00	\$ 190.00	\$ 172.00	\$ 154.00

The AgFirst District (the District) is chartered to serve eligible borrowers in 15 states and Puerto Rico. The District consists of the AgFirst Farm Credit Bank and 16 Associations. Geographic and commodity diversification across the District coupled with existing government safety net programs, ad hoc support programs and additional government disaster aid payment for many borrowers help to mitigate the impact of challenging agricultural conditions. The District's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2025. Additionally, while the District benefits overall from diversification, individual District entities may have higher geographic, commodity, and borrower concentrations which may accentuate the negative impact on those entities' financial performance and credit quality. Non-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on non-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The Association's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of significant accounting policies is critical to the understanding of the Association's results of operations and financial position because some accounting policies require complex or subjective judgments and estimates that may affect the reported amount of certain assets or liabilities as well as the recognition of certain income and expense items. In many instances, management has to make judgments about matters that are inherently uncertain. For a complete discussion of the Association's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements. The following is a summary of the Association's most significant critical accounting policies:

- *Allowance for credit losses (ACL)* — Management estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.

The ACL comprises:

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

The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio, unfunded commitments and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable active market exists, such as most investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on the Association's results of operations.

ECONOMIC CONDITIONS

In 2025, the agricultural economy within the Association’s territory continued to face significant pressures, mirroring national conditions across key commodity and livestock sectors. Net farm income was expected to decline for a third consecutive year, although the decrease was projected to be less severe than in 2024. Lower commodity prices—particularly for grains, oilseeds, and cotton—combined with weakening export demand and heightened global competition, continued to constrain producer profitability.

Producers also remained burdened by elevated input costs. Fertilizer markets experienced renewed upward pressure following temporary easing in prior years, with certain nutrient prices rising sharply. Seed costs followed a continued upward trajectory, increasing an estimated 5–7 percent as investments in genetics and trait development persisted industry-wide. Costs for chemicals, machinery, fuel, and labor also stayed high, intensifying operational challenges for both crop and livestock sectors.

The broader U.S. economy showed signs of cooling in 2025. Labor market growth slowed substantially, with job creation falling to its lowest annual level outside a recession since 2003. Unemployment rates rose over the year, and wage growth did not fully offset the persistent affordability pressures faced by households. Tariff-related cost increases added uncertainty, contributing to volatility in spending and investment decisions. Inflation, which had eased earlier in the year, reversed course and ended at 2.7 percent in December.

Economic conditions in Virginia and Maryland generally tracked national trends but were shaped by regional industry concentrations and workforce dynamics. Virginia’s economic performance in 2025 reflected mounting headwinds. State GDP growth slowed to 1.2 percent, down from 2.4 percent in 2024, influenced by federal workforce reductions, tariff impacts, and softening within manufacturing and leisure/hospitality sectors. The civilian labor force contracted throughout the year, and the unemployment rate rose to 3.6 percent in December, compared with 2.9 percent a year earlier. Although Virginia’s unemployment rate remained below the national average, the increase highlighted growing economic strain in the state.

Maryland continued to experience substantial federal employment losses in 2025, including its largest single-month decline in federal jobs in nearly three decades. By midyear, private-sector employment also weakened, with notable losses in accommodation and food services and construction. Despite these declines, the state maintained a modest net gain in private employment earlier in the year. Maryland’s unemployment rate rose slightly to 3.3 percent, while sectors such as healthcare and education saw moderate growth. The heavy concentration of federal workers amplified the economic effects of federal layoffs and associated reductions in contract activity.

The economic outlook for 2026 pointed to slowing but stable growth, as the U.S. economy continued to feel the drag from elevated tariffs, cooling labor markets, and persistent inflation pressures. Forecasts generally projected modest GDP growth in the range of 1.5%–1.7%, with the Organization for Economic Cooperation and Development warning that higher U.S. tariff rates would weigh on activity even as strong investment in AI-related sectors helped prevent sharper declines. Inflation was expected to ease only gradually, remaining near 3%, while unemployment was projected to inch upward as job gains softened. Despite these headwinds, global growth was expected to remain resilient at roughly 3.1%, supported by stabilizing financial conditions and continued technology investment.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types.

The Association’s loan volume by type for each of the past three years ended December 31 is shown below.

Loan Type	December 31,					
	2025		2024		2023	
Real estate mortgage	\$ 541,982	60.06 %	\$ 536,439	63.34 %	\$ 530,025	65.80 %
Production and intermediate-term	195,691	21.68	179,341	21.18	173,452	21.53
Loans to cooperatives	8,732	0.97	1,589	0.19	1,814	0.22
Processing and marketing	68,824	7.63	53,534	6.32	29,169	3.62
Farm-related business	25,061	2.78	20,066	2.37	14,323	1.78
Communication	6,185	0.69	6,933	0.82	4,335	0.54
Power and water/waste disposal	10,371	1.15	6,657	0.79	10,986	1.36
Rural residential real estate	42,066	4.66	38,548	4.55	38,080	4.73
International	3,303	0.37	3,672	0.43	3,299	0.41
Lease receivables	66	0.01	76	0.01	86	0.01
Total	\$ 902,281	100.00 %	\$ 846,855	100.00 %	\$ 805,569	100.00 %

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified.

The Association has a regional office in Hughesville, Maryland. All other regional offices are in the state of Virginia. The geographic distribution of the loan volume by branch for the past three years ended December 31 is as follows:

Regional Office	December 31,		
	2025	2024	2023
Central	26.12%	20.51%	21.45%
North East	25.25	31.24	30.57
South	23.56	23.67	22.73
West	25.07	24.58	25.25
	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer. The major commodities in the Association’s loan portfolio are shown below. The predominant commodity is cash grain which constitutes 10.6 percent of the entire portfolio at December 31, 2025.

Commodity Group	Percent of Portfolio		
	2025	2024	2023
Field Crops	28%	29%	29%
Timber	29	30	32
Part-time Farmers and Other	26	24	21
Livestock	12	12	13
Rural Home	5	5	5
Total	100%	100%	100%

Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. Many of the agricultural operations are diversified within their enterprise and/or with crop production, which reduces overall risk exposure. As an additional hedge against risks from commodities and the agriculture industry overall, 52 percent of the Association’s loans at December 31, 2025 were made to borrowers whose repayment capacity was highly dependent upon off-farm income.

During 2025, the Association remained active in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income.

Loan Participations:	December 31,		
	2025	2024	2023
Participations Purchased			
– FCS Institutions	\$ 114,907	\$ 92,284	\$ 74,472
Participations Sold	(14,703)	(13,057)	(8,508)
Total	\$ 100,204	\$ 79,227	\$ 65,964

The Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests for the period ended December 31, 2025.

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2025, 2024, and 2023, the Association originated loans for resale totaling \$4,784, \$10,801, and \$11,584, respectively, which were subsequently sold into the secondary market.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. As part of the process to evaluate the success of a loan, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction to loan officers. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment
- Capital – ability of the operation to survive unanticipated risks
- Conditions – intended use of the loan funds

The credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower’s ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be advanced in amounts up to 85 percent of the appraised value of the property taken as collateral 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. Appraisals are generally required for loan originations of more than \$250. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

The Association reviews the credit quality of the loan portfolio on an ongoing basis as part of its risk management practices. Each loan is classified according to the Combined System Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- 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, and/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.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans at December 31.

Credit Quality	2025	2024	2023
Acceptable & OAEM	98.77%	99.73%	99.61%
Substandard	1.23%	0.27%	0.39%
Total	100.00%	100.00%	100.00%

The Association had no loans with credit quality of Doubtful or Loss for the reporting periods above.

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. High-risk assets at December 31, are detailed in the following table:

High-risk Assets	December 31,		
	2025	2024	2023
Nonaccrual loans	\$ 3,874	\$ 961	\$ 1,736
Accruing loans 90 days past due	–	–	–
Total high-risk loans	3,874	961	1,736
Other property owned	–	–	–
Total high-risk assets	\$ 3,874	\$ 961	\$ 1,736
Ratios			
Nonaccrual loans to total loans	0.43%	0.11%	0.21%
High-risk assets to total assets	0.43%	0.11%	0.21%

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans at December 31, 2025 were \$3,874 compared to \$961 and \$1,736 at December 31, 2024 and 2023, respectively. Nonaccrual loans increased \$2,913 or 303 percent during 2025 primarily due to two large accounts being transferred to nonaccrual status during the fourth quarter. Of the \$3,874 in nonaccrual volume at December 31, 2025, \$317 or 8 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to \$596 or 62 percent and \$1,112 or 64 percent at December 31, 2024 and 2023, respectively.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was \$1,961, \$1,520, and \$1,254 at December 31, 2025, 2024, and 2023, respectively.

The following table presents the activity in the allowance for credit losses for the most recent three years at December 31:

Allowance for Credit Losses Activity	December 31,		
	2025	2024	2023
Allowance for credit losses on loans – beginning balance	\$ 1,520	\$ 1,254	\$ 698
Cumulative effect of a change in accounting principle	–	–	465
Charge-offs:			
Real estate mortgage	(35)	(3)	(2)
Production and intermediate-term	(11)	(23)	(20)
Total charge-offs	(46)	(26)	(22)
Recoveries:			
Real estate mortgage	76	1	10
Production and intermediate-term	3	29	134
Total recoveries	79	30	144
Net (charge-offs) recoveries	33	4	122
Provision for (reversal of) credit losses on loans	408	262	(31)
Allowance for credit losses on loans – ending balance	\$ 1,961	\$ 1,520	\$ 1,254
Allowance for unfunded commitments – beginning balance	\$ 201	\$ 147	\$ 66
Cumulative effect of a change in accounting principle	–	–	11
Provision for (reversal of) unfunded commitments	57	54	70
Allowance for unfunded commitments – ending balance	\$ 258	\$ 201	\$ 147
Total allowance for credit losses	\$ 2,219	\$ 1,721	\$ 1,401

The allowance for credit losses as a percentage of loans outstanding and certain other credit quality indicators, at December 31, is shown below:

	December 31,		
	2025	2024	2023
Allowance for credit losses on loans to loans	0.22%	0.18%	0.16%
Allowance for credit losses on loans to nonaccrual loans	50.62%	158.17%	72.24%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.004%	0.001%	0.016%

The allowance for credit losses on loans increased \$441 or 29 percent from December 31, 2024 to December 31, 2025. This increase was driven by an increase in new loan volume and macroeconomic variables used in the model to estimate losses. The macroeconomic variables that provided the most influence during the period were the U.S. BBB index and unemployment rates.

Periods of uncertainty in the general economic environment create the potential for prospective risks in the loan portfolio. See Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled \$15,708 for the year ended December 31, 2025, a decrease of \$1,802 from 2024. Net income of \$17,510 for the year ended December 31, 2024 was an increase of \$1,451 from 2023. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31,	
	2025	2024
Net income (for prior year)	\$ 17,510	\$ 16,059
Increase (decrease) due to:		
Total interest income	4,544	5,586
Total interest expense	(3,955)	(2,121)
Net interest income	589	3,465
Provision for credit losses	(149)	(277)
Noninterest income	(892)	325
Noninterest expense	(1,340)	(2,078)
[Provision for income taxes]	(10)	16
Total increase (decrease) in net income	(1,802)	1,451
Net income	\$ 15,708	\$ 17,510

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the

line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of \$1,958 for the year ended December 31, 2023.

The reduction in net income is primarily related to an increase in noninterest expense and a decrease in noninterest income, which was partially offset by an increase in net interest income.

Net Interest Income

Net interest income, the difference between interest income and interest expense, was \$28,449, \$27,860, and \$24,395 in 2025, 2024, and 2023, respectively. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:				
	Volume*	Rate	Nonaccrual Income	Total
12/31/25 - 12/31/24				
Interest income	\$ 3,943	\$ 779	\$ (178)	\$ 4,544
Interest expense	2,414	1,541	–	3,955
Change in net interest income	\$ 1,529	\$ (762)	\$ (178)	\$ 589
12/31/24 - 12/31/23				
Interest income	\$ 1,719	\$ 3,542	\$ 325	\$ 5,586
Interest expense	1,072	1,049	–	2,121
Change in net interest income	\$ 647	\$ 2,493	\$ 325	\$ 3,465

* Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.

Net interest income increased by \$589 from December 31, 2024 to December 31, 2025. The increase was attributed to an increase in loan volume which was partially offset by the impact of higher average interest rates and lower income on nonaccruals. Between December 31, 2023 and December 31, 2024 net interest income increased \$3,465, primarily due to an increase in interest rates. The increase in interest expense was significantly less than the increase in interest income due to the change in Direct Note rate discussed above.

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended			Percentage Increase/(Decrease)	
	December 31,			2025/	2024/
	2025	2024	2023	2024	2023
Loan fees	\$ 295	\$ 411	\$ 321	(28.22)%	28.04 %
Fees for financially related services	59	46	76	28.26	(39.47)
Patronage refund from other Farm Credit Institutions	4,202	4,663	4,790	(9.89)	(2.65)
Gains on sales of rural home loans, net	25	129	136	(80.62)	(5.15)
Gains on sales of premises and equipment, net	106	153	(28)	(30.72)	(646.43)
Gains (losses) on other transactions	79	118	16	(33.05)	637.50
Insurance Fund refunds	123	203	–	(39.41)	–
Other noninterest income	268	326	413	(17.79)	(21.07)
Total noninterest income	\$ 5,157	\$ 6,049	\$ 5,724	(14.75)%	5.68 %

Noninterest income decreased \$892 for the year ended December 31, 2025. A decrease in patronage refunds from other Farm Credit institutions of \$461 was the leading factor in the decrease in noninterest income for the year. Additionally, the Association recorded \$116 less in loan fees in 2025 and gains on sales of rural home loans were \$104 less than the prior year.

From 2023 to 2024 noninterest income increased \$325 due to increases in gains on sales of equipment, gains on other transactions and loan fees. Patronage refunds from other Farm Credit institutions decreased by \$127 during that time.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31,			Percentage Increase/(Decrease)	
	2025	2024	2023	2025	2024
	Salaries and employee benefits	\$ 9,748	\$ 9,342	\$ 9,594	4.35%
Occupancy and equipment	603	576	532	4.69	8.27
Insurance Fund premiums	663	603	1,033	9.95	(41.63)
Purchased services	3,939	3,223	601	22.22	436.27
Data processing	192	182	167	5.49	8.98
Other operating expenses	2,278	2,157	2,078	5.61	3.80
Total noninterest expense	\$ 17,423	\$ 16,083	\$ 14,005	8.33%	14.84 %

Total noninterest expense increased \$1,340, or 8.33%, for the year ended December 31, 2025. The increase was primarily driven by a \$716 rise in purchased services, reflecting higher fees from the Bank for services and technology, and a \$406 increase in salaries and employee benefits related to merit adjustments and incentive compensation.

For the year ended December 31, 2024, total noninterest expenses increased \$2,078, or 14.84%. The increase in purchased services of \$2,622 was primarily the result of the Direct Note rate change discussed above. Additionally, beginning in the third quarter of 2024, the Bank increased the fee for the cost of services and technology provided to the Association and this increase resulted in additional expenses of \$628 for the year ended December 31, 2024.

Income Taxes

The Association recorded a provision/benefit for income taxes of \$10 for the year ended December 31, 2025, as compared to no provision for 2024 and a provision of \$16 for 2023. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the Year Ended		
	12/31/25	12/31/24	12/31/23
Return on average assets	1.77%	2.12%	2.02%
Return on average members' equity	7.35%	8.29%	7.74%
Net interest income as a percentage of average earning assets	3.30%	3.47%	3.15%
Net (charge-offs) recoveries to average loans	0.004%	0.001%	0.016%

The decrease in return on average asset and return on average members' equity for 2025 are related to a decrease in net income. The significant increase in net interest income as a percentage of average earnings assets in 2024 is primarily attributed to the reallocation of technology and software service expenses from interest expense to noninterest expense as previously described.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2025, was \$702,037 as compared to \$646,062 at December 31, 2024 and \$609,306 at December 31, 2023. The increase of \$55,975 or 8.66 percent compared to December 31, 2024 was primarily due to the increase in loan volume. The increase of \$36,756 or 6.03 percent compared to December 31, 2023 was also due to increased loan volume. The average volume of outstanding notes payable to the Bank was \$663,325, \$603,615, and \$575,899 for the years ended December 31, 2025, 2024,

and 2023 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's participation in secondary market programs provides additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2025.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify, and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this Annual Report.

The Bank's ability to access capital of the Association is discussed in Note 4, *Investments, Equity Investments in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements.

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding" section of this Management's Discussion and Analysis and in Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, included in this Annual Report.

The Association has an agreement with the Bank whereby the Bank may provide certain fiscal, personnel, accounting, marketing, communication, public relations, information management, computer and certain other services as requested by the Association. Specific services currently provided by the Bank to the Association, in which each service provided would constitute a material interdependent relationship, include information management, computer services/hosting, payroll processing and related payroll tax services.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association's Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2025 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2025, was \$208,026, an increase of \$3,022 or 1.47 percent from a total of \$205,004 at December 31, 2024. At December 31, 2024, total members' equity increased \$2,996 or 1.48 percent from \$202,008 at December 31, 2023. The increase in both years is attributed to earnings for the fiscal year net of patronage distributions.

Total capital stock and participation certificates were \$5,535 on December 31, 2025, compared to \$5,553 on December 31, 2024 and \$5,611 on December 31, 2023. The decline in capital stock and participation certificates is related to retirements on paid-in-full accounts exceeding new stock issuances.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31,		
				2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	20.81%	22.57%	23.57%
Tier 1 Capital	6.0%	2.5%	8.5%	20.81%	22.57%	23.57%
Total Capital	8.0%	2.5%	10.5%	21.02%	22.77%	23.71%
Permanent Capital	7.0%	0.0%	7.0%	20.85%	22.61%	23.60%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	22.44%	23.98%	24.95%
URE and UREE Leverage	1.5%	0.0%	1.5%	21.83%	23.33%	24.25%

* The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE equivalents.

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

See Note 7, *Members' Equity*, of the Consolidated Financial Statements for further information concerning capital resources.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, and (b) participation loans purchased, remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of \$12,486 in 2025, \$14,617 in 2024, and \$13,000 in 2023.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to the agricultural and rural communities, which includes providing credit to Young, Beginning and Small farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit.

The Association is committed to the future success of Young, Beginning and Small farmers.

- Young farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.
- Beginning farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.
- Small farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who normally generate less than \$350 in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association.

	As of December 31, 2025	
	Number of Loans	Amount of Loans
Young	1,059	\$112,320
Beginning	2,752	\$325,903
Small	4,323	\$426,720

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2022 USDA Ag census is used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory there were 11,870 reported farmers of which by definition 1,294 or 10.9 percent were Young, 4,276 or 36.0 percent were Beginning, and 10,907 or 91.9 percent were Small with less than \$250 thousand in gross sales, and 310 or 7.2 percent were Small with gross sales between \$250 and \$499 thousand.

Comparatively, as of December 31, 2025, the demographics of the Association's agricultural portfolio contained 6,509 farmers, of which by definition 1,059 or 16.3 percent were Young, 2,752 or 42.3 percent were Beginning, and 4,323 or 66.4 percent were Small.

The Association currently has a sound market share of YBS farmers within its territory. As of December 31, 2025, the Association was doing business with 81.8 percent of the Young farmers, 64.4 percent of the Beginning farmers, and 38.5 percent of the Small farmers identified by the 2022 USDA Ag census data.

The Association made 403 loans to farmers classified as Young, Beginning, or Small for \$61,147 in new volume for the year ending December 31, 2025. A total of 718 loans for a volume of \$84,129 were made to new and existing Young, Beginning, or Small farmers for the year ending December 31, 2025. The Association has 12 guaranteed loans for \$2,662 to Young, Beginning, and Small farmers, representing 63.2 percent of the total volume of Association loans that are guaranteed by government agencies.

The board-approved YBS farmer goals for the next three years are to have loans with at least 75.0 percent of Young farmers, at least 60.0 percent of Beginning farmers, and at least 35.0 percent of Small farmers. These goals are based on the 2022 USDA Ag census. Progress towards meeting these goals is reported quarterly to the board of directors.

The following strategies and outreach programs have been conducted, allowing the Association to meet its objectives and goals of the YBS farmer program.

- Support of 4-H, FFA, and young farmer organizations through sponsorships and donations.
- Sponsor seminars on farm transition planning, financial management, and business planning.
- Sponsor extension and grower meetings that have a focus on YBS farmer issues.
- Promote FSA guaranteed loan program for YBS borrowers to allow the Association to manage risk while providing more opportunities and financing to this group.
- Promote our youth loan program to provide loans to youth involved in 4H and FFA projects, primarily livestock or crop production.
- Support the Colonial Agricultural Educational Foundation and Agriculture in the Classroom programs in Virginia and Maryland.
- Support AgDays and other events that promote agriculture to school children.
- Participate with Virginia and Maryland Farm Bureaus in their young farmer programs.
- Partner with neighboring Farm Credit Associations to offer the AgBiz Basics and Planner programs. These four and ten-module courses teach Young farmers about financial management and business planning.
- Support YBS activities at Virginia Tech, Virginia State University, and University of Maryland.
- Sponsor and partner with local farmers' markets and local food cooperatives.
- Offer a small farm loan program that allows for a lower credit score threshold for applicants with small farms who meet other eligibility criteria.
- Provide tools and information for YBS farmers on the Colonial Farm Credit website.
- Periodically feature YBS farmers in the Leader magazine and on social media.
- Involve YBS producers in legislative initiatives, such as farm tours, to showcase and promote the diversity of agriculture in Virginia and Maryland.
- Hold YBS Advisory Committee meetings to have discussions and gain feedback on our current efforts and ways that we can better serve the YBS market.

REGULATORY MATTERS

On December 5, 2025, the FCA published a proposed rule on loan performance categories and financial reporting in the Federal Register. The proposed rule would amend the regulations for high-risk loan performance categories due to changes in GAAP, clarify expectations for vintage disclosures and disclosures of loan modifications to borrowers experiencing financial difficulties. The comment period ended on February 3, 2026.

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weightings and the federal banking regulators, with deviations as appropriate to accommodate the different regulatory, operational and credit considerations of the System. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

Disclosure Required by Farm Credit Administration Regulations

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings, interest rates to borrowers, borrower patronage or dividends, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, concentrations of assets, and changes in patronage policies or practices, if any, is incorporated in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report.

The association is involved in one Unincorporated Business Entities (UBE), which was organized for the purpose of acquiring and managing unusual or complex collateral associated with loans. Colonial OPO, LLC is a limited liability company in Virginia. The sole purpose of Colonial OPO is to acquire, hold, manage, preserve, and if appropriate, operate the assets of acquired property associated with loans until the time such assets may be sold or otherwise disposed.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Virginia or Maryland:

Location	Description	Form of Ownership
7104 Mechanicsville Tnpk. Mechanicsville, VA	Administrative/ Regional Office	Owned
135 Queen Street Tappahannock, VA	Regional Office	Owned
18639 Eltham Road West Point, VA	Office	Owned
428 E. Main Street Waverly, VA	Office	Owned
11295 Windsor Boulevard Windsor, VA	Regional Office	Owned
1700-A S. Main Street Farmville, VA	Regional Office	Owned
201 E. Danville Street South Hill, VA	Office	Owned
22323 E. Main Street Courtland, VA	Office	Rented ⁽¹⁾ (\$1,243 per month)
7431 Old Leonardtown Road Hughesville, MD	Regional Office	Rented ⁽²⁾ (\$4,011 per month)
13915 Boydton Plank Road Ste B Dinwiddie, VA	Office	Rented ⁽³⁾ (\$1,075 per month)
22776 Timberlake Road Ste A Lynchburg, VA	Office	Rented ⁽⁴⁾ (\$1,418 per month)
135 Hanbury Road Ste C - 1 Chesapeake, VA	Office	Rented ⁽⁵⁾ (\$1,643 per month)
2987 River Road West Goochland, VA	Office	Rented ⁽⁶⁾ (\$1,500 per month)

(1) 1 year lease terminating on February 29, 2026. Rent in whole dollars.

(2) 3 year lease terminating on May 31, 2028. Rent in whole dollars.

(3) 2 year lease terminating on August 31, 2027. Rent in whole dollars.

(4) 5 year lease terminating on February 28, 2029. Rent in whole dollars.

(5) 3 year lease terminating on July 31, 2026. Rent in whole dollars.

(6) 3 year lease terminating on February 1, 2027. Rent in whole dollars.

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 12 of the Consolidated Financial Statements included in this Annual Report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association and their business experience for the past five years:

Name and Title	Term of Office	Prior Experience and External Activities
Paul B. Franklin Sr. <i>President and Chief Executive Officer</i>	March 2017 - present	Previously served as Chief Lending Officer for the Association. Serves as a Director for the Virginia Agribusiness Council (advocates for the business interests of the diversified industry of agricultural and forestry). Serves as Chair of the Farm Credit System Small Association Group.
Donald L. Costello <i>Director of Information Technology</i>	January 2025 - present	Previously served as the Senior Information Systems Manager for the Association.
Diane S. Fowlkes <i>Chief Financial Officer</i>	August 2013 - present	Serves as a Director for the Virginia Foundation for Agriculture in the Classroom (provides youth agricultural education) and Director of the Colonial Agricultural Education Foundation (nonprofit educational foundation).
Ronnie G. Gill <i>Chief Operating Officer</i>	March 2024 - present	Colonial Farm Credit Chief Lending Officer – Branch Operations October 2012- February 2024 Serves as Treasurer for the Virginia Grain Producers Association (promotion and marketing of grain) and as an elected member of the Essex County Board of Supervisors (effective January 1, 2020). He also serves as a director for the Northern Neck Farm Museum (antique farm museum), and the Virginia Tech College of Agriculture and Life Sciences Alumni Organization (support of college and alumni enrichment).
Wendy H. Hale <i>Chief Human Resources Officer and Director of Loan Operations</i>	December 2023- present	Previously served as Coordinator of Loan Operations and Trainer for the Association.
Michael J. Lacks <i>Chief Lending Officer-Commercial Loans</i>	March 2017- present	Previously served as a Relationship Manager for the Commercial Loan Group.
C. Dillon Way <i>Chief Strategy Officer</i>	December 2024 - present	Vice President and Sr. Relationship Manager for AgFirst Farm Credit Bank July 2020 – December 2024. Relationship Manager for AgSouth Farm Credit August 2014 -July 2020. Serves as a director for Virginia FFA.

The total amount of compensation earned by the CEO and all senior officers and other highly compensated employees as a group during the years ended December 31, 2025, 2024, and 2023, is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value	Perq/ Other ^a	Total
<i>(In whole dollars)</i>							
Paul B. Franklin	2025	\$ 392,851	\$ 98,213	\$ -	\$ 311,490	\$ 23,984	\$ 826,538
Paul B. Franklin	2024	\$ 354,306	\$ 80,522	\$ 25,519	\$ 28,061	\$ 21,423	\$ 509,831
Paul B. Franklin	2023	\$ 346,801	\$ 76,688	\$ -	\$ 271,990	\$ 18,634	\$ 714,113
6	2025	\$ 1,172,565	\$ 270,223	\$ -	\$ 547,075	\$ 126,850	\$ 2,116,713
9 ^b	2024	\$ 1,048,644	\$ 213,334	\$ 2,871	\$ 350,150	\$ 91,987	\$ 1,706,986
6	2023	\$ 974,738	\$ 219,749	\$ -	\$ 642,147	\$ 86,273	\$ 1,922,907

^a The Perquisites/Other amount disclosed in the above chart includes company contributions to 401(k) plan (See Note 9, *Employee Benefits Plans*, to the Financial Statements), group life insurance premiums, compensation value for Association provided automobile, spouse travel expense and Farm Credit apparel expense.

^b Includes compensation for one senior officer retired from the association as of 3/22/2024 and one senior officer that separated from the association as of 2/15/24

The disclosure of information on the total compensation paid during 2025 to any senior officer or to any other employee included in the aggregate group total as reported in the table above is available and will be disclosed to the shareholders of the institution upon request.

The institution's shareholders have the authority to petition for an advisory vote on CEO and senior officers' compensation. For the year ended December 31, 2025, no advisory votes were held.

Prior to the end of each fiscal year the Board reviews the appropriateness of an incentive plan for all Association employees for the following year. In addition to a base salary, employees and senior officers can earn additional compensation under an incentive plan. The Association's incentive plan was designed to motivate employees to exceed the business plan goals during the fiscal year and covered all staff members employed as of December 31, 2025. A separate incentive plan is in place for appraisal personnel. The plan focused on meeting target earnings, patronage distribution, credit administration, credit quality, and customer service goals. The plan allowed for both individual and group incentives based on performance criteria. Allowable incentives ranged up to 25 percent of base pay at the end of the plan year for senior officers, and up to 22 percent of base pay in effect at the end of the plan year for other employees depending upon their position. Also, all employees are eligible to receive awards based upon 1) years of service or 2) exceptional performance as defined in the plan. Bonuses and incentives are shown in the year earned and are paid in the first quarter of the subsequent year.

All employees are reimbursed for all direct travel expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

The compensation plan for the CEO and other senior officers is approved annually by the Compensation Committee, guided by the following policy objective:

To provide a comprehensive compensation plan that assists management in attracting and retaining professional, motivated, customer-oriented employees, and which appropriately rewards employees taking into consideration competition, local-market compensation levels, expertise, experience and contributions (individual and team) to the association's success. These objectives will be accomplished by:

- Utilizing the AgFirst District salary and grade schedules, as well as other market data and studies, for grade placement, merit increases and salary level.
- Participating in AgFirst District benefit plans, as well as offering other benefits as deemed appropriate by the board.
- Utilizing a combination of salary, variable pay, benefits and special awards.
- Tying compensation to the achievement of business plan objectives and individual goals, and emphasizing balance among the four primary critical performance areas: business development, asset quality, earnings and human resources.
- Providing an honest and objective performance appraisal review to each employee at least annually.

The CEO and other senior officers participate in the identical compensation, retirement, incentive and benefit plans, with the exception of the CEO's supplemental non-qualified retirement plan, as described below.

Senior officers are paid a competitive, market-based salary commensurate with their tenure, expertise and education. Salary ranges for each position are adjusted periodically based on compensation studies. Senior officers are eligible for an annual salary increase based on merit, as determined by an annual performance appraisal review documenting individual performance relative to individual goals and business plan objectives for the calendar year. The CEO's performance evaluation and any merit increase are approved by the Board of Directors in December, upon recommendation from the Compensation Committee. The CEO prepares and approves the annual performance appraisal review and determines merit increases for other senior officers in February. Merit increases for all senior officers are effective February 1, and generally fall within ranges approved annually by the Compensation Committee. These ranges are differentiated by individual performance rating and current salary relative to the salary range midpoint. Merit increases are typically not granted once an employee reaches the mid-point of the salary range, which is considered the "market value" of the job. Salary ranges are adjusted annually based on market studies.

The Association's salary plan for senior officers (including annual merit increases) provides a base compensation plan that is market-driven, allowing for the attraction and retention of professional managers to implement the Association's strategic and annual business plans. Attracting and retaining high quality employees is critical to the Association's long-term success, including the goal of filling mid-level management and senior officer positions from within. A low rate of senior officer turnover is critical in achieving our mission and providing stable leadership and strong financial performance. Overall senior officer salaries are controlled by the Compensation Committee's approval of salary ranges and merit increase ranges.

Senior officers participate in an incentive compensation plan. The objectives of this plan are to:

- Ensure compensation structure is consistent with the Association's core purpose, core values and strategic business plan,
- Focus decisions and actions on key operating objectives that will provide long-term financial growth and stability to the Association,
- Provide competitive compensation packages in order to attract, motivate, reward and retain superior employees,
- Provide flexibility to management in assigning workload to maximize allocation of resources and expertise,
- Reinforce a sales culture,
- Emphasize teamwork, and
- Respond to an increasingly significant practice of goal oriented cash incentives among financial institutions.

This incentive plan contains several Association-level performance measures which must be met before a payout under either of the two components described below is possible, including: payment of a patronage refund, compliance with funding bank loan agreement covenants, not being under a regulatory enforcement action, and minimum credit management, credit quality and customer service measures. Payments under either component are based upon performance for the previous calendar year and are made during the first quarter, after the annual external audit is finalized.

The incentive plan contains a profit sharing component. In order to receive payment under this component, the senior officer must receive an “effective” overall annual performance rating, and the Association’s core earnings must exceed the budget. Payout is 20% of the excess of Core Earnings over budgeted core earnings, with a maximum Profit Sharing payment of 10% of year-end salary.

The incentive plan also contains an individual performance incentive component, whereby the senior officer can earn up to an additional 15 percent of year-end salary if his/her annual performance rating falls into the highest quadrant (“highly effective”). The level of incentive paid to the CEO, if any, is approved by the board of directors upon recommendation from the Compensation Committee. Payments to other senior officers are determined by the CEO.

Incentive-based compensation for senior officers is reasonable and proportionate to the services performed and results achieved, and it is structured to prevent undue risk to the Association, by virtue of:

- The plan’s structure which prevents payout if the Association is experiencing financial or credit problems, doesn’t pay a patronage to customers, is not adequately serving its customers or is under a regulatory enforcement action,
- Senior officers having to achieve at least “effective” overall performance ratings to receive payment, and
- The total maximum payment for senior officers being a modest 25 percent of salary, with actual payout level determined by both individual and overall Association performance.

Senior officers participate in plans, depending upon their original date of employment.

A defined benefit plan is provided those officers employed prior to January 1, 2003. Benefits are determined based on years of service times highest consecutive thirty-six month average salary times 2 percent. Full benefit payments are payable upon retirement at age 65, or at age 62 with 10 years of service. Additionally, unreduced benefits are payable based on the “rule of 85”, provided the officer is at least 55 years of age and his/her age plus years of service total at least 85.

Senior officers employed on or after January 1, 2003 receive a nonelective employer contribution of 3 percent of total compensation into the 401(k) savings plan. Additionally, any balances accrued under the defined contribution plan (Cash Balance Plan) were disbursed to plan participants in March 2017 according to his/her individual distribution election. See *Note 9- Employee Benefit Plans*.

The Association sponsors a non-qualified, defined-benefit, supplemental executive retirement plan for the former CEO and the current CEO. The purpose of the non-qualified plan is to provide benefits that supplement the IRS limitations imposed on the qualified defined-benefit plan in which the Association’s employees participate. For eligible key employees, compensation in excess of the 401(a) (17) limit and benefits in excess of the 415(b) limit in the qualified defined-benefit plan will be made up through the non-qualified plan. As a non-qualified plan, assets have been allocated and separately invested for this plan, but are not isolated from the general creditors of the Association.

This plan does not expand total compensation or the Association’s expenses, but serves only to make the employee “whole” considering IRS payment limitations on the qualified retirement plan.

The present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year older and one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present value is calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one less year of discounting, which increases the present value. For those already eligible for unreduced retirement (e.g. have 85 age + service points), this increase is offset by the decrease in early retirement subsidy value. The early retirement subsidy provided under the plan is most valuable when a participant first reaches eligibility for unreduced benefits. The value decreases every year thereafter until age 65.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa. There was a decrease in the discount rate assumption from December 31, 2024 to December 31, 2025, which increased the pension values.

The total accumulated pension benefits for the CEO and all senior officers as a group as of December 31, 2025, are as follows:

Pension Benefits Table
As of December 31, 2025
(In whole dollars)

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2025
CEO:					
Paul B. Franklin, Sr.	2025	AgFirst Retirement Plan	36	\$ 3,431,768	\$ –
				\$ 3,431,768	\$ –
Senior Officers and Highly Compensated Employees:					
6 employees, excluding the CEO	2025	AgFirst Retirement Plan	21 ^a	\$ 5,073,728	\$ –
				\$ 5,073,728	\$ –

^a Represents the average years of credited service for the group

Senior officers may also participate in a 401(k) savings plan, with the level of Association matching contributions determined by date of employment. For officers employed before January 1, 2003, the Association matches employee contributions 50 percent up to 6 percent of salary. For those hired after December 31, 2002, the Association matches employee contributions 100 percent up to 6 percent of salary. Various investment options are available for these funds, and vesting is immediate.

Market-based retirement and tax advantaged savings plans for senior officers are critical components to a competitive overall compensation plan. Such a plan is necessary for the attraction and retention of professionals capable of effectively implementing the Association’s strategic and annual business plans. Association financial risk is mitigated by adjusting provisions when necessary to control costs and remain competitive, such as was done for employees hired after December 31, 2002, and subsequent changes to the defined contribution retirement plan and 401(k) savings plan.

Senior officers participate in various other benefits which are also offered to all employees, such as: medical insurance; annual, holiday and sick leave; life and disability insurance; and, milestone service awards. Additionally, senior officers are reimbursed for out-of-pocket business travel, lodging and subsistence costs. A copy of the reimbursement policy is available upon request.

Virtually all business plan objectives and goals were met or exceeded and the profit sharing component of the incentive plan triggered a payout at the top of the range for 2025. The individual and team performance of the CEO and other senior officers were consistent with the level of the incentive payments and with their overall compensation.

Directors

The following chart details the year the director began serving on the board, the current term of expiration, and total cash compensation paid:

DIRECTOR	ORIGINAL YEAR OF ELECTION OR APPOINTMENT	CURRENT TERM EXPIRATION	TOTAL COMP. PAID DURING 2025
Jennifer U. Cuthbertson <i>Board Chair</i> <i>Appointed Director</i>	2007	2029	\$20,300
Frankie R. Large <i>Vice Chair of the Board</i>	2017	2027	18,100
John E. Bickford* <i>Appointed Stockholder Director</i>	2014	2026	15,800
Benjamin D. Cole	2022	2029	12,200
R. Bertsch Cox <i>Appointed Director</i>	2017	2029	14,100
Clarke E. Fox	1997	2029	17,800
Craig H. Giese	2022	2026	19,800
G. Henry Goodrich	2023	2027	10,600
Jeffrey W. Griffith	2014	2028	9,400
J. Calvin Haile, Jr.	2023	2027	18,200
William T. Henley IV	2020	2028	15,000
Hugh S. Jones	2003	2029	18,200
Donna H. Kerr	2022	2028	14,200
Paul W. Rogers, III	2022	2026	20,900
Robert R. Womack	2014	2026	6,200
			<u>\$230,800</u>

* John E. Bickford also previously served from 2005-2013.

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Unless specifically listed, the principal occupation of the board member for the past five years has been as a self-employed farmer.

Mrs. Jennifer U. Cuthbertson, Chair of the Board and chair of the Compensation, Credit Review, and Executive Committees, is a watermelon, pumpkin, goat, cattle, wheat, corn, soybean, timber, and hay farmer, and a tax advisor for H&R Block. Mrs. Cuthbertson serves as a seasonal customer service representative for FERIDIES (retail sales and promotion of Virginia peanuts). She works part-time as a Southampton County 4-H assistant.

Mr. Frankie R. Large, Vice Chair of the Board and chair of the Governance Committee, is the owner/operator of Cherry Hill Farm (cow/calf operation) and a contract hog grower for Smithfield Foods. He serves as vice president of Buckingham County Farm Bureau (agriculture insurance, service, and lobbying organization), and president of the Virginia High School Rodeo Association (non-profit promoting the sport of rodeo).

Mr. John E. Bickford is a consulting forester involved in timber management, timber sales, and timber evaluations for non-industrial landowners. He owns Bickford Timber and Land Management, Inc., a timber consulting and management business. He also serves as a licensed real estate agent for Cox & Company Real Estate, Inc. and sits on the board of Bickford Family Lands, LLC. He is chair of the Buckingham County Planning Commission.

Mr. Benjamin D. Cole is owner of Cole Timberland Management, LLC and is a forestry consultant. He also owns Cole Farming Co, LLC, and Cole Family Land & Timber, LLC, farming row crops and timber in Appomattox and Campbell counties. He serves on the Virginia Forestry Board of Directors (forestry promotion), is a member of the Association of Consulting Foresters (forestry promotion) and a member of the R.E. Lee Chapter of the Society of American Foresters (forestry education and promotion). He serves as treasurer of the Appomattox County Farm Bureau (agriculture insurance, service, and lobbying organization).

Mr. R. Bertsch Cox, Chair of the Audit Committee, is the Chief Financial Officer/CPA for James River Equipment (equipment dealer). He currently serves on the AgFirst Farm Credit Bank/Farm Credit Bank of Texas Plan Sponsor Committee.

Mr. Clarke E. Fox serves as vice president of Foxhill Farms, Inc., a peanut, cotton, corn, soybean, and timber farm. He is also partner in Southampton Office Building, LLC and in Two CF, LLC (real estate).

Mr. Craig H. Giese is a Certified Public Accountant at the firm of Dehnert, Clarke & Co., PC (tax and accounting firm). He is the sole proprietor of Giese Farms, a corn, soybean, rye, and timber farm. He serves as director of the Northumberland-Lancaster Farm Bureau (agriculture insurance, service, and lobbying organization). He is chair of the Lancaster County Board of Supervisors.

Mr. G. Henry Goodrich is a partner in BEN-GAR Farms, LLC and manager of Goodrich Farms, LLC, farming corn, cotton, soybeans, peanuts, wheat and timber. He is a board member on the Tidewater Area Research and Extension Center Leadership Council, president and director on the Virginia Crop Improvement Association (seed certification) and director on the Virginia Peanut Growers Association (peanut promotion and research).

Mr. Jeffrey W. Griffith is a grain, hay, and vegetable farmer. He serves as a director of the Anne Arundel County Farm Bureau (agriculture insurance, service, and lobbying organization). He is a member of Future Farmers of America Alumni (promoting FFA) and the Lothian Ruritan (community service organization).

Mr. James Calvin Haile, Jr. is a fourth generation farmer and owner and operator of Haile Farm, LLC, a corn, soybeans, wheat, and timber farm. He serves as director of Virginia Grain Producers (education and lobbying organization) and is a member of the Essex County Board of Supervisors.

Mr. William T. Henley, IV is a full-time corn, wheat, soybeans, barley, and food grade soybean farmer. He is a partner in Poorhouse Property, LLC, which owns farm and timberland. He is president of the King and Queen County Farm Bureau (agriculture insurance, service, and lobbying organization), board of Virginia Grain Producers (promotion and marketing of grain), and board member of Virginia Soybean Board (checkoff administration) and board member of the Colonial Agricultural Educational Foundation (provides funding for college scholarships and other youth education).

Mr. Hugh S. Jones is majority owner, vice president, and operator of Richlands Dairy Farm, Inc. and a shareholder in Richlands Creamery, LLC.

Mrs. Donna H. Kerr is secretary and treasurer of Ameva Farm, Inc., a dairy and grain farm. She also worked as a general ledger accountant (retired in 2025) for Hillphoenix (commercial refrigeration company). She serves as treasurer for Mattoax Presbyterian Church.

Mr. Paul W. Rogers, III is chair of the Legislative Committee and a partner of Rogers Farms Partnership, a cotton, grain, timber, and peanut farm. He serves as director for the Virginia Cotton Growers Association (cotton promotion and marketing), Virginia Farm Bureau Cotton Advisory Board (advises on issues concerning cotton), Surry County Farm Bureau (agriculture insurance, service, and lobbying organization), Wakefield Sportsman Club (sports organization) and the Colonial Agricultural Educational Foundation (provides funding

for college scholarships and other youth education). He previously served as chair and delegate of the National Peanut Board (peanut promotion and marketing) and was a previous director of Southern States Tidewater Petroleum Cooperative (energy provider).

Mr. Robert R. Womack is owner and operator of Woodville Farm, Inc., a poultry, beef cattle, and row crop farm, and co-owner of Robert & John, LLC. He is vice president of Buckingham Cattleman Association (breed promotion and marketing) and a director of Farmers' Cooperative (agricultural production products).

In accordance with board policy, the Association pays directors honoraria ranging from \$200 to \$800, for attendance at meetings, committee meetings, conference call meetings, or special assignments. Directors are paid a monthly retainer fee of \$200, except for the chair of the board who receives \$375 and the chair of the Audit, Legislative, and Governance committees who receive \$225. Total compensation paid to directors as a group was \$226,700 for 2024. No director received more than \$5 thousand in non-cash compensation during the year.

The following chart details the number of meetings, other activities and additional compensation paid for other activities (if applicable) for each director:

Name of Director	Days Served		Committee Assignments	Comp. Paid for other Activities*
	Regular Board Meetings	Other Official Activities*		
Jennifer U. Cuthbertson, Board Chair <i>Appointed Director</i>	5	14	Audit Committee, Compensation Committee, Executive Committee, Governance Committee	(In whole dollars) \$ 11,200
Frankie R. Large, Vice Chair of the Board	5	13	Compensation Committee, Executive Committee, Governance Committee	10,400
John E Bickford	5	9	Compensation Committee, Executive Committee, Governance Committee	8,800
Benjamin D. Cole	5	6	Governance Committee	5,200
R. Bertsch Cox, <i>Appointed Director</i>	5	7	Audit Committee, Compensation Committee, Governance Committee	6,800
Clarke E. Fox	5	10	Audit Committee, Compensation Committee, Governance Committee	10,800
Craig H. Giese	5	12	Audit Committee, Governance Committee	9,600
G. Henry Goodrich	5	6	Governance Committee	3,600
Jeffery W. Griffith	5	4	Compensation Committee, Executive Committee	2,400
J. Calvin Haile, Jr.	5	8	Governance Committee	8,000
William T. Henley, IV	5	9	Compensation Committee, Executive Committee, Governance Committee	8,000
Hugh S. Jones	5	7	Audit Committee, Governance Committee	6,800
Donna H. Kerr	5	9	Audit Committee, Governance Committee	7,200
Paul W. Rogers, III	5	11	Audit Committee, Governance Committee	10,400
Robert R. Womack	4	-		-
				<u>\$ 109,200</u>

*Some committee meetings may be scheduled on the same day as other meetings, resulting in no additional compensation

Directors are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was \$88,615 for 2025, \$109,602 for 2024, and \$69,237 for 2023.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report.

Transactions Other Than Loans

There have been no transactions that occurred at any time during the year ended December 31, 2025 or in aggregate, between the Association and senior officers or directors, their immediate family members or any organizations with which they are affiliated, which

exceed \$5,000. There were no transactions with any senior officer or director related to the purchase or retirement of preferred stock of the Association for the year ended December 31, 2025.

Involvement in Certain Legal Proceedings

There were no other matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees paid by the Association for services rendered by its independent auditors for the year ended December 31, 2025 were as follows:

	2025 <i>(In whole dollars)</i>
<i>Independent Auditors</i>	
PricewaterhouseCoopers LLP	
Audit services	\$ 103,096
Total	\$ 103,096

Audit fees were for the annual audit of the consolidated financial statements.

Consolidated Financial Statements

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 10, 2026 and the report of management, which appear in this Annual Report are incorporated herein by reference. Copies of the Association’s Annual and unaudited Quarterly reports are available upon request free of charge by calling (804) 746-4581, writing Diane Fowlkes, Chief Financial Officer, Colonial Farm Credit, ACA, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111, or accessing the website, www.colonialfarmcredit.com. The Association prepares an electronic version of the Annual Report which is available on the Association’s website within 75 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers’ nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section included in this annual report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank’s Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst’s website at www.agfirst.com. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report, which is available on the Bank’s website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

Report of the Audit Committee

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of Colonial Farm Credit, ACA (Association) and in the opinion of the Board of Directors; each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's independent auditors for 2025, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards AU-C 260 and 265 (*The Auditor's Communication With Those Charged With Governance*). The Committee discussed with PwC its independence from Colonial Farm Credit, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2025. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ R. Bertsch Cox
Chair of the Audit Committee

Members of Audit Committee

Jennifer U. Cuthbertson
Clarke E. Fox
Craig H. Giese
Hugh S. Jones
Donna H. Kerr
Paul W. Rogers, III

March 10, 2026



Report of Independent Auditors

To the Management and Board of Directors of Colonial Farm Credit, ACA

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 10, 2026

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	December 31,		
	2025	2024	2023
Assets			
Cash	\$ 63	\$ 45	\$ 45
Loans	902,281	846,855	805,569
Allowance for credit losses on loans	(1,961)	(1,520)	(1,254)
Net loans	900,320	845,335	804,315
Loans held for sale	—	—	4
Accrued interest receivable	8,671	7,851	7,427
Equity investments in other Farm Credit institutions	15,094	12,248	12,186
Premises and equipment, net	2,189	1,834	1,881
Accounts receivable	4,414	4,873	4,910
Other assets (includes \$923, \$890, and \$774 at fair value)	1,169	1,055	967
Total assets	\$ 931,920	\$ 873,241	\$ 831,735
Liabilities			
Notes payable to AgFirst Farm Credit Bank	\$ 702,037	\$ 646,062	\$ 609,306
Accrued interest payable	2,521	2,225	2,199
Patronage refunds payable	12,919	14,926	13,380
Accounts payable	994	948	1,541
Other liabilities	5,423	4,076	3,301
Total liabilities	723,894	668,237	629,727
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	5,535	5,553	5,611
Unallocated retained earnings	202,503	199,281	196,395
Accumulated other comprehensive income (loss)	(12)	170	2
Total members' equity	208,026	205,004	202,008
Total liabilities and members' equity	\$ 931,920	\$ 873,241	\$ 831,735

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

Consolidated Statements of Comprehensive Income

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Interest Income			
Loans	\$ 56,806	\$ 52,262	\$ 46,676
Interest Expense	28,357	24,402	22,281
Net interest income	28,449	27,860	24,395
Provision for credit losses	465	316	39
Net interest income after provision for credit losses	27,984	27,544	24,356
Noninterest Income			
Loan fees	295	411	321
Fees for financially related services	59	46	76
Patronage refunds from other Farm Credit institutions	4,202	4,663	4,790
Gains (losses) on sales of rural home loans, net	25	129	136
Gains (losses) on sales of premises and equipment, net	106	153	(28)
Gains (losses) on other transactions	79	118	16
Insurance Fund refunds	123	203	—
Other noninterest income	268	326	413
Total noninterest income	5,157	6,049	5,724
Noninterest Expense			
Salaries and employee benefits	9,748	9,342	9,594
Occupancy and equipment	603	576	532
Insurance Fund premiums	663	603	1,033
Purchased services	3,939	3,223	601
Data processing	192	182	167
Other operating expenses	2,278	2,157	2,078
Total noninterest expense	17,423	16,083	14,005
Income before income taxes	15,718	17,510	16,075
Provision for income taxes	10	—	16
Net income	\$ 15,708	\$ 17,510	\$ 16,059
Other comprehensive income net of tax			
Employee benefit plans adjustments	(182)	168	(18)
Comprehensive income	\$ 15,526	\$ 17,678	\$ 16,041

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

Consolidated Statements of Changes in Members' Equity

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	\$ 5,631	\$ 194,812	\$ 20	\$ 200,463
Cumulative effect of change in accounting principle		(476)		(476)
Comprehensive income		16,059	(18)	16,041
Capital stock/participation certificates issued/(retired), net	(20)			(20)
Patronage distribution				
Cash		(13,000)		(13,000)
Patronage distribution adjustment		(1,000)		(1,000)
Balance at December 31, 2023	\$ 5,611	\$ 196,395	\$ 2	\$ 202,008
Comprehensive income		17,510	168	17,678
Capital stock/participation certificates issued/(retired), net	(58)			(58)
Patronage distribution				
Cash		(14,617)		(14,617)
Patronage distribution adjustment		(7)		(7)
Balance at December 31, 2024	\$ 5,553	\$ 199,281	\$ 170	\$ 205,004
Comprehensive income		15,708	(182)	15,526
Capital stock/participation certificates issued/(retired), net	(18)			(18)
Patronage distribution				
Cash		(12,486)		(12,486)
Balance at December 31, 2025	\$ 5,535	\$ 202,503	\$ (12)	\$ 208,026

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

Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 15,708	\$ 17,510	\$ 16,059
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	338	272	261
Amortization (accretion) of net deferred loan costs (fees)	441	331	466
Provision for credit losses	465	316	39
(Gains) losses on sales of premises and equipment, net	(106)	(153)	28
(Gains) losses on sales of rural home loans, net	(25)	(129)	(136)
(Gains) losses on other transactions	(79)	(118)	(16)
Changes in operating assets and liabilities:			
Origination of loans held for sale	(4,784)	(10,801)	(11,584)
Proceeds from sales of loans held for sale, net	4,809	10,934	11,760
(Increase) decrease in accrued interest receivable	(820)	(424)	(1,610)
(Increase) decrease in accounts receivable	459	37	(537)
(Increase) decrease in other assets	(114)	(88)	108
Increase (decrease) in accrued interest payable	296	26	522
Increase (decrease) in accounts payable	46	(593)	157
Increase (decrease) in other liabilities	1,187	1,006	(208)
Total adjustments	2,113	616	(750)
Net cash provided by (used in) operating activities	17,821	18,126	15,309
Cash flows from investing activities:			
Net (increase) decrease in loans	(55,834)	(41,612)	(32,461)
(Increase) decrease in equity investments in other Farm Credit institutions	(2,846)	(62)	(3,078)
Purchases of premises and equipment	(697)	(232)	(289)
Proceeds from sales of premises and equipment	110	160	—
Net cash provided by (used in) investing activities	(59,267)	(41,746)	(35,828)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	55,975	36,756	34,370
Net increase (decrease) in advanced conditional payments	—	—	(6)
Capital stock and participation certificates issued/(retired), net	(18)	(58)	(20)
Patronage refunds and dividends paid	(14,493)	(13,078)	(13,866)
Net cash provided by (used in) financing activities	41,464	23,620	20,478
Net increase (decrease) in cash	18	—	(41)
Cash, beginning of period	45	45	86
Cash, end of period	\$ 63	\$ 45	\$ 45
Supplemental schedule of non-cash activities:			
Estimated cash dividends or patronage distributions declared or payable	\$ 12,486	\$ 14,617	\$ 13,000
Cumulative effect of change in accounting principle	—	—	(476)
Employee benefit plans adjustments (Note 9)	182	(168)	18
Supplemental information:			
Interest paid	\$ 28,061	\$ 24,376	\$ 21,759
Taxes (refunded) paid, net	5	—	4

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

- A. **Organization:** Colonial Farm Credit, ACA (Association) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Amelia, Amherst, Appomattox, Brunswick, Buckingham, Campbell, Caroline, Charles City, Charlotte, Chesterfield, Cumberland, Dinwiddie, Essex, Fluvanna, Gloucester, Goochland, Greensville, Hanover, Henrico, Isle of Wight, King and Queen, King George, King William, James City, Lancaster, Louisa, Lunenburg, Mathews, Mecklenburg, Middlesex, New Kent, Northumberland, Nottoway, Powhatan, Prince Edward, Prince George, Richmond, Southampton, Surry, Sussex, Westmoreland, York, and the cities of Chesapeake, Newport News, Suffolk and Virginia Beach in the state of Virginia and the counties of Anne Arundel, Calvert, Charles, Prince George's and Saint Mary's in the state of Maryland.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of associations within their districts. AgFirst (Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year-end, the District consisted of the Bank and sixteen District Associations. All sixteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

- B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. Prior to January 1, 2024, the costs of these support services were primarily included in the interest expense of the Direct Note. After January 1, 2024, the fees charged by the Bank for these support services are included in the Association's noninterest expense or in some cases billed directly to certain Associations that use a specific service.

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

The Association may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

A. Accounting Standard Updates (ASUs) Effective During the Period: 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 (ASC 270) 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 ASC 270, 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 standard 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 evaluating the potential impact of adoption 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 evaluating the potential impact of adoption 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 (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations, and 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 standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Income taxes paid will require disaggregated disclosure by federal, state, and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows but will impact the income tax disclosures.

- B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.
- C. **Loans and Allowance for Credit Losses (ACL):** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

Nonaccrual Loans

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

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

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the amortized cost in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The Association adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

Collateral Dependent Loans

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

Allowance for Credit Losses

The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled “Measurement of Credit Losses on Financial Instruments” and other subsequently issued accounting standards updates related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance was applied on a modified retrospective basis. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

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

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans

The ACLL represents management’s estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value accounting adjustments.

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

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

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

The credit risk rating methodology is a key component of the Association’s ACLL evaluation, and is generally incorporated into the institution’s loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point risk 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 is 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.

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

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;

- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

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

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an ACL on unfunded commitments and, if required, an amount is recognized and included in Other Liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

Also adopted, effective January 1, 2023, was ASU 2022-02 - Financial Instruments: Credit Losses - Troubled Debt Restructurings and Vintage Disclosure. This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

- D. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.
- E. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the ACLL. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.
- F. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

- G. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions

Investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Other Investments

As discussed in Note 8, *Fair Value Measurement*, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Consolidated Statements of Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheet.

Investment Income

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

- H. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.
- I. **Employee Benefit Plans:** The Association participates in District and multi-district sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans

Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9, *Employee Benefit Plans*.

Multiemployer Defined Benefit Plans

Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multiemployer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-district sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to employees, their beneficiaries and covered dependents during the years the employees render service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9, *Employee Benefit Plans* and in the Notes to the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plan

The Association also sponsors a single employer defined benefit supplemental retirement plan for certain key employees. This plan is nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. See Note 9, *Employee Benefit Plans* for additional information.

- J. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to Federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state and certain other income taxes.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

K. Due from AgFirst Farm Credit Bank: The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.

L. Valuation Methodologies: FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. This guidance also 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. It prescribes three levels of inputs that may be used to measure fair value.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, and certain derivatives, investment securities and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations. Additional information may be found in Note 8, *Fair Value Measurement*.

M. Off-Balance-Sheet Credit Exposures: The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's credit worthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

N. Revenue Recognition: The Association generates income from multiple sources.

Financial Instruments

The largest source of revenue for the Association is interest income. Interest income is recognized on an accrual basis driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers

The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. The Association also does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

Gains and Losses from Nonfinancial Assets

Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income or Noninterest Expense. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

- O. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee

Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor

The Association acts as lessor in certain contractual arrangements. The contracts relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and nonlease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Other Noninterest Income in the Consolidated Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for credit losses on loans, see Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may

be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.

- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.

A summary of loans outstanding at period end follows:

	December 31, 2025	December 31, 2024	December 31, 2023
Real estate mortgage	\$ 541,982	\$ 536,439	\$ 530,025
Production and intermediate-term	195,691	179,341	173,452
Agribusiness:			
Loans to cooperatives	8,732	1,589	1,814
Processing and marketing	68,824	53,534	29,169
Farm-related business	25,061	20,066	14,323
Rural infrastructure:			
Communication	6,185	6,933	4,335
Power and water/waste disposal	10,371	6,657	10,986
Rural residential real estate	42,066	38,548	38,080
Other:			
International	3,303	3,672	3,299
Lease receivables	66	76	86
Total loans	<u>\$ 902,281</u>	<u>\$ 846,855</u>	<u>\$ 805,569</u>

A substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly.

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

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. The following tables present the principal balance of participation loans at periods ended:

	December 31, 2025					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 7,946	\$ 1,625	\$ —	\$ —	\$ 7,946	\$ 1,625
Production and intermediate-term	29,513	—	—	—	29,513	—
Agribusiness	57,445	13,078	—	—	57,445	13,078
Rural infrastructure	16,627	—	—	—	16,627	—
Other	3,376	—	—	—	3,376	—
Total	<u>\$ 114,907</u>	<u>\$ 14,703</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 114,907</u>	<u>\$ 14,703</u>

	December 31, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 5,376	\$ 4,702	\$ –	\$ –	\$ 5,376	\$ 4,702
Production and intermediate-term	25,103	–	–	–	25,103	–
Agribusiness	44,422	8,355	–	–	44,422	8,355
Rural infrastructure	13,627	–	–	–	13,627	–
Other	3,756	–	–	–	3,756	–
Total	\$ 92,284	\$ 13,057	\$ –	\$ –	\$ 92,284	\$ 13,057

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 5,964	\$ –	\$ –	\$ –	\$ 5,964	\$ –
Production and intermediate-term	23,729	–	–	–	23,729	–
Agribusiness	26,025	8,508	–	–	26,025	8,508
Rural infrastructure	15,358	–	–	–	15,358	–
Other	3,396	–	–	–	3,396	–
Total	\$ 74,472	\$ 8,508	\$ –	\$ –	\$ 74,472	\$ 8,508

Loan Quality

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

The credit risk management process begins with an analysis of the obligor’s credit history, repayment capacity and financial position. Repayment capacity focuses on the obligor’s ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral). See further discussion in Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

Each of the ratings carries a distinct percentage of default probability. The 14-point scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off. These categories are defined as follows:

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- Other assets especially mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/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.
- Loss – Assets are considered uncollectible.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	December 31,		
	2025	2024	2023
Real estate mortgage:			
Acceptable	97.62%	98.53%	99.13%
OAEM	1.49	1.19	0.45
Substandard/doubtful/loss	0.89	0.28	0.42
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production and intermediate-term:			
Acceptable	95.28%	98.52%	99.02%
OAEM	3.07	1.05	0.49
Substandard/doubtful/loss	1.65	0.43	0.49
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Agribusiness:			
Acceptable	95.19%	96.70%	96.14%
OAEM	2.51	3.30	3.86
Substandard/doubtful/loss	2.30	—	—
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Rural residential real estate:			
Acceptable	99.52%	99.54%	99.38%
OAEM	0.47	0.44	0.40
Substandard/doubtful/loss	0.01	0.02	0.22
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	—	—	—
Substandard/doubtful/loss	—	—	—
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total loans:			
Acceptable	96.98%	98.44%	98.97%
OAEM	1.87	1.29	0.64
Substandard/doubtful/loss	1.15	0.27	0.39
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Accrued interest receivable on loans of \$8,671, \$7,851, and \$7,427 at December 31, 2025, 2024, and 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following tables provide an aging analysis of past due loans as of:

	December 31, 2025				
	30 Through 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
Real estate mortgage	\$ 3,381	\$ 3,410	\$ 6,791	\$ 535,191	\$ 541,982
Production and intermediate-term	2,800	51	2,851	192,840	195,691
Agribusiness	20	—	20	102,597	102,617
Rural infrastructure	—	—	—	16,556	16,556
Rural residential real estate	199	—	199	41,867	42,066
Other	—	—	—	3,369	3,369
Total	<u>\$ 6,400</u>	<u>\$ 3,461</u>	<u>\$ 9,861</u>	<u>\$ 892,420</u>	<u>\$ 902,281</u>

	December 31, 2024				
	30 Through 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
Real estate mortgage	\$ 3,793	\$ 196	\$ 3,989	\$ 532,450	\$ 536,439
Production and intermediate-term	2,850	98	2,948	176,393	179,341
Agribusiness	255	—	255	74,934	75,189
Rural infrastructure	—	—	—	13,590	13,590
Rural residential real estate	373	—	373	38,175	38,548
Other	—	—	—	3,748	3,748
Total	<u>\$ 7,271</u>	<u>\$ 294</u>	<u>\$ 7,565</u>	<u>\$ 839,290</u>	<u>\$ 846,855</u>

	December 31, 2023				
	30 Through 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
Real estate mortgage	\$ 4,964	\$ 528	\$ 5,492	\$ 524,533	\$ 530,025
Production and intermediate-term	2,576	21	2,597	170,855	173,452
Agribusiness	—	—	—	45,306	45,306
Rural infrastructure	—	—	—	15,321	15,321
Rural residential real estate	911	39	950	37,130	38,080
Other	—	—	—	3,385	3,385
Total	\$ 8,451	\$ 588	\$ 9,039	\$ 796,530	\$ 805,569

There were no accruing loans greater than 90 days past due as of December 31, 2025, 2024, and 2023.

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

	December 31, 2025			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2025
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 3,537	\$ 3,537	\$ 167
Production and intermediate-term	—	331	331	16
Rural residential real estate	—	6	6	—
Total	\$ —	\$ 3,874	\$ 3,874	\$ 183

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 534	\$ 534	\$ 201
Production and intermediate-term	75	344	419	158
Rural residential real estate	—	8	8	3
Total	\$ 75	\$ 886	\$ 961	\$ 362

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 1,433	\$ 1,433	\$ 31
Production and intermediate-term	—	264	264	5
Rural residential real estate	—	39	39	1
Total	\$ —	\$ 1,736	\$ 1,736	\$ 37

A summary of changes in the allowance for credit losses by portfolio segment is as follows:

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2024	\$ 1,099	\$ 261	\$ 85	\$ 8	\$ 66	\$ 1	\$ 1,520
Charge-offs	(35)	(11)	—	—	—	—	(46)
Recoveries	76	3	—	—	—	—	79
Provision for credit losses on loans	221	59	93	7	27	1	408
Balance at December 31, 2025	\$ 1,361	\$ 312	\$ 178	\$ 15	\$ 93	\$ 2	\$ 1,961
Allowance for Unfunded Commitments:							
Balance at December 31, 2024	\$ 34	\$ 84	\$ 65	\$ 14	\$ 2	\$ 2	\$ 201
Provision for unfunded commitments	2	27	23	(6)	10	1	57
Balance at December 31, 2025	\$ 36	\$ 111	\$ 88	\$ 8	\$ 12	\$ 3	\$ 258
Total allowance for credit losses	\$ 1,397	\$ 423	\$ 266	\$ 23	\$ 105	\$ 5	\$ 2,219
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	\$ 920	\$ 206	\$ 47	\$ 6	\$ 73	\$ 2	\$ 1,254
Charge-offs	(3)	(23)	—	—	—	—	(26)
Recoveries	1	29	—	—	—	—	30
Provision for credit losses on loans	181	49	38	2	(7)	(1)	262
Balance at December 31, 2024	\$ 1,099	\$ 261	\$ 85	\$ 8	\$ 66	\$ 1	\$ 1,520
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	\$ 16	\$ 72	\$ 42	\$ 13	\$ 2	\$ 2	\$ 147
Provision for unfunded commitments	18	12	23	1	—	—	54
Balance at December 31, 2024	\$ 34	\$ 84	\$ 65	\$ 14	\$ 2	\$ 2	\$ 201
Total allowance for credit losses	\$ 1,133	\$ 345	\$ 150	\$ 22	\$ 68	\$ 3	\$ 1,721
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	\$ 469	\$ 152	\$ 32	\$ 8	\$ 33	\$ 4	\$ 698
Cumulative effect of a change in accounting principle	379	50	7	(6)	36	(1)	465
Balance at January 1, 2023	\$ 848	\$ 202	\$ 39	\$ 2	\$ 69	\$ 3	\$ 1,163
Charge-offs	(2)	(20)	—	—	—	—	(22)
Recoveries	10	134	—	—	—	—	144
Provision for credit losses on loans	64	(110)	8	4	4	(1)	(31)
Balance at December 31, 2023	\$ 920	\$ 206	\$ 47	\$ 6	\$ 73	\$ 2	\$ 1,254
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	\$ 3	\$ 40	\$ 17	\$ 5	\$ —	\$ 1	\$ 66
Cumulative effect of a change in accounting principle	(1)	2	4	6	—	—	11
Balance at January 1, 2023	\$ 2	\$ 42	\$ 21	\$ 11	\$ —	\$ 1	\$ 77
Provision for unfunded commitments	14	30	21	2	2	1	70
Balance at December 31, 2023	\$ 16	\$ 72	\$ 42	\$ 13	\$ 2	\$ 2	\$ 147
Total allowance for credit losses	\$ 936	\$ 278	\$ 89	\$ 19	\$ 75	\$ 4	\$ 1,401

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2025, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2025	
	Percentage of Total by	
	Maturity Extension	Loan Type
Production and intermediate-term	\$ 2,147	1.10%
Total	\$ 2,147	0.24%

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2025:

	Maturity Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 1.6 years to the life of loans

The following table sets forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the year ended December 31, 2025 and received a modification in the twelve months before default:

	For the Year Ended December 31, 2025
	Maturity Extension
Production and intermediate-term	\$ 50
Total	\$ 50

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the year:

	December 31, 2025			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Production and intermediate-term	\$ 2,147	\$ –	\$ –	\$ 2,147
Total	\$ 2,147	\$ –	\$ –	\$ 2,147

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2025 was \$119. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were \$156 at December 31, 2025.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the years ended December 31, 2024 and 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2024 and 2023. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

The Association had no loans held for sale at December 31, 2025 and 2024. Loans held for sale were \$4 at December 31, 2023. Such loans are carried at the lower of cost or fair value.

Note 4 — Investments

Equity Investments in Other Farm Credit Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

The Association is required to maintain ownership in the Bank in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association's investment in the Bank totaled \$14,605 for 2025, \$11,794 for 2024 and \$11,734 for 2023. The Association owned 2.12 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2025, net of any reciprocal investment. As of that date, the Bank's assets totaled \$50.2 billion and shareholders' equity totaled \$2.1 billion. The Bank's earnings were \$279 million for 2025. In addition, the Association had investments of \$489 related to other Farm Credit institutions at December 31, 2025.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31,		
	2025	2024	2023
Land	\$ 427	\$ 427	\$ 427
Buildings and improvements	2,801	2,803	2,688
Furniture and equipment	2,702	2,240	2,399
	5,930	5,470	5,514
Less: accumulated depreciation	3,741	3,636	3,633
Total	\$ 2,189	\$ 1,834	\$ 1,881

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank

Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association’s credit and fiscal performance as criteria for establishing a line of credit on which the association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has established limitations on the Association’s ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2025, the Association’s notes payable were within the specified limitations.

The Association’s indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association’s assets and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan, based on the Bank’s marginal cost of funds, capital position, operating costs and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA, which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon an agreement between the Bank and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31,		
	2025	2024	2023
Line of credit	\$ 779,000	\$ 673,000	\$ 641,000
Outstanding principal under the line of credit	702,037	646,062	609,306
Interest rate	4.28%	4.04%	3.87%

Note 7 — Members’ Equity

A description of the Association’s capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

- A. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association’s capitalization bylaws, each borrower is required to invest in Class B stock for agricultural loans, or participation certificates in the case of rural home and farm-related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to \$1 thousand or two percent of the loan amount, whichever is less. The Board of Directors may increase the amount of investment if necessary to meet the Association’s capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

- B. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

The capital regulations ensure that the System’s capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. The permanent capital ratio (PCR) remains in effect.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, and paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.

- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, and allowance for credit losses on loans and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31,		
				2025	2024	2023
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	20.81%	22.57%	23.57%
Tier 1 Capital	6.0%	2.5%	8.5%	20.81%	22.57%	23.57%
Total Capital	8.0%	2.5%	10.5%	21.02%	22.77%	23.71%
Permanent Capital	7.0%	0.0%	7.0%	20.85%	22.61%	23.60%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	22.44%	23.98%	24.95%
URE and UREE Leverage	1.5%	0.0%	1.5%	21.83%	23.33%	24.25%

* The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.

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

- C. **Description of Equities:** The Association is authorized to issue or have outstanding Class C Preferred Stock, Classes A, B, and D Common Stock, Participation Certificates and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association’s business. All stock and participation certificates have a par or face value of five dollars (\$5.00) per share.

The Association had the following shares outstanding at December 31, 2025:

Class	Protected	Shares Outstanding	
		Number	Aggregate Par Value
C Common/Voting	No	972,656	\$ 4,864
Participation Certificates/Nonvoting	No	134,246	671
Total Capital Stock and Participation Certificates		1,106,902	\$ 5,535

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is

in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board; provided, however, that minimum capital standards established by the FCA and the Board are met.

Dividends

The Association may declare noncumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 20 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Class C Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends paid on Class C Preferred Stock for any fiscal year may not be less than the rate of dividend paid on Classes A, B, and D Common Stock or participation certificates for such year. The rate of dividends on Classes A, B, and D Common Stock and participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Transfer

Class C Preferred, Classes A, B, and D Common Stocks, and Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

1. Classes A, B, and D Common Stock and Participation Certificates
2. Class C Preferred Stock

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed to the holders of the outstanding stock and participation certificates in the following order:

1. Class C Preferred Stock
2. Classes A, B, and D Common Stock and Participation Certificates
3. Holders of allocated retained earnings pro rata, until an amount equal to the total account has been distributed.

D. Accumulated Other Comprehensive Income (AOCI):

	Changes in Accumulated Other Comprehensive Income by Component (a)					
	For the Year Ended December 31,					
	2025		2024		2023	
Employee Benefit Plans:						
Balance at beginning of period	\$	170	\$	2	\$	20
Other comprehensive income before reclassifications		(130)		111		(43)
Amounts reclassified from AOCI		(52)		57		25
Net current period OCI		(182)		168		(18)
Balance at end of period	\$	(12)	\$	170	\$	2

	Reclassifications Out of Accumulated Other Comprehensive Income (b)						
	For the Year Ended December 31,						
	2025	2024	2023	Income Statement Line Item			
Defined Benefit Pension Plans:							
Periodic pension costs	\$	52	\$	(57)	\$	(25)	See Note 9.
Amounts reclassified	\$	52	\$	(57)	\$	(25)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 8 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, *Summary of Significant Accounting Policies*, for additional information.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. The following tables summarize assets measured at fair value at period end.

	December 31, 2025							
	Fair Value Measurement Using					Total Fair Value		
	Level 1	Level 2	Level 3					
Recurring assets								
Assets held in trust funds	\$	923	\$	–	\$	–	\$	923
Nonrecurring assets								
Nonaccrual loans	\$	–	\$	–	\$	–	\$	–
Other property owned	\$	–	\$	–	\$	–	\$	–

	December 31, 2024							
	Fair Value Measurement Using					Total Fair Value		
	Level 1	Level 2	Level 3					
Recurring assets								
Assets held in trust funds	\$	890	\$	–	\$	–	\$	890
Nonrecurring assets								
Nonaccrual loans	\$	–	\$	–	\$	71	\$	71
Other property owned	\$	–	\$	–	\$	–	\$	–

	December 31, 2023							
	Fair Value Measurement Using					Total Fair Value		
	Level 1	Level 2	Level 3					
Recurring assets								
Assets held in trust funds	\$	774	\$	–	\$	–	\$	774
Nonrecurring assets								
Nonaccrual loans	\$	–	\$	–	\$	–	\$	–
Other property owned	\$	–	\$	–	\$	–	\$	–

Valuation Techniques

As more fully discussed in Note 2, *Summary of Significant Accounting Policies*, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a

liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the System institution for assets and liabilities:

Assets held in trust funds

Assets held in trust funds, related to deferred compensation plans, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Nonaccrual loans

For certain loans evaluated for credit loss 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 other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Note 9 — Employee Benefit Plans

The Association participates in three District sponsored qualified benefit plans. These plans include a multiemployer defined benefit pension plan, the AgFirst Farm Credit Retirement Plan, which is a final average pay plan (FAP Plan). In addition, the Association participates in a multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multiemployer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required to be filed. As such, the following information is not available for the plans:

1. The Employer Identification Number (EIN) and three-digit Pension Plan Number
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
4. The expiration date(s) of collective-bargaining agreement(s).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Consolidated Statements of Comprehensive Income were \$648 for 2025, \$1,069 for 2024, and \$1,111 for 2023. At December 31, 2025, 2024, and 2023, the total liability balance for the FAP Plan was \$8,634, \$9,765, and \$33,660, respectively. The FAP Plan was 98.69 percent, 98.52 percent, and 95.43 percent funded to the projected benefit obligation as of December 31, 2025, 2024, and 2023, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Consolidated Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's

Consolidated Statements of Comprehensive Income were \$359 for 2025, \$301 for 2024, and \$283 for 2023. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was \$182,436, \$182,643, and \$160,980 at December 31, 2025, 2024, and 2023, respectively.

The Association also participates in the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes \$0.50 for each \$1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes \$1.00 for each \$1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were \$508, \$468, and \$474 for the years ended December 31, 2025, 2024, and 2023, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2025, 2024, and 2023, a net debit of \$182, a net credit of \$168, and a net debit of \$18, respectively, have been recognized to AOCI to reflect these elements.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

The supplemental retirement plan is unfunded and had a projected benefit obligation of \$809 and a net under-funded status of \$809 at December 31, 2025. Expenses included in noninterest expenses were \$(6), \$105, and \$70 for 2025, 2024, and 2023, respectively. Assumptions used to determine the projected benefit obligation as of December 31, 2025 included a discount rate of 5.45 percent and a rate of compensation increase of 4.75 percent.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total loans to such persons at December 31, 2025 amounted to \$38,150. During 2025, \$15,208 of new loans and advances on existing loans were made and repayments totaled \$9,955. In addition, loans of \$115 were no longer classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2025 involved more than a normal risk of collectibility.

Note 11 — Commitments and Contingencies

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2025, \$198,826 of commitments to extend credit and \$244 commercial letters of credit were outstanding. A related reserve for unfunded commitments of \$258 was included in Other Liabilities in the Consolidated Balance Sheets.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2025, standby letters of credit outstanding totaled \$653 with expiration dates ranging from January 1, 2026 to July 1, 2030. The maximum potential amount of future payments that may be required under these guarantees was \$653.

Note 12 — Income Taxes

The provision (benefit) for income taxes follows:

	Year Ended December 31,		
	2025	2024	2023
Current:			
Federal	\$ 8	\$ –	\$ 11
State	2	–	5
	<u>10</u>	<u>–</u>	<u>16</u>
Deferred:			
Federal	–	–	–
State	–	–	–
Total provision (benefit) for income taxes	<u>\$ 10</u>	<u>\$ –</u>	<u>\$ 16</u>

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31,		
	2025	2024	2023
Federal tax at statutory rate	\$ 3,301	\$ 3,677	\$ 3,376
State tax, net	–	2	–
Patronage distributions	(2,622)	(3,070)	(2,730)
Tax-exempt FLC A earnings	(650)	(811)	(1,038)
Changes in tax law/rates	–	–	–
Change in deferred tax asset valuation allowance	59	258	487
Other	(78)	(56)	(79)
Provision (benefit) for income taxes	<u>\$ 10</u>	<u>\$ –</u>	<u>\$ 16</u>

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

	December 31,		
	2025	2024	2023
Deferred income tax assets:			
Allowance for loan losses	\$ 139	\$ 86	\$ 61
Other property owned writedown	–	–	–
Nonaccrual loan interest	84	77	67
Fixed assets (asset)	–	–	–
NOL Carryforward	1,512	1,436	1,184
Gross deferred tax assets	<u>1,735</u>	<u>1,599</u>	<u>1,312</u>
Less: valuation allowance	(1,286)	(1,227)	(968)
Gross deferred tax assets, net of valuation allowance	<u>449</u>	<u>372</u>	<u>344</u>
Deferred income tax liabilities:			
Special Patronage	(146)	(147)	(147)
Fixed assets	(147)	(42)	(37)
Loan origination fees	(156)	(183)	(160)
Gross deferred tax liability	<u>(449)</u>	<u>(372)</u>	<u>(344)</u>
Net deferred tax asset (liability)	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

The Association recorded a valuation allowance of \$1,286, \$1,227, and \$968 as of December 31, 2025, 2024 and 2023, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2025 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. The tax years that remain open for federal and major state income tax jurisdictions are 2020 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2025				
	First	Second	Third	Fourth	Total
Net interest income	\$ 6,977	\$ 6,965	\$ 7,263	\$ 7,244	\$ 28,449
Provision for (reversal of) allowance for credit losses	153	473	(328)	167	465
Noninterest income (expense), net	(2,752)	(2,539)	(2,930)	(4,055)	(12,276)
Net income	\$ 4,072	\$ 3,953	\$ 4,661	\$ 3,022	\$ 15,708

	2024				
	First	Second	Third	Fourth	Total
Net interest income	\$ 6,964	\$ 6,843	\$ 6,908	\$ 7,145	\$ 27,860
Provision for (reversal of) allowance for credit losses	200	188	35	(107)	316
Noninterest income (expense), net	(2,183)	(2,115)	(2,721)	(3,015)	(10,034)
Net income	\$ 4,581	\$ 4,540	\$ 4,152	\$ 4,237	\$ 17,510

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 5,969	\$ 5,998	\$ 6,155	\$ 6,273	\$ 24,395
Provision for (reversal of) allowance for credit losses	(62)	(70)	(36)	207	39
Noninterest income (expense), net	(2,089)	(2,061)	(2,181)	(1,966)	(8,297)
Net income	\$ 3,942	\$ 4,007	\$ 4,010	\$ 4,100	\$ 16,059

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through March 10, 2026, which was the date the financial statements were issued.