CAPITAL FARM CREDIT

PROUD MEMBER OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

For the Quarter Ended June 30, 2025

REPORT OF MANAGEMENT

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

Jeff Norte,
Chief Executive Officer

John Malazzo,
Chairman, Board of Directors

Sally Lawson,
Chief Financial Officer

August 8, 2025

Second Quarter 2025 Financial Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary reviews the financial performance of Capital Farm Credit, ACA, referred to as the association, for the quarter ended June 30, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 Annual Report to Stockholders. The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder. The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Through May, Texas employment rose 2.5 percent, outpacing the nation at 0.9 percent. Areas that have seen the most growth are the oil and gas industry and construction. Texas rig counts have remained relatively unchanged through 2025. Texas exports have ticked down slightly in the second quarter but remain strong. Ongoing tariff negotiations continue to be a concern for companies in Texas dependent on exports.

The Federal Open Market Committee (FOMC) continued to hold the federal funds rate steady through their July meeting. There is speculation that there will still be two rate cuts before the end of the year. The timing and extent of these cuts are influenced by various factors including inflation, labor markets, and global economic conditions.

Conditions in Texas improved slightly through the second quarter due to much needed rain in many parts of the state. Many areas saw improved pasture and field conditions for spring planting, but low commodity prices and elevated costs continue to bring challenges for row crop farmers. The strong cattle market continues to be a profitable sector in the agricultural economy.

Rating Agency Actions

Fitch Ratings Actions
On December 11, 2024, Fitch reaffirmed the association's "BBB" with a stable outlook rating.

S&P Global Rating Actions
On December 11, 2024, S&P reaffirmed the association's "BBB" with a stable outlook rating.

Senior Officer Update

Effective January 1, 2025, Joseph Paulraj was appointed as the association's Chief Digital Officer and joined the Executive Management Team.

Patronage Refunds by Association

The board of directors approved a $189,596 patronage distribution for 2024. Of that amount, $111,464 of this distribution was paid in cash in March 2025, and $78,132 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. In March 2025, the association finalized the computation of these distributions which resulted in an increase in cash patronage payable of $10 for an actual cash distribution of $111,474, and an increase of nonqualified allocated equities of $10 for a final allocation of $78,142. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Though there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. The reduction in allocated equity in 2024 is due to the capital call on the association's direct note at the Farm credit Bank of Texas (bank) in March 2025. The association held back in unallocated retained earnings the amount needed to increase the stock investment in the bank from 2.0 percent to 2.5 percent. In 2023, the board of directors approved a $243,498 patronage distribution, with cash patronage payable of $118,791 and $124,707 in nonqualified allocations.

In October 2024, the board of directors approved a resolution to retire $59,997 in nonqualified allocated equities, which were paid to the recipients in November 2024. The retirement was a distribution of 74 percent of the earnings allocated in 2015. In October 2023, the board of directors approved a resolution to retire $70,065 in nonqualified allocated equities which was paid to the recipients in November 2023. The retirement was a distribution of the earnings allocated in 2014.

Loan Portfolio

Total loans outstanding at June 30, 2025, including nonperforming loans, were $13,170,522 compared to $12,990,455 at December 31, 2024, reflecting an increase of $180,067, or approximately 1.4 percent, with increases in the real estate mortgage, farm-related business, energy, and communication industries, offset by decreases in the production and intermediate-term, water and waste disposal, rural residential real estate, and lease receivable industries. The association experienced moderate growth during the first half of 2025, offset by significant paydowns.

The association's portfolio quality remains strong with credit quality of 95.6 percent acceptable at June 30, 2025, compared to 96.4 percent at December 31, 2024. Substandard loans increased from 1.5 percent at December 31, 2024, to 2.2 percent at June 30, 2025, and other assets especially mentioned increased from 2.1 percent at December 31, 2024, to 2.2 percent at June 30, 2025. The association recorded $731 in recoveries and $28,900 in charge-offs for the six months ended June 30, 2025, and $941 in recoveries and $9,232 in charge-offs for the same period in 2024. The charge-offs in 2025 are primarily related to one relationship. The association's allowance for loan losses was 0.4 percent of total loans outstanding as of June 30, 2025, and 0.3 percent at December 31, 2024.

Risk Exposure

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

	June 30, 2025	%	December 31, 2024	%
Nonaccrual loans	**$ 126,044**	**90.8**	$ 68,335	99.1
Loans 90 days past due and still accruing interest	**11,704**	**8.4**	-	-
Other property owned, net	**1,029**	**0.8**	619	0.9
Total	**$ 138,777**	**100.0**	$ 68,954	100.0

Nonaccrual loans increased $57,709 during the six months ended June 30, 2025, with increases in real estate mortgage, farm-related business, rural residential real estate and lease receivable industries, offset by a decrease in the production and intermediate-term industry. Nonaccrual loans were 1.0 percent of total loans outstanding at June 30, 2025, and 0.5 percent at December 31, 2024.

Loans that are 90 or more days past due and still accruing interest increased $11,704 in the six months ended June 30, 2025, in the real estate mortgage and production and intermediate-term industry. These loans have a documented plan that details how and when the amount owed will be paid.

Other property owned increased $410 during the first six months of 2025. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices that are in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with distressed customers and industries through periods of adversity.

Results of Operations

The association had net income of $117,139 and $47,717 for the six and three months ended June 30, 2025, compared to net income of $142,157 and $71,330 for the same periods in 2024, reflecting decreases of $25,018 and $23,613 or 17.6 percent and 33.1percent, respectively. The decrease in net income for the six month period ended June 30, 2025, was primarily attributable to an increase provision for loan losses of $25,640 or 307.0 percent, an increase in interest expense of $21,954 or 10.1 percent, an increase in noninterest expenses of $2,200 or 3.2 percent, offset by an increase in interest income of $21,711 or 5.5 percent, and an increase in noninterest income of $3,066 or 7.5 percent for the same period in the prior year. The decrease in net income for the three month period ended June 30, 2025, was attributable to an increase in provision for loan losses of $22,014 or 920.3 percent, an increase in noninterest expenses of $27 or 0.1 percent, and a decrease in noninterest income of $930 or 5.0 percent, offset by an increase in interest income of $9,402 or 4.7 percent compared to the same period of 2024.

Net interest income was $178,963 and $88,729 for the six and three months ended June 30, 2025, compared to $179,206 and $89,371 for the same periods in 2024, respectively, reflecting decreases of $243 and $642 or 0.1 percent and 0.7 percent, respectively. Interest income for the six and three months ended June 30, 2025, increased by $21,711 and $9,402 or 5.5 percent and 4.7 percent, respectively, from the same periods of 2024, primarily as a result of an increase in average earning assets of $771,380 for the six month period ended June 30, 2025. Interest expense for the six and three months ended June 30, 2025, increased by $21,954 and $10,044 or 10.1 percent and 9.0 percent, respectively, from the same periods of 2024, due to an increase in the direct note.

The effects of changes in average volume and interest rates on net interest income in the six months ended June 30, 2025, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the six months ended June 30, 2025		For the six months ended June 30, 2024	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 13,011,129**	**$ 418,483**	$ 12,239,749	$ 396,772
Interest-bearing liabilities	**11,524,635**	**239,520**	10,698,622	217,566
Impact of capital	**$ 1,486,494**		$ 1,541,127	
Net interest income		**$ 178,963**		$ 179,206

	Average Yield	Average Yield
Yield on loans	**6.49%**	6.52%
Cost of interest-bearing Liabilities	**4.19%**	4.09%
Net interest spread	**2.30%**	2.43%
Net interest income as a percentage of average earning assets	**2.77%**	2.94%

	For the six months ended 2025 vs. 2024		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 24,936**	**$ (3,225)**	**$ 21,711**
Interest expense	**16,751**	**5,203**	**21,954**
Net interest income	**$ 8,185**	**$ (8,428)**	**$ (243)**

The association's noninterest income for the six months ended June 30, 2025, increased $3,066 or 7.5 percent, and decreased $930 or 5.0 percent, for the three month period ended June 30, 2025, from the same periods in 2024. The increase in the six months ended June 30, 2025, is primarily a result of an increase in other noninterest income of $2,701 or 22.8 percent, due to a refund from the Farm Credit System Insurance Corporation (FCSIC) and an increase in loan fees of $1,536 or 35.8 percent. The decrease in the three months ended June 30, 2025, is primarily a result of a decrease in the accrual of patronage from the bank of $294 or 2.7 percent, and a decrease in other noninterest income of $944 or 33.6 percent.

Noninterest expenses for the six and three months ended June 30, 2025, increased by $2,200 and $27 or 3.2 percent and 0.1 percent, respectively, from the same periods of 2024. The increase in the six month period is attributed to the majority of the categories of noninterest expenses offset by decreases in salaries and employee benefits of $795 or 1.8 percent, a decrease in communications of $106 or 18.6 percent, a decrease in loss on other property owned, net of $212 or 83.5 percent and a decrease in training expenses of $498 or 41.7 percent from the same period in 2024. The increase in the three month period is primarily driven by increases in most categories of noninterest expenses, offset by decreases in salaries and employee benefits of $1,273 or 5.9 percent, a decrease in occupancy and equipment of $22 or 1.0 percent, a decrease in business insurance expense of $3 or 30.0 percent, a decrease in communications expense of $57 or 18.7 percent and a decrease in training of $388 or 56.0 percent for the same period of 2024.

The association's return on average assets for the six months ended June 30, 2025, was 1.7 percent and 2.3 percent for the same period of 2024. The association's return on average equity for the six months ended June 30, 2025, was 12.1 percent, compared to 15.2 percent for the same period in 2024.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the bank, which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the association's borrowings.

	June 30, 2025	December 31, 2024
Note payable to the bank	**$11,598,051**	$11,372,524
Accrued interest on note payable	**40,753**	39,187
Total	**$11,638,804**	$11,411,711

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $11,598,051 as of June 30, 2025, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 4.3 percent at June 30, 2025. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase in note payable to the bank since December 31, 2024, is due to the association's increase in loan volume and the distribution of the 2024 patronage refund. The increase in accrued interest on the note payable is the result of an increase in the direct note. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,567,334 at June 30, 2025. The maximum amount the association may borrow from the bank as of June 30, 2025, was $12,958,485 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the association was 2.00% of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the association increased to 2.50% of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase investment in the Bank of $67,413 and was recorded in the first quarter of 2025. The liquidity policy of the association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2025. As borrower payments are received, they are applied to the association's note payable with the bank.

Capital Resources and Regulatory Matters

The association's capital position increased by $112,191 or 6.0 percent at June 30, 2025, compared to December 31, 2024, primarily as a result of net earnings for the period offset by dividend payments. The association's debt as a percentage of members' equity was 5.90:1 as of June 30, 2025, compared to 6.20:1 percent as of December 31, 2024. Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. The regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio remains in effect, with some modifications to align with the new regulations. As of June 30, 2025, the association exceeded all regulatory capital requirements. For more information, see Note 4-"Members Equity" in the accompanying financial statements.

Significant Recent Accounting Pronouncements

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

Relationship with the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2024 Annual Report of Capital Farm Credit more fully describe the association's relationship with the bank.

The annual and quarterly stockholder reports for the bank can be found at the Bank's website at *www.farmcreditbank.com.*

The association's annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, 3902 South Traditions Drive, College Station, Texas 77845 or calling (979) 822-3018. Copies of the association's quarterly and annual stockholder reports are also available on its website at *www.capitalfarmcredit.com* or can be requested by emailing *Javier.Lemus@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
Loans	$ 13,170,522	$ 12,990,455
Less: Allowance for losses	(47,972)	(42,144)
Net Loans	13,122,550	12,948,311
Accrued interest receivable	118,381	120,675
Investment in and receivable from the bank:		
Capital stock	285,817	218,693
Receivable	28,502	57,800
Investment in Rural Business Investment Company (RBIC)	4,334	4,528
Investments in other Farm Credit Institutions	35,440	35,896
Other property owned, net	1,029	619
Premises and equipment, net	96,993	88,763
Right of use asset - leases	5,134	5,244
Other assets	35,396	34,656
Total assets	$ 13,733,576	$ 13,515,185
LIABILITIES		
Note payable to the bank	$ 11,598,051	$ 11,372,524
Advanced conditional payments	15,747	12,619
Accrued interest payable	40,753	39,187
Lease liabilities	5,444	5,553
Drafts outstanding	990	317
Patronage distributions payable	6	111,471
Unfunded post retirement medical obligations	24,200	23,883
Reserve for unfunded commitments	493	499
Other liabilities	58,247	71,678
Total liabilities	11,743,931	11,637,731
MEMBERS' EQUITY		
Capital stock and participation certificates	28,381	28,319
Preferred stock	200,000	200,000
Non-qualified allocated retained earnings	958,618	958,608
Unallocated retained earnings	801,457	689,338
Accumulated other comprehensive income	1,189	1,189
Total members' equity	1,989,645	1,877,454
Total liabilities and members' equity	$ 13,733,576	$ 13,515,185

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(UNAUDITED)

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Interest Income				
Total interest income	**$ 210,787**	$ 201,385	**$ 418,483**	$ 396,772
Interest Expense				
Note Payable to the bank	**121,960**	111,923	**239,324**	217,383
Advance conditional payments	**98**	91	**196**	183
Total interest expense	**122,058**	112,014	**239,520**	217,566
Net interest income	**88,729**	89,371	**178,963**	179,206
Provision for Loan Losses				
Provision for credit losses	**24,406**	2,392	**33,991**	8,351
Net interest income after provision for losses	**64,323**	86,979	**144,972**	170,855
Noninterest Income				
Patronage income from the bank	**10,737**	11,031	**21,290**	21,899
Loan fees	**3,004**	2,260	**5,827**	4,291
Financially related services income	**1,380**	1,449	**1,393**	1,668
Gain on sale of premises and equipment, net	**592**	792	**755**	1,042
Gain on other property owned, net	**-**	167	**-**	-
Other noninterest income	**1,867**	2,811	**14,529**	11,828
Total noninterest income	**17,580**	18,510	**43,794**	40,728
Noninterest Expense				
Salaries and employee benefits	**20,322**	21,595	**42,504**	43,299
Insurance fund premium	**2,850**	2,572	**5,518**	5,052
Occupancy and equipment	**2,173**	2,195	**5,028**	4,551
Purchased services	**1,730**	1,509	**3,249**	2,492
Public and member relations	**1,208**	1,173	**2,506**	2,334
Advertising	**1,136**	1,067	**2,350**	2,195
Travel	**1,411**	1,058	**2,313**	1,827
Data processing	**885**	599	**1,788**	1,395
Business insurance expense	**7**	10	**1,680**	1,484
Supervisory and exam expense	**712**	685	**1,424**	1,369
Director's expense	**363**	363	**800**	770
Training	**305**	693	**696**	1,194
Communications	**248**	305	**465**	571
Loss on other property owned, net	**3**	-	**42**	254
Other noninterest expenses	**832**	334	**1,264**	640
Total noninterest expenses	**34,185**	34,158	**71,627**	69,427
Income before income tax	**47,718**	71,331	**117,139**	142,156
Provision for (benefit from) income taxes	**1**	1	**-**	(1)
Net income	**$ 47,717**	$ 71,330	**$ 117,139**	$ 142,157
Other comprehensive (loss)				
Change in postretirement benefit plans	**-**	(55)	**-**	(111)
Income tax expense related items of other comprehensive income	**-**	-	**-**	-
Other comprehensive (loss), net of tax	**-**	(55)	**-**	(111)
COMPREHENSIVE INCOME	**$ 47,717**	$ 71,275	**$ 117,139**	$ 142,046

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

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	$ 28,018	$ 200,000	$ 940,473	$ 625,119	$ 2,851	$ 1,796,461
Net income	-	-	-	142,157	-	142,157
Other comprehensive income	-	-	-	-	(111)	(111)
Capital stock/participation certificates issued	1,749	-	-	-	-	1,749
Capital stock/participation certificates/ allocated equities retired	(1,557)	-	-	-	-	(1,557)
Preferred stock dividends	-	-	-	(5,000)	-	(5,000)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualifed allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	(1)	-	-	(1)
Balance at June 30, 2024	28,210	200,000	940,472	762,276	2,740	1,933,698
Net income	-	-	-	121,659	-	121,659
Other comprehensive income	-	-	-	-	(1,551)	(1,551)
Capital stock/participation certificates issued	1,548	-	-	-	-	1,548
Capital stock/participation certificates/ allocated equities retired	(1,439)	-	(59,997)	-	-	(61,436)
Preferred stock dividends	-	-	-	(5,000)	-	(5,000)
Patronage distributions declared:						
Cash	-	-	-	(111,464)	-	(111,464)
Nonqualifed allocations	-	-	78,132	(78,132)	-	-
Change in patronage declared and paid	-	-	1	(1)	-	-
Balance at December 31, 2024	**28,319**	**200,000**	**958,608**	**689,338**	**1,189**	**1,877,454**
Net income	**-**	**-**	**-**	**117,139**	**-**	**117,139**
Capital stock/participation certificates issued	**1,825**	**-**	**-**	**-**	**-**	**1,825**
Capital stock/participation certificates/ allocated equities retired	**(1,763)**	**-**	**-**	**-**	**-**	**(1,763)**
Preferred stock dividends	**-**	**-**	**-**	**(5,000)**	**-**	**(5,000)**
Patronage distributions declared:						
Cash	**-**	**-**	**-**	**-**	**-**	**-**
Nonqualifed allocations	**-**	**-**	**-**	**-**	**-**	**-**
Change in patronage declared and paid	**-**	**-**	**10**	**(20)**	**-**	**(10)**
Balance at June 30, 2025	**$ 28,381**	**$ 200,000**	**$ 958,618**	**$ 801,457**	**$ 1,189**	**$ 1,989,645**

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

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "association"), is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas. The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act), to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2024 as contained in the 2024 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry. Certain amounts in the prior period's financial statements have been reclassified to the current period's financial statement presentation.

Recently Adopted Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities, and require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e).
- Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements.
- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Association is currently assessing the potential impact of this standard on its disclosures.

In December 2023, the Financial Accounting Standards Board (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 enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate.

The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024, and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. 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. 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.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The amendments in this ASU improve reportable segment disclosure but do not change the definition of segment, method of determining a segment, or the criteria for aggregating operating segments. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this guidance did not have an impact on our financial condition or results of operations or cash flows.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry		**June 30, 2025**	**%**		December 31, 2024	%
Real estate mortgage	**$**	**9,536,971**	**72.4**	$	9,333,454	71.9
Production and intermediate term		**1,713,372**	**13.0**		1,833,672	14.1
Farm-related business		**1,301,258**	**9.9**		1,201,122	9.3
Communication		**264,202**	**2.0**		251,657	1.9
Energy		**230,551**	**1.7**		210,805	1.6
Rural residential real estate		**66,881**	**0.5**		73,501	0.6
Water and waste disposal		**21,597**	**0.2**		53,852	0.4
International		**21,226**	**0.2**		16,230	0.1
Lease receivables		**12,899**	**0.1**		14,512	0.1
Mission-related investments		**1,565**	**0.0**		1,650	0.0
Total	**$**	**13,170,522**	**100.0**	$	12,990,455	100.0

At June 30, 2025, the association held two transactions, which are reported as loans on the consolidated balance sheet totaling $1,565 and with $0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against loans as presented on the balance sheet. The association held $59,002 and $61,056 in funds which were netted against the loan balance at June 30, 2025, and December 31, 2024, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $15,747 and $12,619 on the balance sheet at June 30, 2025, and December 31, 2024, respectively.

The association purchases or sells participation interests in loans with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold as of June 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 464,037	$ 1,966,969	$ -	$ 25,034	$ 464,037	$ 1,992,003
Production and Intermediate-term	907,248	1,229,041	12,776	693	920,024	1,229,734
Farm-related business	960,295	308,711	1,400	3,903	961,695	312,614
Communication	264,202	-	-	-	264,202	-
Energy	230,551	-	-	-	230,551	-
Water and waste disposal	21,597	-	-	-	21,597	-
International	21,226	-	-	-	21,226	-
Lease receivables	12,899	-	-	-	12,899	-
Mission-related investments	1,565	-	-	-	1,565	-
Total	$ 2,883,620	$ 3,504,721	$ 14,176	$ 29,630	$ 2,897,796	$ 3,534,351

Credit Quality

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

The association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. 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 or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The association reviews, at least on an annual basis, or when a credit action is taken the probability of default category and the loss given default.

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

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

The following table presents credit quality indicators by loan type and related amortized cost loan balance as of June 30, 2025:

	Term Loans by Origination Year								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 788,494	$ 1,349,044	$ 920,679	$ 1,231,852	$2,007,710	$2,899,650	$ 9,165	$ 97,524	$ 9,304,118
OAEM	5,583	4,844	21,355	8,662	17,742	37,135	4,050	-	99,371
Substandard/Doubtful	1,423	17,623	2,816	20,984	38,585	51,437	614	-	133,482
Total	$ 795,500	$ 1,371,511	$ 944,850	$ 1,261,498	$2,064,037	$2,988,222	$ 13,829	$ 97,524	$ 9,536,971
Current period gross charge-offs	1,087	461	3	50	78	2,782	-	-	4,461
Production and intermediate-term									
Acceptable	108,656	196,435	62,196	72,837	34,054	94,592	952,591	18,845	1,540,206
OAEM	7,244	8,542	4,654	39,592	719	1,594	45,442	-	107,787
Substandard/Doubtful	16,258	9,983	15,522	415	731	1,110	21,360	-	65,379
Total	132,158	214,960	82,372	112,844	35,504	97,296	1,019,393	18,845	1,713,372
Current period gross charge-offs	-	188	11	273	3	63	23,779	-	24,317
Farm-related business									
Acceptable	131,210	115,550	122,197	166,845	77,953	117,109	373,562	34,405	1,138,831
OAEM	9,551	13,621	-	9,985	633	10,914	25,652	6,265	76,621
Substandard/Doubtful	798	6,276	3,957	542	6,540	32,055	34,638	1,000	85,806
Total	141,559	135,447	126,154	177,372	85,126	160,078	433,852	41,670	1,301,258
Current period gross charge-offs	-	86	-	-	-	-	-	-	86
Communication									
Acceptable	16,818	87,214	49,856	20,374	48,356	30,970	8,958	-	262,546
OAEM	-	1,656	-	-	-	-	-	-	1,656
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	16,818	88,870	49,856	20,374	48,356	30,970	8,958	-	264,202
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	5,649	66,099	25,042	20,646	35,000	26,355	42,722	9,038	230,551
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	5,649	66,099	25,042	20,646	35,000	26,355	42,722	9,038	230,551
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	-	-	245	7,336	16,542	40,609	-	-	64,732
OAEM	-	-	-	183	249	1,039	-	-	1,471
Substandard/Doubtful	-	-	-	55	257	366	-	-	678
Total	-	-	245	7,574	17,048	42,014	-	-	66,881
Current period gross charge-offs	-	-	-	36	-	-	-	-	36
Water and Waste Disposal Loans									
Acceptable	-	6,783	13,572	-	-	1,242	-	-	21,597
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	6,783	13,572	-	-	1,242	-	-	21,597
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
International									
Acceptable	-	-	4,994	7,496	8,736	-	-	-	21,226
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	4,994	7,496	8,736	-	-	-	21,226
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Lease									
Acceptable	132	259	-	950	309	3,859	-	-	5,509
OAEM	-	63	2,177	911	-	-	-	-	3,151
Substandard/Doubtful	-	-	1,360	-	2,879	-	-	-	4,239
Total	132	322	3,537	1,861	3,188	3,859	-	-	12,899
Current period gross charge-offs	-	-	-	-	-	-	-	-	-

	Term Loans by Origination Year								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Mission Related Loans									
Acceptable	-	-	-	-	-	1,565	-	-	1,565
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,565	-	-	1,565
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 1,050,959	$ 1,821,384	$ 1,198,781	$ 1,528,336	$ 2,228,660	$3,215,951	$ 1,386,998	$ 159,812	$12,590,881
OAEM	22,378	28,726	29,850	59,333	19,343	50,682	75,144	4,601	290,057
Substandard/Doubtful	18,479	33,882	23,655	21,996	48,992	84,968	56,612	1,000	289,584
Total	$ 1,091,816	$ 1,883,992	$ 1,252,286	$ 1,609,665	$ 2,296,995	$3,351,601	$ 1,518,754	$ 165,413	$13,170,522
Total current period gross charge-offs	$ 1,087	$ 735	$ 14	$ 359	$ 81	$ 2,845	$ 23,779	$ -	$ 28,900

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2024:

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 1,429,923	$ 999,340	$ 1,299,466	$ 2,149,511	$ 1,224,012	$1,955,429	$ 74,517	$ 10,886	$ 9,143,084
OAEM	3,861	14,173	10,042	36,433	19,529	22,407	-	-	106,445
Substandard/Doubtful	14,737	2,281	10,242	15,727	19,940	18,385	2,613	-	83,925
Total	$ 1,448,521	$ 1,015,794	$ 1,319,750	$ 2,201,671	$ 1,263,481	$1,996,221	$ 77,130	$ 10,886	$ 9,333,454
Current period gross charge-offs	1	4	5	80	1	26	-	-	117
Production and intermediate-term									
Acceptable	278,519	91,626	118,885	46,828	26,239	73,772	1,086,519	6,839	1,729,227
OAEM	7,742	5,085	409	662	1,383	4	36,613	-	51,898
Substandard/Doubtful	430	3,323	900	693	227	1,099	45,875	-	52,547
Total	286,691	100,034	120,194	48,183	27,849	74,875	1,169,007	6,839	1,833,672
Current period gross charge-offs	-	-	78	13	526	2	367	-	986
Farm-related business									
Acceptable	118,808	131,606	182,624	81,978	50,135	114,614	354,721	4,081	1,038,567
OAEM	5,994	-	11,767	10,657	17,327	32,785	28,520	1,748	108,798
Substandard/Doubtful	1,961	3,999	-	6,193	15,753	-	25,851	-	53,757
Total	126,763	135,605	194,391	98,828	83,215	147,399	409,092	5,829	1,201,122
Current period gross charge-offs	-	49	-	5,819	-	-	3,282	-	9,150
Communication									
Acceptable	75,724	49,116	29,831	58,818	9,822	21,307	5,339	-	249,957
OAEM	1,700	-	-	-	-	-	-	-	1,700
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	77,424	49,116	29,831	58,818	9,822	21,307	5,339	-	251,657
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Energy									
Acceptable	29,003	27,311	31,104	35,000	-	27,050	52,126	9,211	210,805
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	29,003	27,311	31,104	35,000	-	27,050	52,126	9,211	210,805
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Rural residential real estate									
Acceptable	-	246	8,815	18,247	15,146	29,359	-	-	71,813
OAEM	-	-	179	89	189	872	-	-	1,329
Substandard/Doubtful	-	-	-	209	-	150	-	-	359
Total	-	246	8,994	18,545	15,335	30,381	-	-	73,501
Current period gross charge-offs	-	-	-	2	-	9	-	-	11

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Water and Waste Disposal Loans									
Acceptable	3,133	13,569	35,612	-	1,260	-	278	-	53,852
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	3,133	13,569	35,612	-	1,260	-	278	-	53,852
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
International									
Acceptable	-	-	7,495	8,735	-	-	-	-	16,230
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	7,495	8,735	-	-	-	-	16,230
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Lease Receivables									
Acceptable	259	-	985	359	-	3,167	-	-	4,770
OAEM	72	2,495	1,157	-	-	-	-	-	3,724
Substandard/Doubtful	-	1,408	69	3,500	1,041	-	-	-	6,018
Total	331	3,903	2,211	3,859	1,041	3,167	-	-	14,512
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Mission Related Loans									
Acceptable	-	-	-	-	-	1,650	-	-	1,650
OAEM	-	-	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,650	-	-	1,650
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Total Loans									
Acceptable	$ 1,935,369	$ 1,312,814	$ 1,714,817	$ 2,399,476	$ 1,326,614	$2,226,348	$ 1,573,500	$ 31,017	$ 12,519,955
OAEM	19,369	21,753	23,554	47,841	38,428	56,068	65,133	1,748	273,894
Substandard/Doubtful	17,128	11,011	11,211	26,322	36,961	19,634	74,339	-	196,606
Total	$ 1,971,866	$ 1,345,578	$ 1,749,582	$ 2,473,639	$ 1,402,003	$2,302,050	$ 1,712,972	$ 32,765	$ 12,990,455
Total current period gross charge-offs	1	53	83	5,914	527	37	3,649	-	10,264

The following table presents the amortized cost of loans classified under the Uniform Loan Classification System as a percentage of the amortized cost of total loans:

	June 30, 2025	December 31, 2024
Acceptable	**95.6%**	96.4%
OAEM	**2.2%**	2.1%
Substandard/Doubtful	**2.2%**	1.5%
Total	**100.0%**	100.0%

Accrued interest receivable on loans of $118,381 and $120,675 at June 30, 2025, and December 31, 2024, have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheet. The association wrote off accrued interest receivable of $1,194 and $910 for the six and three months ended June 30, 2025, respectively, compared to $157 and $27 for the same periods of 2024.

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

	June 30, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	**$ 73,113**	$ 26,705
Production and intermediate-term	**18,623**	37,325
Farm-related business	**32,598**	3,660
Rural residential real estate	**351**	259
Lease receivable	**1,359**	386
Total nonaccrual loans	**$ 126,044**	$ 68,335
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 9,005**	$ -
Production and intermediate-term	**2,699**	-
Total accruing loans 90 days or more past due	**$ 11,704**	$ -
Total nonperforming loans	**$ 137,748**	$ 68,335
Other property owned	**1,029**	619
Total nonperforming assets	**$ 138,777**	$ 68,954
Nonaccrual loans as a percentage of total loans	**0.96%**	0.53%
Nonperforming assets as a percentage of total loans and other property owned	**1.05%**	0.53%
Nonperforming assets as a percentage of capital	**6.97%**	3.67%

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

	June 30, 2025			**Interest Income Recognized**	
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended June 30, 2025**	**For the Six Months Ended June 30, 2025**
Nonaccrual loans:					
Real estate mortgage	**$ 2,795**	**$ 70,318**	**$ 73,113**	**$ 537**	**$ 754**
Production and intermediate-term	**7,881**	**10,742**	**18,623**	**134**	**142**
Farm-related business	**22,472**	**10,126**	**32,598**	**-**	**-**
Rural residential real estate	**-**	**351**	**351**	**5**	**6**
Lease receivables	**1,359**	**-**	**1,359**	**-**	**-**
Total nonaccrual loans	**$ 34,507**	**$ 91,537**	**$ 126,044**	**$ 676**	**$ 902**

	December 31, 2024			**Interest Income Recognized**	
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended June 30, 2024**	**For the Six Months Ended June 30, 2024**
Nonaccrual loans:					
Real estate mortgage	$ 4,722	$ 21,983	$ 26,705	$ 518	$ 651
Production and intermediate-term	32,263	5,062	37,325	216	466
Farm-related business	-	3,660	3,660		26
Rural residential real estate	-	259	259	3	10
Lease receivables	386	-	386	-	128
Total nonaccrual loans	$ 37,371	$ 30,964	$ 68,335	$ 737	$ 1,281

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

June 30, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	**$ 112,127**	**$ 61,195**	**$ 173,322**	**$ 9,363,649**	**$ 9,536,971**	**$ 9,005**
Production and intermediate-term	**14,660**	**13,316**	**27,976**	**1,685,396**	**1,713,372**	**2,699**
Farm-related business	**3,925**	**4,813**	**8,738**	**1,292,520**	**1,301,258**	**-**
Communication	**-**	**-**	**-**	**264,202**	**264,202**	**-**
Energy	**-**	**-**	**-**	**230,551**	**230,551**	**-**
Rural residential real estate	**1,501**	**300**	**1,801**	**65,080**	**66,881**	**-**
Water and waste disposal	**-**	**-**	**-**	**21,597**	**21,597**	**-**
International	**-**	**-**	**-**	**21,226**	**21,226**	**-**
Lease receivables	**65**	**-**	**65**	**12,834**	**12,899**	**-**
Mission-related investments	**-**	**-**	**-**	**1,565**	**1,565**	**-**
Total	**$ 132,278**	**$ 79,624**	**$ 211,902**	**$ 12,958,620**	**$ 13,170,522**	**$ 11,704**

December 31, 2024	30-89 Days Past Due	90 Days or More Past	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 117,152	$ 10,178	$ 127,330	$ 9,206,124	$ 9,333,454	$ -
Production and intermediate-term	15,938	1,017	16,955	1,816,717	1,833,672	-
Farm-related business	12,532	3,660	16,192	1,184,930	1,201,122	-
Communication	-	-	-	251,657	251,657	-
Energy	-	-	-	210,805	210,805	-
Rural residential real estate	1,154	-	1,154	72,347	73,501	-
Water and waste disposal	-	-	-	53,852	53,852	-
International	-	-	-	16,230	16,230	-
Lease receivables	386	-	386	14,126	14,512	-
Mission-related investments	-	-	-	1,650	1,650	-
Total	$ 147,162	$ 14,855	$ 162,017	$ 12,828,438	$ 12,990,455	$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

The following table shows the amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted.

	For the Three Months Ended June 30, 2025			
	Interest Rate Reduction	**Term Extension**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 325	$ 173	$ 498	0.0%
Production and intermediate-term	-	-	-	0.0%
Total	$ 325	$ 173	$ 498	0.0%

	For the Six Months Ended June 30, 2025				
	Interest Rate Reduction	**Term Extension**	**Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 325	$ 631	$ -	$ 956	0.0%
Production and intermediate-term	-	201	11,656	11,857	0.7%
Total	$ 325	$ 832	$ 11,656	$ 12,813	0.1%

	For the Six Months Ended June 30, 2024			
	Term Extension	**Term Extension & Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 2,910	$ -	$ 2,910	0.0%
Farm-related business	-	6,172	6,172	0.5%
Total	$ 2,910	$ 6,172	$ 9,082	0.1%

There were no loan modifications granted to borrowers experiencing financial difficulty for the three months ended June 30, 2024.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six and three months ended June 30, 2025 was $347 and $2, respectively, compared to $132 and $0 for the same periods of 2024.

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

	Financial Effect	**Financial Effect**
	For the Three Months Ended June 30, 2025	**For the Six Months Ended June 30, 2025**
	Term Extension	Term Extension
Real estate mortgage	Added a weighted average 8.6 years to the life of the loans	Added a weighted average 3.8 years to the life of the loans
Production and intermediate-term	-	Added a weighted average 2.0 years to the life of the loans
	Interest Rate Reduction	Interest Rate Reduction
Real estate mortgage	Weighted average interest rate decreased 0.6%	Weighted average interest rate decreased 0.6%
	Payment Deferral	Payment Deferral
Farm-related business	-	Added a weighted average 9.0 months in payment extensions

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024:

	Financial Effect	Financial Effect
	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
	Term Extension	Term Extension
Real estate mortgage	-	Added a weighted average 3.9 years to the life of the loans
	Combination – Term Extension and Payment Deferral	Combination – Term Extension and Payment Deferral
Farm-related business	-	Added a weighted average 7.8 months to the life of the loans and 7.8 months in payment extensions.

The following table sets forth the amortized cost at June 30, 2025 of loans to borrowers experiencing financial difficulties that defaulted during the six months ended June 30, 2025, and received a modification in the twelve months before default

	Modified Loans that Subsequently Defaulted During the Six Months Ended June 30, 2025
	Payment Deferral
Real estate mortgage	$ 12
Farm-related business	1,961
Total	**$ 1,973**

There were no loans to borrowers experiencing financial difficulties that defaulted during the six months ended June 30, 2024, and received a modification in the twelve months before default.

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

	Payment Status of Loans Modified in the Past 12 Months		
	Current	**30-89 Days Past Due**	**90 Days or More Past Due**
Real estate mortgage	$ 6,322	$ -	$ 12
Production and intermediate-term	12,057	-	1,961
Total	**$ 18,379**	**$ -**	**$ 1,973**

The following table sets forth an aging analysis at June 30, 2024 of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 4,436	$ -	$ -
Production and intermediate-term	2,473	-	-
Farm-related business	-	-	13,597
Total	$ 6,909	$ -	$ 13,597

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 2025, and the year ended December 31, 2024, were $0, respectively.

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	International	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses on loans:										
Balance at March 31, 2025	$ 18,273	$ 21,543	$ 8,837	$ 86	$ 1,005	$ 559	$ 134	$ 5	$ 1,613	$ 52,055
Charge-offs	(4,266)	(24,240)	(86)	(36)	-	-	-	-	-	(28,628)
Recoveries	2	49	56	-	-	-	-	-	-	107
Provision for (reversal of) loan losses	4,403	12,880	7,099	27	(392)	3	(128)	-	546	24,438
CECL Adjustment-Allowance	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2025	$ 18,412	$ 10,232	$ 15,906	$ 77	$ 613	$ 562	$ 6	$ 5	$ 2,159	$ 47,972
Balance at December 31, 2024	$ 18,431	$ 15,428	$ 6,047	$ 97	$ 295	$ 477	$ -	$ 6	$ 1,363	$ 42,144
Charge-offs	(4,461)	(24,317)	(86)	(36)	-	-	-	-	-	(28,900)
Recoveries	43	131	557	-	-	-	-	-	-	731
Provision for (reversal of) loan losses	4,399	18,990	9,388	16	318	85	6	(1)	796	33,997
CECL Adjustment-Allowance	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2025	$ 18,412	$ 10,232	$ 15,906	$ 77	$ 613	$ 562	$ 6	$ 5	$ 2,159	$ 47,972
Balance at March 31, 2024	$ 15,074	$ 6,275	$ 4,479	$ 140	$ 412	$ 624	$ -	$ 5	$ 693	$ 27,702
Charge-offs	-	(97)	-	(1)	-	-	-	-	-	(98)
Recoveries	1	139	1	-	-	-	-	-	-	141
Provision for (reversal of) loan losses	743	1,389	132	(15)	23	91	-	-	27	2,390
Balance at June 30, 2024	$ 15,818	$ 7,706	$ 4,612	$ 124	$ 435	$ 715	$ -	$ 5	$ 720	$ 30,135
Balance at December 31, 2023	$ 15,859	$ 4,929	$ 7,505	$ 152	$ 404	$ 668	$ -	$ 6	$ 583	$ 30,106
Charge-offs	$ (103)	$ (164)	$ (8,954)	$ (11)	$ -	$ -	$ -	$ -	$ -	(9,232)
Recoveries	$ 1	$ 422	$ 185	$ -	$ -	$ -	$ -	$ -	$ 333	941
Provision for (reversal of) loan losses	$ 61	$ 2,519	$ 5,876	$ (17)	$ 31	$ 47	$ -	$ (1)	$ (196)	8,320
CECL Adjustment-Allowance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
Balance at June 30, 2024	$ 15,818	$ 7,706	$ 4,612	$ 124	$ 435	$ 715	$ -	$ 5	$ 720	$ 30,135
Allowance for credit losses on unfunded commitments:										
Balance at March 31, 2025	$ 19	$ 252	$ 209	$ -	$ 24	$ 20	$ 1	$ -	$ -	$ 525
Provision for (reversal of) loan losses	-	24	(55)	-	(2)	1	-	-	-	(32)
Balance at June 30, 2025	$ 19	$ 276	$ 154	$ -	$ 22	$ 21	$ 1	$ -	$ -	$ 493
Balance at December 31, 2024	$ 18	$ 242	$ 208	$ -	$ 11	$ 20	$ -	$ -	$ -	$ 499
Provision for (reversal of) loan losses	1	34	(54)	-	11	1	1	-	-	(6)
Balance at June 30, 2025	$ 19	$ 276	$ 154	$ -	$ 22	$ 21	$ 1	$ -	$ -	$ 493
Balance at March 31, 2024	$ 21	$ 231	$ 175	$ -	$ 9	$ 8	$ -	$ -	$ -	$ 444
Provision for (reversal of) loan losses	(4)	8	(5)	-	4	(1)	-	-	-	2
Balance at June 30, 2024	$ 17	$ 239	$ 170	$ -	$ 13	$ 7		$ -	$ -	$ 446
Balance at December 31, 2023	$ 25	$ 167	$ 201	$ -	$ 12	$ 10	$ -	$ -	$ -	$ 415
Provision for (reversal of) loan losses	(8)	72	(31)	-	1	(3)	-	-	-	31
Balance at June 30, 2024	$ 17	$ 239	$ 170	$ -	$ 13	$ 7		$ -	$ -	$ 446

Discussion of Changes in Allowance for Credit Losses

The ACL increased by $5,822 to $48,465 at June 30, 2025, as compared to $42,643 at December 31, 2024. This is largely due to a specific reserve on one relationship. The association's specific reserves increased by $2,372 to $12,440 at June 30, 2025, as compared to $10,068 at December 31, 2024.

The association's macroeconomic forecasts include a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of three years. The economic scenarios utilized in the June 30, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 3 —LEASES:

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the association's operating leases, the discount rates used to determine the present value of the association's lease liability are based on the association's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the association's cost of funds from the bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in “Occupancy and equipment” in the income statement.

The components of lease expense were as follows:

		For the Three Months Ended		For the Six Months Ended	
	Classification	**June 30, 2025**	June 30, 2024	**June 30, 2025**	June 30, 2024
Operating lease expense	Operating	**$ 471**	$ 700	**$ 943**	$ 1,458
Short-term lease expense	Operating	**74**	91	**207**	165
Total lease expense		**$ 545**	$ 791	**$ 1,150**	$ 1,623

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 470**	$ 662	**$ 942**	$ 1,380
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	**566**	91	**690**	1,029

Lease term and discount rate are as follows:

	June 30, 2025	December 31, 2024
Weighted average remaining lease term in years		
Operating leases	**3.11**	2.63
Weighted average discount rate		
Operating leases	**4.3%**	4.7%

Future minimum lease payments under non-cancellable leases as of June 30, 2025, were as follows:

	Operating Leases
2025 (excluding the six months ended 6/30/2025)	**$ 892**
2026	1,512
2027	1,108
2028	980
2029	680
Thereafter	561
Total lease payments	5,733
Less: interest	-
Total	$ 5,733

NOTE 4 — MEMBERS EQUITY:

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

On January 19, 2021, the association issued $200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth. The issuance carries an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026, and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association has made dividend payments on March 15, and June 15, 2025, for a total amount of $5,000.

Regulatory Capital Ratios

	Regulatory Minimums with Buffer	As of June 30, 2025	As of December 31, 2024
Risk-adjusted:			
Common equity tier 1 ratio	7.0%	**10.1%**	10.9%
Tier 1 capital ratio	8.5%	**11.4%**	12.4%
Total capital ratio	10.5%	**11.8%**	12.6%
Permanent capital ratio	7.0%	**11.5%**	12.4%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.0%	**12.4%**	13.3%
UREE leverage ratio	1.5%	**3.6%**	4.6%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2025:

Risk-adjusted Capital Ratios

90 Day Average Balances (dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 774,963	$ 774,963	$ 774,963	$ 774,963
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,351	28,351	28,351	28,351
Allocated equities held ≥7 years	958,618	958,618	958,618	958,618
Nonqualified allocated equities not subject to retirement	-	-	-	-
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	52,831	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(296,072)	(296,072)	(296,072)	(296,072)
Other regulatory required deductions	(1,265)	(1,265)	(1,265)	(1,265)
	$ 1,464,595	$ 1,664,595	$ 1,717,426	$ 1,664,595
Denominator:				
Risk-adjusted assets excluding allowance	$ 14,869,804	$ 14,869,804	$ 14,869,804	$ 14,869,804
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(297,337)	(297,337)	(297,337)	(297,337)
Allowance for loan losses	-	-	-	(52,306)
	$ 14,572,467	$ 14,572,467	$ 14,572,467	$ 14,520,161

Non-risk-adjusted Capital Ratios

90 Day Average Balances (dollars in thousands)	**Tier 1 leverage ratio**	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	$ 774,963	$ 774,963
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	28,351	-
Allocated equities held ≥7 years	958,618	-
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(296,072)	(296,072)
Other regulatory required deductions	(1,265)	(1,265)
	$ 1,664,595	$ 477,626
Denominator:		
Total Assets	$ 13,691,455	$ 13,691,455
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(308,443)	(308,443)
	$ 13,383,012	$ 13,383,012

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

	2025	**2024**
Accumulated other comprensive income at January 1	**$ 1,189**	$ 2,851
Amortization of prior service (credit) included in salaries and employee benefits	-	(69)
Amortization of actuarial (gain) included in salaries and employee benefits	-	(42)
Other comprehensive (loss), net of tax	-	(111)
Accumulated other comprensive income at June 30	**$ 1,189**	$ 2,740

NOTE 5 — INCOME TAXES:

The association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates 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 dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 6 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 to the 2024 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

June 30, 2025	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 9,140**	**$ -**	**$ -**	**$ 9,140**
Total assets	**$ 9,140**	**$ -**	**$ -**	**$ 9,140**

December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 9,790	$ -	$ -	$ 9,790
Total assets	$ 9,790	$ -	$ -	$ 9,790

Assets and liabilities measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy levels are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

June 30, 2025	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 22,067**	**$ 22,067**
Other property owned	**-**	**-**	**1,457**	**1,457**

December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 27,303	$ 27,303
Other property owned	-	-	966	966

*Loans represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral. With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The association utilizes appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 14 to the 2024 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2024 Annual Report to Stockholders.

Investments

Includes mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgements and experience with the securities. These fair value measurements are classified as level 3 investments.

Assets Held in Nonqualified Benefits Trusts

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

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six and three months ended June 30:

	For the three months ended Other Benefits June 30,		For the six months ended Other Benefits June 30,	
	2025	2024	**2025**	2024
Service Cost	**$ 57**	$ 61	**$ 113**	$ 121
Interest Cost	**313**	295	**627**	590
Expected return on plan assets	**-**	-	**-**	-
Amortization of prior service (credits)	**-**	(34)	**-**	(69)
Amortization of net actuarial (gain)	**-**	(21)	**-**	(42)
Net periodic benefit cost	**$ 370**	$ 301	**$ 740**	$ 600

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2025, was $24,200 and is included in "Unfunded post-retirement medical obligations" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 9 — SEGMENT REPORTING:

The association's operations fall under one reportable segment. As per regulation and as discussed in Note 1, "Organization and Significant Account Policies," our business activities are primarily focused on providing financial services and credit to borrowers in the farming, ranching, agribusiness and rural community sectors. The association provides funding either by directly financing the eligible borrowers or indirectly financing through the purchase of participation loans in collaboration with other Farm Credit entities and other financial institutions. For the six months ended June 30, 2025, and 2024, there were no relationships with revenues in excess of 10 percent of the association's total revenues. Total revenues are comprised of interest income and noninterest income.

The accounting policies for this segment are the same as those discussed in Note 2 of the 2024 Annual Report to Stockholders, "Summary of Significant Accounting Policies." The association's chief operating decision maker (CODM) is its chief executive officer, who uses net income as presented on the Statements of Comprehensive Income, as the reportable measure of segment profit or loss, to monitor actual versus plan results and benchmarking the association's performance with peers. The benchmarking analysis, along with the monitoring of actual versus plan results, are used in assessing performance of the association and in establishing recommendations on management's compensation. The measure of segment assets is reported on the Consolidated Balance Sheet as total assets. There is no separate segment financial information as the association only has one segment.

NOTE 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 8, 2025, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.