Farm Credit Services of Western Arkansas, ACA

Quarterly Report
June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Western Arkansas, ACA and its subsidiaries, Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

Farm Credit Services of Western Arkansas, ACA
5177 US Highway 64 West
Russellville, AR 72802
(479) 968-1434
www.myaglender.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2024 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Weather conditions for the end of the second quarter of 2025 were considerably better than the last quarter. As of June 26, 2025, the entire state had no counties showing any kind of drought condition compared to March 25, 2025, when 80.88% of the state was showing no drought conditions, 15.42% was labeled abnormally dry, 2.24% was in a moderate drought, and 0.73% being labeled as a severe drought. At the end of the first quarter of 2025, parts of western Arkansas were included in the abnormally dry portion and parts of northwest Arkansas were labeled as being in a moderate drought. At that time, the northwestern-most corner of Benton county was listed as being in an extreme drought. At the end of the second quarter of 2025, all of these drought pockets have cleared up.

According to Express Markets, Inc. (EMI) as of June 24, 2025, the number of broilers processed increased 3.6% from a year prior to 170.9 million head, with average live weights increasing by 0.9% year-over-year to 6.56 lbs. With two weeks remaining to be analyzed, estimates for the second quarter of 2025 anticipate a 2.9% increase in production year-over-year based on recent hatchery data which remains elevated from a year prior, due mainly to increased liveweights and slightly improved hatchability. According to the United States Department of Agriculture (USDA) as of the week ended June 14, 2025, United States (U.S.) chick placements totaled 194.5 million, with these placements anticipated to hit slaughter during late July to early August 2025. Hatchability declined slightly week-over-week on the broiler hatchery report, averaging 79.1%, which is consistent with the same week a year prior. Based on current egg sets alone and changes compared to a year prior, chick placements are anticipated to increase 1.1% from a year prior through early July 2025.

U.S. Secretary of Agriculture, Brooke Rollins, announced that 948 biosecurity assessments have been conducted at U.S. poultry farms since she took office in February 2025, these assessments aim to help minimize the future impact of Highly Pathogenic Avian Influenza (HPAI). These assessments are a continued part of the five-pronged approach to address the HPAI situation launched by the USDA in early 2025. The USDA covers the full cost of the assessments and shares up to 75% of the costs to fix the highest-risk biosecurity concerns identified during the assessments. At this time, half of the states have had at least one biosecurity assessment completed. Ohio and Pennsylvania are the leading states with the most outbreaks and the most assessments conducted. Arkansas was included with many other states as a state that has had double digit assessments completed.

Based on EMI beef data as of June 26, 2025, for the weeks ending June 21, 2025, estimated Federally Inspected (F.I.) cattle slaughter decreased 10% from a year prior. F.I. cattle dressed weights increased 2.8% from a year prior, averaging 868 lbs. per head. Fewer cattle and heavier dressed weights put F.I. beef production at 480.1 million pounds, a decrease of 7.4% from a year prior. Based on the USDA National Agricultural Statistics Service report for Cattle on Feed, on June 20, 2025, there were 11.442 million cattle reported on feed for June 1, a decrease of 1.2% compared to year prior levels. Due to a smaller cattle inventory and cheaper feed costs, feed lots are feeding cattle longer and increasing weights. The number of cattle on feed longer than 150+ days increased 9.1% from a year prior and were running at levels comparable to 2020 when COVID disruptions backed up cattle supplies. The number of cattle on feed 180+

days increased 27.3% from a year prior. Feeding cattle longer coupled with the slower pace of slaughter has limited the draw on feed cattle supplies. For the week ending June 21, 2025, the choice boxed beef cutout value averaged $388.36 per hundrederweight, an increase of 3.9% from the previous week and an increase of 20.8% from the year prior, the decline in cattle slaughter has supported the strength in the boxed beef cutout value. The loins, chucks, and rounds were the biggest contributors to the increase in cutout value versus a year ago.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $2.0 billion at June 30, 2025, an increase of $100.6 million from December 31, 2024. The increase was primarily due to growth in our poultry, cattle, part-time farm, and agribusiness portfolios.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2024. Adversely classified loans increased to 1.6% of the portfolio at June 30, 2025, from 1.4% of the portfolio at December 31, 2024. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2025, $29.0 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**June 30, 2025**	December 31, 2024
Loans:		
Nonaccrual	**$ 13,091**	$ 9,590
Accruing loans 90 days or more past due	**--**	--
Total nonperforming loans	**13,091**	9,590
Other property owned	**177**	718
Total nonperforming assets	**$ 13,268**	$ 10,308
Total nonperforming loans as a percentage of total loans	**0.6%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**47.5%**	44.1%
Total delinquencies as a percentage of total loans[1]	**0.8%**	0.5%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2024, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to a few large commercial loans moving to nonaccrual status during the second quarter of 2025. Nonaccrual loans remained at an acceptable level at June 30, 2025, and December 31, 2024.

The decrease in other property owned was primarily due to a partial sale and disposal of property in 2025.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default 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.

Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands) As of:	**June 30, 2025**	December 31, 2024
Allowance for credit losses on loans	**$ 4,622**	$ 2,627
Allowance for credit losses on loans as a percentage of:		
Loans	**0.2%**	0.1%
Nonaccrual loans	**35.3%**	27.4%
Total nonperforming loans	**35.3%**	27.4%

The increase in allowance for credit losses on loans from December 31, 2024, was primarily related to the establishment of specific reserves for two nonaccrual loans in our production and intermediate-term and real estate loan portfolios as a result of updated appraisals during the first quarter of 2025. There was also an increase in the general reserves in our agribusiness loan portfolio.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	2025	2024
Net income	$ 16,035	$ 18,798
Return on average assets	1.5%	1.9%
Return on average members' equity	7.8%	9.6%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30,	2025	2024	Increase (decrease) in net income
Net interest income	$ 30,367	$ 28,479	$ 1,888
Provision for credit losses	2,165	127	(2,038)
Non-interest income	5,383	7,128	(1,745)
Non-interest expense	18,443	17,195	(1,248)
Benefit from income taxes	(893)	(513)	380
Net income	$ 16,035	$ 18,798	$ (2,763)

Provision for Credit Losses

The "Provision for credit losses" in the Consolidated Statements of Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The provision for credit losses recorded for the period ended June 30, 2025, was $2.2 million and was primarily due to the establishment of specific reserves for two nonaccrual loans in our production and intermediate-term and real estate loan portfolios as a result of updated appraisals during the first quarter of 2025. There was also an increase in the general reserves in our agribusiness loan portfolio. While the provision for credit losses for the period ended June 30, 2024, was $127 thousand and was primarily due to an increase in general reserves.

Non-Interest Income

The change in non-interest income was primarily due to other non-interest income and patronage income.

Other Non-Interest Income: The decrease in other non-interest income was primarily due to a one-time gain in 2024 for the sale of our corporate headquarters.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income

(in thousands) For the six months ended June 30,	2025	2024
Patronage from AgriBank	$ 2,901	$ 3,851
AgDirect partnership distribution	127	140
Other patronage	135	45
Total patronage income	$ 3,163	$ 4,036

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. The decrease in patronage income in the first six months of 2025 compared to the same period in 2024 was primarily due to a lower patronage rate earned on the average daily balance of our wholesale note payable to AgriBank.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on May 31, 2027. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. We also fund our portfolio from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2025, or December 31, 2024.

On May 16, 2025, Moody's Ratings lowered the U.S. sovereign's long-term issuer rating to Aa1 from Aaa. The outlook on the long-term debt rating of the U.S. was revised to stable from negative. On May 19, 2025, Moody's Ratings lowered long-term senior unsecured debt rating for the Farm Credit System to Aa1 from Aaa; the Prime-1 short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable from negative. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating.

Moody's Ratings also affirmed AgriBank's long-term issuer rating of Aa3, and affirmed the stable long-term issuer rating outlook.

The reduction in the credit rating by Moody's Ratings for the Farm Credit System, could result in higher funding costs or disruptions in our access to the capital markets. However, to date we have noticed no significant impact as a result of this rating change.

Total members’ equity increased $10.6 million from December 31, 2024, primarily due to net income for the period, partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2024 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2025**	December 31, 2024	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**16.9%**	17.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**16.9%**	17.7%	6.0%	2.5%	8.5%
Total capital ratio	**17.1%**	18.0%	8.0%	2.5%	10.5%
Permanent capital ratio	**16.9%**	17.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**17.0%**	17.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.7%**	17.5%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2024 Annual Report.

CERTIFICATION

The undersigned have reviewed the June 30, 2025, Quarterly Report of Farm Credit Services of Western Arkansas, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Cody R. Jones
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

Brandon Haberer
President and Chief Executive Officer
Farm Credit Services of Western Arkansas, ACA

Lori Schumacher
Senior Vice President of Finance and Chief Financial Officer
Farm Credit Services of Western Arkansas, ACA

August 7, 2025

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA

(in thousands)

As of:	June 30, 2025	December 31, 2024
	(Unaudited)	
ASSETS		
Loans	**$ 2,037,115**	$ 1,936,502
Allowance for credit losses on loans	**4,622**	2,627
Net loans	**2,032,493**	1,933,875
Investment in AgriBank, FCB	**64,361**	64,361
Accrued interest receivable	**17,378**	16,299
Premises and equipment, net	**22,018**	21,908
Other assets	**20,604**	22,379
Total assets	**$ 2,156,854**	$ 2,058,822
LIABILITIES		
Note payable to AgriBank, FCB	**$ 1,689,947**	$ 1,587,877
Accrued interest payable	**16,032**	15,031
Patronage distribution payable	**5,500**	12,000
Other liabilities	**29,574**	38,724
Total liabilities	**1,741,053**	1,653,632
Contingencies and commitments (Note 3)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**6,378**	6,274
Unallocated retained earnings	**409,423**	398,916
Total members' equity	**415,801**	405,190
Total liabilities and members' equity	**$ 2,156,854**	$ 2,058,822

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Western Arkansas, ACA

(in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2025**	2024	**2025**	2024
Interest income	**$ 31,306**	$ 28,501	**$ 61,496**	$ 56,244
Interest expense	**16,032**	14,220	**31,129**	27,765
Net interest income	**15,274**	14,281	**30,367**	28,479
Provision for credit losses	**584**	34	**2,165**	127
Net interest income after provision for credit losses	**14,690**	14,247	**28,202**	28,352
Non-interest income				
Patronage income	**1,445**	2,036	**3,163**	4,036
Financially related services income	**2**	1	**4**	7
Fee income	**1,012**	858	**1,868**	1,549
Other non-interest income	**7**	1,465	**322**	1,536
Total non-interest income	**2,466**	4,360	**5,357**	7,128
Non-interest expense				
Salaries and employee benefits	**5,185**	4,948	**10,527**	10,004
Other operating expense	**3,958**	3,753	**7,913**	6,900
Other non-interest (income) expense	**(26)**	291	**(23)**	291
Total non-interest expense	**9,117**	8,992	**18,417**	17,195
Income before income taxes	**8,039**	9,615	**15,142**	18,285
Benefit from income taxes	**(497)**	(290)	**(893)**	(513)
Net income	**$ 8,536**	$ 9,905	**$ 16,035**	$ 18,798

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Western Arkansas, ACA

(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2023	$ 6,232	$ 377,094	$ 383,326
Net income	--	18,798	18,798
Unallocated retained earnings designated for patronage distributions	--	(5,221)	(5,221)
Capital stock and participation certificates issued	280	--	280
Capital stock and participation certificates retired	(291)	--	(291)
Balance at June 30, 2024	$ 6,221	$ 390,671	$ 396,892
Balance at December 31, 2024	$ 6,274	$ 398,916	$ 405,190
Net income	**--**	**16,035**	**16,035**
Unallocated retained earnings designated for patronage distributions	**--**	**(5,528)**	**(5,528)**
Capital stock and participation certificates issued	**355**	**--**	**355**
Capital stock and participation certificates retired	**(251)**	**--**	**(251)**
Balance at June 30, 2025	**$ 6,378**	**$ 409,423**	**$ 415,801**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2025, are not necessarily indicative of the results to be expected for the year ending December 31, 2025. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Services of Western Arkansas, ACA and its subsidiaries Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standard to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System (System). Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We early adopted this standard for the year ended December 31, 2025. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands)

As of:	**June 30, 2025**		December 31, 2024	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 1,307,779**	**64.2%**	$ 1,252,040	64.6%
Production and intermediate-term	**220,038**	**10.8%**	204,871	10.6%
Agribusiness	**372,846**	**18.3%**	350,439	18.1%
Other	**136,452**	**6.7%**	129,152	6.7%
Total	**$ 2,037,115**	**100.0%**	$ 1,936,502	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

Throughout Note 2 accrued interest receivable on loans of $17.4 million at June 30, 2025, and $16.3 million at December 31, 2024, has been excluded from the amortized cost of loans and is presented in “Accrued interest receivable” in the Consolidated Statements of Condition.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **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
Real estate mortgage	**$ 8,872**	**$ 3,388**	**$ 12,260**	**$ 1,295,519**	**$ 1,307,779**
Production and intermediate-term	**2,939**	**771**	**3,710**	**216,328**	**220,038**
Agribusiness	**--**	**--**	**--**	**372,846**	**372,846**
Other	**23**	**27**	**50**	**136,402**	**136,452**
Total	**$ 11,834**	**$ 4,186**	**$ 16,020**	**$ 2,021,095**	**$ 2,037,115**

As of December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$ 3,819	$ 3,706	$ 7,525	$ 1,244,515	$ 1,252,040
Production and intermediate-term	329	1,030	1,359	203,512	204,871
Agribusiness	--	--	--	350,439	350,439
Other	--	--	--	129,152	129,152
Total	$ 4,148	$ 4,736	$ 8,884	$ 1,927,618	$ 1,936,502

There were no loans 90 days or more past due and still accruing interest at June 30, 2025, or December 31, 2024.

Nonaccrual Loans

Nonaccrual Loans Information

	As of June 30, 2025		**For the Six Months Ended June 30, 2025**
(in thousands)	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	**$ 7,683**	**$ 6,155**	**$ 439**
Production and intermediate-term	**3,700**	**2,674**	**253**
Agribusiness	**1,664**	**437**	**1**
Other	**44**	**44**	**1**
Total	**$ 13,091**	**$ 9,310**	**$ 694**

	As of December 31, 2024		For the Six Months Ended June 30, 2024
	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ 7,492	$ 6,403	$ 323
Production and intermediate-term	1,176	1,046	82
Agribusiness	902	902	--
Other	20	20	1
Total	$ 9,590	$ 8,371	$ 406

There were no write-offs of accrued interest receivable, as a reversal of interest income, at the time loans were transferred to nonaccrual status for the six months ended June 30, 2025. Write-offs of accrued interest receivable, as a reversal of interest income, at the time loans were transferred to nonaccrual status were not material for the six months ended June 30, 2024.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Our loans classified as modified loans at June 30, 2025, and activity on these loans during the six months ended June 30, 2025, were not material. There were no loan modifications at amortized cost for the six months ended June 30, 2024. We did not have any material commitments at

June 30, 2025, to lend to borrowers whose loans were modified during the six months ended June 30, 2025. We had no commitments at December 31, 2024, to lend to borrowers whose loans were modified during the year ended December 31, 2024.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of poultry houses and agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) Six months ended June 30,	**2025**	2024
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 2,627**	$ 4,390
Provision for credit losses on loans	**1,958**	69
Loan recoveries	**265**	13
Loan charge-offs	**(228)**	(1,013)
Balance at end of period	**$ 4,622**	$ 3,459
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 524**	$ 567
Provision for credit losses on unfunded commitments	**207**	58
Balance at end of period	**$ 731**	$ 625
Total allowance for credit losses	**$ 5,353**	$ 4,084

The change in the allowance for credit losses on loans from December 31, 2024, was primarily driven by the establishment of specific reserves for two nonaccrual loans in our production and intermediate-term and real estate loan portfolios as a result of updated appraisals during the first quarter of 2025. There was also an increase in the general reserves in our agribusiness loan portfolio.

NOTE 3: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2024 Annual Report for additional detail regarding contingencies and commitments.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2024 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2025, or December 31, 2024.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 2,636**	**$ 2,636**
Other property owned	**--**	**--**	**204**	**204**

As of December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 716	$ 716
Other property owned	--	--	826	826

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 7, 2025, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.