Farm Credit Services of Western Arkansas, ACA

Quarterly Report
June 30, 2026

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, 2025 (2025 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:

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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 2025 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

Since year-end 2025, operating conditions for Farm Credit Services of Western Arkansas, ACA borrowers have become more mixed, with emerging pressure points alongside generally stable repayment performance. Inflation remained elevated through the second quarter of 2026, driven in part by energy, fuel, and other input costs, contributing to continued margin compression across agricultural producers. Labor market conditions softened modestly, with slower payroll growth and relatively stable unemployment, while broader economic indicators suggest a moderating pace of growth. These dynamics have increased borrower sensitivity to interest expense, working capital utilization, and the ability to pass through higher costs, particularly for operations with tighter liquidity positions or elevated leverage.

Agricultural fundamentals reflect a similarly uneven landscape. While overall farm income remains supported by government payments and relatively stable commodity price expectations, elevated production expenses continue to weigh on profitability. Row crop conditions are mixed, with generally stable price outlooks for major commodities such as corn and soybeans, but shifting acreage and higher stock levels limiting upside potential. Rice markets show stable pricing but higher supply levels, creating a more cautious outlook. Livestock conditions remain comparatively strong, particularly in cattle markets, though recent price volatility indicates some softening after a period of strength. Poultry conditions are generally stable, supported by production trends and integrator-backed revenue structures; however, ongoing pressures from utilities, labor, and financing costs warrant continued monitoring.

Regional conditions improved late in the second quarter of 2026 as rainfall reduced drought severity across portions of the South, including parts of Arkansas. However, localized impacts to pasture, hay, and forage conditions may persist, particularly where drought conditions were more severe earlier in the year. Overall, conditions reflect many of the broader trends identified by the Farm Credit Administration, including ongoing margin pressure, elevated input costs, and sensitivity to weather and market variability. While most operations continue to perform satisfactorily, these factors may influence producer profitability and financial flexibility moving forward, particularly for those with higher cost structures or greater exposure to commodity price fluctuations.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $2.2 billion at June 30, 2026, an increase of $126.3 million from December 31, 2025. The increase was primarily due to growth in our production and intermediate-term, real estate mortgage, and agribusiness portfolios.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2025. Adversely classified loans increased to 1.9% of the portfolio at June 30, 2026, from 1.5% of the portfolio at December 31, 2025. 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, 2026, $30.6 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**June 30, 2026**	December 31, 2025
Nonaccrual loans	**$ 13,566**	$ 11,524
Accruing loans 90 days or more past due	**--**	840
Total nonperforming loans	**13,566**	12,364
Other property owned	**209**	--
Total nonperforming assets	**$ 13,775**	$ 12,364
Total nonperforming loans as a percentage of total loans	**0.6%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**36.7%**	53.2%
Total delinquencies as a percentage of total loans[1]	**0.6%**	0.5%

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

Total nonperforming assets have increased from December 31, 2025, 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 one agribusiness relationship with multiple loans that transferred to nonaccrual status during the period ended June 30, 2026. Nonaccrual loans remained at an acceptable level at June 30, 2026, and December 31, 2025.

The decrease in accruing loans 90 days or more past due was due to two loans that transferred to nonaccrual status during the period ended June 30, 2026. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection.

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 includes both an asset-specific component for individually evaluated loans that do not share risk characteristics and a pooled component for loans with similar risk characteristics. The asset-specific component is based on the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the underlying collateral. The pooled component incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasted 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. Refer to Note 2 in our 2025 Annual Report for a complete description of our allowance for credit losses on loans policy.

Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands) As of:	**June 30, 2026**	December 31, 2025
Allowance for credit losses on loans	**$ 6,835**	$ 5,112
Allowance for credit losses on loans as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**50.4%**	44.4%
Total nonperforming loans	**50.4%**	41.3%

The increase in allowance for credit losses on loans from December 31, 2025, was primarily driven by our capital markets portfolio, specifically the establishment of specific reserves for two relationships in the agribusiness and production and intermediate-term loan types and the establishment of qualitative reserves for production and intermediate-term loans within the portfolio.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	2026	2025
Net income	**$ 18,479**	$ 16,035
Return on average assets	**1.6%**	1.5%
Return on average members' equity	**8.6%**	7.8%

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,	2026	2025	Increase (decrease) in net income
Net interest income	**$ 31,876**	$ 30,367	**$ 1,509**
Provision for credit losses	**2,729**	2,165	**(564)**
Non-interest income	**8,038**	5,357	**2,681**
Non-interest expense	**19,347**	18,417	**(930)**
Benefit from income taxes	**(641)**	(893)	**(252)**
Net income	**$ 18,479**	$ 16,035	**$ 2,444**

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 for the period ended June 30, 2026, was $2.7 million and was primarily related to our capital markets portfolio, specifically the establishment of specific reserves for two relationships in the agribusiness and production and intermediate-term loan types and the establishment of qualitative reserves for production and intermediate-term loans within the portfolio.

Non-Interest Income

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

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,	2026	2025
Patronage from AgriBank	**$ 4,271**	$ 2,901
AgDirect partnership distribution	**172**	127
Other patronage	**201**	135
Total patronage income	**$ 4,644**	$ 3,163

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. The increase in patronage income for the period ended June 30, 2026, compared to 2025, was primarily due to increased pool program and wholesale patronage distributions from AgriBank. Pool program distributions increased by $829 thousand, primarily due to higher net earnings on loans within the pool due to increased participation interests. Wholesale patronage income increased by $529 thousand, primarily as a result of an increased patronage rate earned on the average daily balance of our wholesale note payable to AgriBank.

Other Non-Interest Income: The increase in other non-interest income was primarily due to our share of the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC) of $900 thousand in 2026, compared to $311 thousand in 2025. The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required 2% of Systemwide insured debt. Refer to the 2025 Annual Report for additional information about the FCSIC.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on May 31, 2027. However, it was renewed early for $2.5 billion with an origination date of June 1, 2026, and a maturity date of May 31, 2029. 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, 2026, or December 31, 2025.

Total members' equity increased $12.9 million from December 31, 2025, 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-adjusted 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 2025 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2026**	December 31, 2025	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.7%**	17.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.7%**	17.0%	6.0%	2.5%	8.5%
Total capital ratio	**16.0%**	17.3%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.8%**	17.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**16.1%**	17.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**15.8%**	16.9%	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 2025 Annual Report.

CERTIFICATION

The undersigned have reviewed the June 30, 2026, 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.

Stephen “Steve” Young
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 6, 2026

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA

(in thousands)

As of:		June 30, 2026		December 31, 2025
		(Unaudited)		
ASSETS				
Loans	**$**	**2,182,904**	$	2,056,557
Allowance for credit losses on loans		**6,835**		5,112
Net loans		**2,176,069**		2,051,445
Investment in AgriBank, FCB		**75,026**		73,954
Accrued interest receivable		**20,387**		17,296
Premises and equipment, net		**22,084**		21,881
Other assets		**25,662**		25,577
Total assets	**$**	**2,319,228**	$	2,190,153
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,833,660**	$	1,691,943
Accrued interest payable		**17,521**		16,266
Patronage distribution payable		**5,650**		10,000
Other liabilities		**27,315**		49,764
Total liabilities		**1,884,146**		1,767,973
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**6,529**		6,459
Unallocated retained earnings		**428,553**		415,721
Total members' equity		**435,082**		422,180
Total liabilities and members' equity	**$**	**2,319,228**	$	2,190,153

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 periods ended June 30,	**2026**	2025	**2026**	2025
Interest income	**$ 33,647**	$ 31,306	**$ 65,888**	$ 61,496
Interest expense	**17,521**	16,032	**34,012**	31,129
Net interest income	**16,126**	15,274	**31,876**	30,367
Provision for credit losses	**740**	584	**2,729**	2,165
Net interest income after provision for credit losses	**15,386**	14,690	**29,147**	28,202
Non-interest income				
Patronage income	**2,313**	1,445	**4,644**	3,163
Financially related services income	**1**	2	**7**	4
Fee income	**1,196**	1,012	**2,206**	1,868
Other non-interest income	**3**	7	**1,181**	322
Total non-interest income	**3,513**	2,466	**8,038**	5,357
Non-interest expense				
Salaries and employee benefits	**5,578**	5,185	**11,311**	10,527
Other operating expense	**4,036**	3,958	**8,070**	7,913
Other non-interest income	**(190)**	(26)	**(34)**	(23)
Total non-interest expense	**9,424**	9,117	**19,347**	18,417
Income before income taxes	**9,475**	8,039	**17,838**	15,142
Benefit from income taxes	**(287)**	(497)	**(641)**	(893)
Net income	**$ 9,762**	$ 8,536	**$ 18,479**	$ 16,035

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, 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
Balance at December 31, 2025	$ 6,459	$ 415,721	$ 422,180
Net income	**--**	**18,479**	**18,479**
Unallocated retained earnings designated for patronage distributions	**--**	**(5,647)**	**(5,647)**
Capital stock and participation certificates issued	**333**	**--**	**333**
Capital stock and participation certificates retired	**(263)**	**--**	**(263)**
Balance at June 30, 2026	**$ 6,529**	**$ 428,553**	**$ 435,082**

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, 2026, are not necessarily indicative of the results to be expected for the year ending December 31, 2026. 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, 2025 (2025 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 standards 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 September 2025, the FASB issued Accounting Standards Update (ASU) 2025-06 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software." This guidance is effective for all entities for annual and interim periods beginning after December 15, 2027. Early adoption is permitted.	The standard includes several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where capitalization occurs when management has authorized and committed to funding, and it is probable that the project will be completed and the software used as intended, (3) clarifies website development costs, and (4) modifies the disclosure requirements for capitalized software costs.	We expect to adopt the standard as of January 1, 2028. The adoption of this guidance is not expected to have a material impact on our financial statements or disclosures.
In November 2025, the FASB issued ASU 2025-08, “Financial Instruments – Credit Losses (Topic 326) – Purchased Loans”. This guidance is effective for annual and interim periods beginning after December 15, 2026. Early adoption is permitted.	The standard simplifies accounting for purchased loans by expanding the “gross-up” method to “purchased seasoned loans”. This eliminates Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility.	We expect to adopt the standard as of January 1, 2027. The adoption of this guidance is not expected to have a material impact on our financial statements or disclosures.
In December 2025, the FASB issued ASU 2025-11, “Interim Reporting (Topic 270): Narrow-Scope Improvements”. This guidance is effective for annual and interim periods beginning after December 15, 2028. Early adoption is permitted.	The standard provides narrow-scope improvements to interim reporting guidance (Topic 270) to enhance clarity, navigability, and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements.	We expect to adopt the standard as of January 1, 2029. We are currently assessing the impact of this standard on our financial statements and disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands)

As of:	**June 30, 2026**		December 31, 2025	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 1,364,877**	**62.6%**	$ 1,324,374	64.4%
Production and intermediate-term	**316,385**	**14.5%**	254,380	12.4%
Agribusiness	**345,861**	**15.8%**	338,163	16.4%
Other	**155,781**	**7.1%**	139,640	6.8%
Total	**$ 2,182,904**	**100.0%**	$ 2,056,557	100.0%

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

Accrued interest receivable on loans is excluded from the amortized cost of loans. At June 30, 2026, and December 31, 2025, accrued interest receivable on loans totaled $20.4 million and $17.3 million, respectively, 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, 2026**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 4,249**	**$ 2,997**	**$ 7,246**	**$ 1,357,631**	**$ 1,364,877**	**$ --**
Production and intermediate-term	**1,334**	**1,139**	**2,473**	**313,912**	**316,385**	**--**
Agribusiness	**2,635**	**2**	**2,637**	**343,224**	**345,861**	**--**
Other	**217**	**26**	**243**	**155,538**	**155,781**	**--**
Total	**$ 8,435**	**$ 4,164**	**$ 12,599**	**$ 2,170,305**	**$ 2,182,904**	**$ --**

As of December 31, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 5,187	$ 3,883	$ 9,070	$ 1,315,304	$ 1,324,374	$ 840
Production and intermediate-term	749	1,333	2,082	252,298	254,380	--
Agribusiness	--	--	--	338,163	338,163	--
Other	23	27	50	139,590	139,640	--
Total	$ 5,959	$ 5,243	$ 11,202	$ 2,045,355	$ 2,056,557	$ 840

Nonaccrual Loans

Nonaccrual Loans Information

	As of June 30, 2026		**For the Six Months Ended June 30, 2026**
(in thousands)	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	**$ 6,672**	**$ 6,671**	**$ 391**
Production and intermediate-term	**2,450**	**1,618**	**208**
Agribusiness	**4,382**	**--**	**20**
Other	**62**	**62**	**1**
Total	**$ 13,566**	**$ 8,351**	**$ 620**

	As of December 31, 2025		For the Six Months Ended June 30, 2025
	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ 6,308	$ 5,967	$ 439
Production and intermediate-term	3,064	1,928	253
Agribusiness	2,110	--	1
Other	42	42	1
Total	$ 11,524	$ 7,937	$ 694

At the time the loans were transferred to nonaccrual status, write-offs of accrued interest receivable, as a reversal of interest income were not material for the six months ended June 30, 2026. There were no write-offs of accrued interest receivable, as a reversal of interest income for the six months ended June 30, 2025.

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. Loans that both modify and are paid off or charged-off during the period, resulting in an amortized cost balance of zero at the end of the period, are not included in the modification disclosures. 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.

Loan Modifications at Amortized Cost

(dollars in thousands) **For the six months ended June 30, 2026**	Term Extension	Payment Deferral	Principal Forgiveness	Total	Percentage of Total Loans
Real estate mortgage	**$ --**	**$ --**	**$ 107**	**$ 107**	**0.0%**
Agribusiness	**1,125**	**5,619**	**--**	**6,744**	**0.3%**
Other	**1,379**	**--**	**--**	**1,379**	**0.1%**
Total	**$ 2,504**	**$ 5,619**	**$ 107**	**$ 8,230**	**0.4%**
Loan modifications granted as a percentage of total loans	**0.1%**	**0.3%**	**0.0%**	**0.4%**	

Financial Effect of Loan Modifications

For the six months ended June 30, 2026	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage			
Principal forgiveness			**69**
Agribusiness			
Term extension	**12**		
Payment deferral		**12**	
Other			
Term extension	**35**		

There were no loans to borrowers experiencing financial difficulty that defaulted during the six months ended June 30, 2026, or 2025, in which the modifications were within twelve months preceding the default.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications

(in thousands) **As of June 30, 2026**	Not Past Due or Less Than 30 Days Past Due
Real estate mortgage	**$ 1,521**
Production and intermediate-term	**31**
Agribusiness	**6,744**
Other	**1,379**
Total	**$ 9,675**

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at June 30, 2026, or 2025.

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

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type, which is 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,		**2026**		2025
Allowance for Credit Losses on Loans				
Balance at beginning of period	**$**	**5,112**	$	2,627
Provision for credit losses on loans		**2,344**		1,958
Loan recoveries		**58**		265
Loan charge-offs		**(679)**		(228)
Balance at end of period	**$**	**6,835**	$	4,622
Allowance for Credit Losses on Unfunded Commitments				
Balance at beginning of period	**$**	**727**	$	524
Provision for credit losses on unfunded commitments		**385**		207
Balance at end of period	**$**	**1,112**	$	731
Total allowance for credit losses	**$**	**7,947**	$	5,353

The change in the allowance for credit losses on loans from December 31, 2025, was primarily driven by our capital markets portfolio, specifically the establishment of specific reserves for two relationships in the agribusiness and production and intermediate-term loan types and the establishment of qualitative reserves for production and intermediate-term loans within the 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 2025 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 2025 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, 2026, or December 31, 2025.

Non-Recurring Basis

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

(in thousands) **As of June 30, 2026**	Fair Value Measurement Using						Total Fair	
		Level 1		Level 2		Level 3		Value
Loans	**$**	**--**	**$**	**--**	**$**	**2,637**	**$**	**2,637**
Other property owned		**--**		**--**		**240**		**240**

As of December 31, 2025	Fair Value Measurement Using						Total Fair	
		Level 1		Level 2		Level 3		Value
Loans	$	--	$	--	$	2,055	$	2,055

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 6, 2026, which is the date the Consolidated Financial Statements were available to be issued.

The Association participates in asset pool programs with AgriBank. On July 28, 2026, we purchased a certain pool of loan participations totaling $70.0 million back from AgriBank.

There have been no other material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.