



Farm Credit Services of Western Arkansas, ACA

Quarterly Report
March 31, 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

Weather conditions at the end of the first quarter of 2026 were considerably worse than at the end of the previous quarter. As of December 31, 2025, 0.66% of the Arkansas was showing no drought conditions, and no counties were showing extreme drought or worse. As of April 2, 2026, a large portion of the state, 61.47%, was showing extreme or exceptional drought. Much of our loan servicing area is listed as having a severe drought with other portions showing extreme drought.

According to Express Markets, Inc. (EMI) Broiler Recap as of March 31, 2026, the number of broilers processed increased 1.9% from a year prior to 170.2 million head, with average live weights decreasing by 2.7% year-over-year to 6.49 pounds. As of the week ended March 21, 2026, United States (U.S.) chick placements totaled 195.9 million, with these placements anticipated to begin hitting slaughter during early to mid-May 2026. For the week ended March 21, 2026, U.S. hatchability was 78.9%, which is up slightly from the week prior of 78.7%. As reported by EMI, U.S. total chick placements increased 3.0% from prior year levels for the week ended April 11, 2026. Chick placements totaled 196.4 million and these placements being anticipated to hit slaughter in late May 2026.

Based on EMI Beef data as of April 1, 2026, estimated federally inspected (F.I.) cattle slaughter was down 14.6% compared to a year ago. Packers have adjusted packing schedules to put some pressure on cattle prices. Contributing to slower slaughter are changes in capacity with the closing of the Lexington, Nebraska beef plant and a beef plant in Amarillo, Texas moving to one shift. F.I. cattle dressed weights were up 2.9% or about 25 pounds per head heavier compared to a year prior. Fewer cattle but heavier dressed weights put F.I. beef production down 12.1% compared to a year prior.

F.I. Saturday slaughter was up almost 14 thousand head in the first three weeks of March 2026 compared to January and February 2026. The United States Department of Agriculture National Agricultural Statistics Service released their monthly update of cattle on feed data on March 17, 2026. There were 11.5 million cattle reported on feed as of March 1, 2026, a decrease of 0.2% compared to a year prior. The number of cattle placed on feed during the month of February was up 3.7% compared to a year prior. Dryness continues to develop in much of the country. As pastures and forages deteriorate, it takes more acres to graze those cattle, forcing many producers to send cattle to feed yards rather than holding onto them.

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$2.1 billion at March 31, 2026, an increase of \$79.2 million from December 31, 2025.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2025. Adversely classified loans increased to 2.2% of the portfolio at March 31, 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 March 31, 2026, \$29.8 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

| (dollars in thousands) | March 31, 2026 | December 31, 2025 |
|--------------------------------------------------------------------|-------------------|----------------------|
| As of: | | |
| Nonaccrual loans | \$ 18,914 | \$ 11,524 |
| Accruing loans 90 days or more past due | 346 | 840 |
| Total nonperforming loans | 19,260 | 12,364 |
| Other property owned | -- | -- |
| Total nonperforming assets | \$ 19,260 | \$ 12,364 |
| Total nonperforming loans as a percentage of total loans | 0.9% | 0.6% |
| Nonaccrual loans as a percentage of total loans | 0.9% | 0.6% |
| Current nonaccrual loans as a percentage of total nonaccrual loans | 73.1% | 53.2% |
| Total delinquencies as a percentage of total loans ¹ | 0.4% | 0.5% |

¹Total 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 three real estate mortgage loans and one agribusiness relationship with multiple loans that transferred to nonaccrual status during the first quarter of 2026. Nonaccrual loans remained at an acceptable level at March 31, 2026, and December 31, 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, 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.

Allowance for Credit Losses on Loans and Coverage Ratios

| (dollars in thousands) | March 31, 2026 | December 31, 2025 |
|----------------------------------------------------------|-------------------|----------------------|
| As of: | | |
| Allowance for credit losses on loans | \$ 6,512 | \$ 5,112 |
| Allowance for credit losses on loans as a percentage of: | | |
| Loans | 0.3% | 0.2% |
| Nonaccrual loans | 34.4% | 44.4% |
| Total nonperforming loans | 33.8% | 41.3% |

The increase in allowance for credit losses on loans from December 31, 2025, was primarily related to the establishment of specific reserves for two agribusiness relationship with multiple loans that transferred to nonaccrual during the first quarter of 2026.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

| For the three months ended March 31, | 2026 | 2025 |
|--------------------------------------|----------|----------|
| Net income | \$ 8,717 | \$ 7,499 |
| Return on average assets | 1.6% | 1.4% |
| Return on average members' equity | 8.2% | 7.3% |

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) | 2026 | 2025 | Increase (decrease) in net income |
|--------------------------------------|-----------|-----------|-----------------------------------------|
| For the three months ended March 31, | | | |
| Net interest income | \$ 15,750 | \$ 15,093 | \$ 657 |
| Provision for credit losses | 1,989 | 1,581 | (408) |
| Non-interest income | 4,525 | 2,891 | 1,634 |
| Non-interest expense | 9,923 | 9,300 | (623) |
| Benefit from income taxes | (354) | (396) | (42) |
| Net income | \$ 8,717 | \$ 7,499 | \$ 1,218 |

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 three months ended March 31, | 2026 | 2025 |
|--------------------------------------|----------|----------|
| Patronage from AgriBank | \$ 2,041 | \$ 1,511 |
| AgDirect partnership distribution | 89 | 71 |
| Other patronage | 201 | 136 |
| Total patronage income | \$ 2,331 | \$ 1,718 |

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage.

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 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 March 31, 2026, or December 31, 2025.

Total members' equity increased \$5.9 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-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 2025 Annual Report for a more complete description of these ratios.

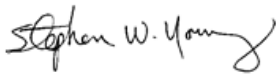
Regulatory Capital Requirements and Ratios

| As of: | March 31, 2026 | December 31, 2025 | Regulatory Minimums | Capital Conservation Buffer | Total |
|--------------------------------------------------------------|-------------------|----------------------|------------------------|-----------------------------------|-------|
| Risk-adjusted: | | | | | |
| Common equity tier 1 ratio | 15.9% | 17.0% | 4.5% | 2.5% | 7.0% |
| Tier 1 capital ratio | 15.9% | 17.0% | 6.0% | 2.5% | 8.5% |
| Total capital ratio | 16.2% | 17.3% | 8.0% | 2.5% | 10.5% |
| Permanent capital ratio | 16.0% | 17.1% | 7.0% | N/A | 7.0% |
| Non-risk-adjusted: | | | | | |
| Tier 1 leverage ratio | 16.3% | 17.3% | 4.0% | 1.0% | 5.0% |
| Unallocated retained earnings and equivalents leverage ratio | 16.0% | 16.9% | 1.5% | N/A | 1.5% |

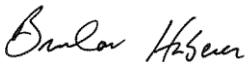
Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2025 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 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 Haber
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

May 7, 2026

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA
(in thousands)

| As of: | March 31, 2026 | December 31, 2025 |
|----------------------------------------------|--------------------|----------------------|
| | <i>(Unaudited)</i> | |
| ASSETS | | |
| Loans | \$ 2,135,740 | \$ 2,056,557 |
| Allowance for credit losses on loans | 6,512 | 5,112 |
| Net loans | 2,129,228 | 2,051,445 |
| Investment in AgriBank, FCB | 73,921 | 73,954 |
| Accrued interest receivable | 19,584 | 17,296 |
| Premises and equipment, net | 21,963 | 21,881 |
| Other assets | 23,467 | 25,577 |
| Total assets | \$ 2,268,163 | \$ 2,190,153 |
| LIABILITIES | | |
| Note payable to AgriBank, FCB | \$ 1,781,828 | \$ 1,691,943 |
| Accrued interest payable | 16,491 | 16,266 |
| Patronage distribution payable | 2,825 | 10,000 |
| Other liabilities | 38,897 | 49,764 |
| Total liabilities | 1,840,041 | 1,767,973 |
| Contingencies and commitments (Note 3) | | |
| MEMBERS' EQUITY | | |
| Capital stock and participation certificates | 6,505 | 6,459 |
| Unallocated retained earnings | 421,617 | 415,721 |
| Total members' equity | 428,122 | 422,180 |
| Total liabilities and members' equity | \$ 2,268,163 | \$ 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)

| For the periods ended March 31, | Three Months Ended | |
|-------------------------------------------------------|--------------------|-----------|
| | 2026 | 2025 |
| Interest income | \$ 32,241 | \$ 30,190 |
| Interest expense | 16,491 | 15,097 |
| Net interest income | 15,750 | 15,093 |
| Provision for credit losses | 1,989 | 1,581 |
| Net interest income after provision for credit losses | 13,761 | 13,512 |
| Non-interest income | | |
| Patronage income | 2,331 | 1,718 |
| Financially related services income | 6 | 2 |
| Fee income | 1,010 | 856 |
| Other non-interest income | 1,178 | 315 |
| Total non-interest income | 4,525 | 2,891 |
| Non-interest expense | | |
| Salaries and employee benefits | 5,733 | 5,342 |
| Other operating expense | 4,034 | 3,955 |
| Other non-interest expense | 156 | 3 |
| Total non-interest expense | 9,923 | 9,300 |
| Income before income taxes | 8,363 | 7,103 |
| Benefit from income taxes | (354) | (396) |
| Net income | \$ 8,717 | \$ 7,499 |

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 | -- | 7,499 | 7,499 |
| Unallocated retained earnings designated for patronage distributions | -- | (2,778) | (2,778) |
| Capital stock and participation certificates issued | 150 | -- | 150 |
| Capital stock and participation certificates retired | (133) | -- | (133) |
| Balance at March 31, 2025 | \$ 6,291 | \$ 403,637 | \$ 409,928 |
| Balance at December 31, 2025 | \$ 6,459 | \$ 415,721 | \$ 422,180 |
| Net income | -- | 8,717 | 8,717 |
| Unallocated retained earnings designated for patronage distributions | -- | (2,821) | (2,821) |
| Capital stock and participation certificates issued | 166 | -- | 166 |
| Capital stock and participation certificates retired | (120) | -- | (120) |
| Balance at March 31, 2026 | \$ 6,505 | \$ 421,617 | \$ 428,122 |

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 three months ended March 31, 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. We are currently assessing the impact of this standard on our financial statements and 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: | March 31, 2026 | | December 31, 2025 | |
|----------------------------------|----------------|--------|-------------------|--------|
| | Amortized Cost | % | Amortized Cost | % |
| Real estate mortgage | \$ 1,340,579 | 62.8% | \$ 1,324,374 | 64.4% |
| Production and intermediate-term | 290,388 | 13.6% | 254,380 | 12.4% |
| Agribusiness | 354,271 | 16.6% | 338,163 | 16.4% |
| Other | 150,502 | 7.0% | 139,640 | 6.8% |
| Total | \$ 2,135,740 | 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 March 31, 2026, and December 31, 2025, accrued interest receivable on loans totaled \$19.6 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) | 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 |
|----------------------------------|---------------------------|--------------------------------|-------------------|--------------------------------------------------|--------------|-----------------------------------------------|
| As of March 31, 2026 | | | | | | |
| Real estate mortgage | \$ 3,872 | \$ 3,289 | \$ 7,161 | \$ 1,333,418 | \$ 1,340,579 | \$ 305 |
| Production and intermediate-term | 509 | 1,614 | 2,123 | 288,265 | 290,388 | 41 |
| Agribusiness | 23 | 2 | 25 | 354,246 | 354,271 | -- |
| Other | 23 | 27 | 50 | 150,452 | 150,502 | -- |
| Total | \$ 4,427 | \$ 4,932 | \$ 9,359 | \$ 2,126,381 | \$ 2,135,740 | \$ 346 |
| As of December 31, 2025 | | | | | | |
| 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

| (in thousands) | For the Three Months Ended | | |
|----------------------------------|----------------------------|-------------------------------------|------------------------------------------------------------|
| | As of March 31, 2026 | Amortized Cost Without Allowance | March 31, 2026 Interest Income Recognized (Reversed) |
| Nonaccrual loans: | | | |
| Real estate mortgage | \$ 11,615 | \$ 11,615 | \$ 162 |
| Production and intermediate-term | 2,832 | 1,899 | 127 |
| Agribusiness | 4,403 | -- | (1) |
| Other | 64 | 64 | -- |
| Total | \$ 18,914 | \$ 13,578 | \$ 288 |

| | For the Three Months Ended | | |
|----------------------------------|----------------------------|----------------------------------|----------------------------|
| | As of December 31, 2025 | | March 31, 2025 |
| | Amortized Cost | Amortized Cost Without Allowance | Interest Income Recognized |
| Nonaccrual loans: | | | |
| Real estate mortgage | \$ 6,308 | \$ 5,967 | \$ 297 |
| Production and intermediate-term | 3,064 | 1,928 | 76 |
| Agribusiness | 2,110 | -- | -- |
| Other | 42 | 42 | -- |
| Total | \$ 11,524 | \$ 7,937 | \$ 373 |

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 three months ended March 31, 2026, or 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 March 31, 2026, or 2025, and activity on these loans during the three months ended March 31, 2026, or 2025, were not material. We did not have any material commitments at March 31, 2026, or December 31, 2025, to lend to borrowers whose loans were modified during the three months ended March 31, 2026, or during the year ended December 31, 2025, respectively.

There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 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. Refer to Note 3 in our 2025 Annual Report for additional detail regarding loan modifications.

Payment Status of Loan Modifications

| (in thousands) | Not Past Due or Less Than 30 Days Past Due |
|----------------------------------|--------------------------------------------|
| As of March 31, 2026 | |
| Real estate mortgage | \$ 1,562 |
| Production and intermediate-term | 32 |
| Total | \$ 1,594 |

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)

| Three months ended March 31, | 2026 | 2025 |
|------------------------------------------------------------|----------|----------|
| Allowance for Credit Losses on Loans | | |
| Balance at beginning of period | \$ 5,112 | \$ 2,627 |
| Provision for credit losses on loans | 1,869 | 1,467 |
| Loan recoveries | 2 | 264 |
| Loan charge-offs | (471) | (227) |
| Balance at end of period | \$ 6,512 | \$ 4,131 |
| Allowance for Credit Losses on Unfunded Commitments | | |
| Balance at beginning of period | \$ 727 | \$ 524 |
| Provision for credit losses on unfunded commitments | 120 | 114 |
| Balance at end of period | \$ 847 | \$ 638 |
| Total allowance for credit losses | \$ 7,359 | \$ 4,769 |

The change in the allowance for credit losses on loans from December 31, 2025, was primarily driven by the establishment of specific reserves for two agribusiness relationship with multiple loans that transferred to nonaccrual during the first quarter of 2026.

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 March 31, 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.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

| As of March 31, 2026 | Fair Value Measurement Using | | | Total Fair Value |
|-------------------------|------------------------------|---------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Loans | \$ -- | \$ -- | \$ 2,595 | \$ 2,595 |
| <hr/> | | | | |
| As of December 31, 2025 | Fair Value Measurement Using | | | Total Fair Value |
| | Level 1 | Level 2 | Level 3 | |
| 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.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 7, 2026, 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.