Farm Credit Services of Western Arkansas, ACA

Quarterly Report
September 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:

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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 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 at the end of the third quarter of 2025 were considerably dry. Much of our loan servicing area was classified as abnormally dry, with some pockets classified as moderate drought. While severe drought conditions were present in parts of the state, the majority of those counties were outside of our loan servicing area.

According to Express Markets, Inc. (EMI) Broiler Recap as of October 7, 2025, the number of broilers processed increased 2.5% from a year prior to 175.0 million head, with average live weights increasing by 1.3% year-over-year to 6.8 pounds. Based on hatchery data and weekly production at the end of the third quarter of 2025, weekly ready-to-cook production is expected to increase 3.4%. As of the week ended September 20, 2025, United States (U.S.) chick placements totaled 195.3 million, with these placements expected to begin hitting slaughter during early November 2025. For the week ended September 20, 2025, U.S. hatchability was flat from the week prior averaging 79.8%. Based on the current egg sets alone and changes compared to the prior year, chick placements are anticipated to increase 3.2% on average from a year prior through mid-October 2025.

Based on EMI data for the week ending September 13, 2025, estimated federally inspected (F.I.) cattle slaughter decreased 9.5% compared to a year ago. F.I. cattle dressed weights increased 0.9% compared to the prior year and averaged 871 pounds per head. For the week ending August 30, 2025, estimated F.I. cattle slaughter was 93 thousand head, which was 13.7% lower compared to a year ago. Beef cow slaughter decreased 23.9%, while dairy cow slaughter decreased 3.7% from a year ago. The United States Department of Agriculture confirmed an outbreak of highly pathogenic avian influenza on a Nebraska dairy farm in September of 2025. Since March 2024 seventeen states have reported outbreaks in dairy cattle. There have been no confirmed outbreaks in dairy cattle in Arkansas. The Association's poultry portfolio consists primarily of integrated broiler operations with strong biosecurity measures. Therefore, there has been no direct impact to the Association from these outbreaks. For the month of July 2025, beef imports totaled 456.8 million pounds, an increase of 4.3% from the previous month and an increase of 13.2% compared to a year prior. U.S. and Brazil trade tensions are expected to limit beef imports in the coming months due to an increase in tariffs. This is expected to tighten beef trim supplies and support higher ground beef prices for the food service industry and ground beef producers. Brazil has been the top source for imported beef in 2025 and increased 6.6% from a year prior. Beef imports from Australia, Mexico, and Canada increased 35.4%, 13.7%, and 13.4%, respectively, compared to the prior year, while New Zealand imports decreased 22.5%.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $2.0 billion at September 30, 2025, an increase of $31.1 million from December 31, 2024.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2024. Adversely classified loans increased slightly to 1.6% of the portfolio at September 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 September 30, 2025, $29.3 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**September 30, 2025**	December 31, 2024
Loans:		
Nonaccrual	**$ 11,495**	$ 9,590
Accruing loans 90 days or more past due	**--**	--
Total nonperforming loans	**11,495**	9,590
Other property owned	**177**	718
Total nonperforming assets	**$ 11,672**	$ 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	**57.7%**	44.1%
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.

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 several large commercial loans that transferred to nonaccrual status during the second quarter of 2025. Nonaccrual loans remained at an acceptable level at September 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:	**September 30, 2025**	December 31, 2024
Allowance for credit losses on loans	**$ 4,467**	$ 2,627
Allowance for credit losses on loans as a percentage of:		
Loans	**0.2%**	0.1%
Nonaccrual loans	**38.9%**	27.4%
Total nonperforming loans	**38.9%**	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 three nonaccrual relationships with multiple loans in our agribusiness, production and intermediate-term, and real estate loan portfolios. There was also an increase in the general reserves in our agribusiness loan portfolio.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30,	**2025**	2024
Net income	**$ 23,532**	$ 24,800
Return on average assets	**1.5%**	1.7%
Return on average members' equity	**7.6%**	8.4%

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 nine months ended September 30,	**2025**	2024	**Increase (decrease) in net income**
Net interest income	**$ 45,408**	$ 42,364	**$ 3,044**
Provision for credit losses	**3,183**	1,962	**(1,221)**
Non-interest income	**8,018**	9,752	**(1,734)**
Non-interest expense	**28,223**	26,281	**(1,942)**
Benefit from income taxes	**(1,512)**	(927)	**585**
Net income	**$ 23,532**	$ 24,800	**$ (1,268)**

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 nine months ended September 30, 2025, was $3.2 million and was primarily due to the establishment of specific reserves for three nonaccrual relationships with multiple loans in our agribusiness, production and intermediate-term, and real estate loan portfolios. There was also an increase in the general reserves in our agribusiness loan portfolio. While the provision for credit losses for the nine months ended September 30, 2024, was $2.0 million and was primarily due to the establishment of specific reserves for one relationship in our capital markets portfolio which transferred to nonaccrual during the nine months ended September 30, 2024.

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 nine months ended September 30,	**2025**	2024
Patronage from AgriBank	**$ 4,240**	$ 5,523
AgDirect partnership distribution	**221**	228
Other patronage	**136**	45
Total patronage income	**$ 4,597**	$ 5,796

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. The decline in patronage income in the first nine months of 2025, compared to the same period in 2024, was primarily due to reduced wholesale patronage and pool program distributions from AgriBank. Wholesale patronage income declined by $843 thousand, primarily as a result of a reduced patronage rate earned on the average daily balance of our wholesale note payable to AgriBank. Pool program distributions declined by $447 thousand, primarily due to lower net earnings on loans within the pool which was driven by the provision for credit losses for the nine months ended September 30, 2025.

Other Non-Interest Income: The decrease in other non-interest income was primarily due to a net gain of approximately $700 thousand related to the sale of our corporate headquarters in 2024. This includes a gain on sale of assets of approximately $900 thousand presented as non-interest income, and a loss on sale of assets of approximately $200 thousand presented as non-interest expense.

Benefit from Income Taxes

The change in benefit from income taxes was primarily related to our estimate of taxes based on taxable income.

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 September 30, 2025, or December 31, 2024.

On May 16, 2025, Moody's Ratings lowered the United States 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 the 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, including AgriBank, could result in higher funding costs which could impact our costs and, ultimately, retail rates. However, to date we have noticed no significant impact as a result of this rating change.

Total members' equity increased $15.4 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:	**September 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	**17.2%**	17.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.9%**	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 September 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.

Stephen W. Young

Stephen W. Young
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

Brandon Haberer

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

Lori Schumacher

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

November 6, 2025

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		September 30, 2025		December 31, 2024
		(Unaudited)		
ASSETS				
Loans	**$**	**1,967,650**	$	1,936,502
Allowance for credit losses on loans		**4,467**		2,627
Net loans		**1,963,183**		1,933,875
Investment in AgriBank, FCB		**73,954**		64,361
Accrued interest receivable		**17,563**		16,299
Premises and equipment, net		**22,036**		21,908
Other assets		**22,285**		22,379
Total assets	**$**	**2,099,021**	$	2,058,822
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,614,962**	$	1,587,877
Accrued interest payable		**16,633**		15,031
Patronage distribution payable		**8,250**		12,000
Other liabilities		**38,557**		38,724
Total liabilities		**1,678,402**		1,653,632
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**6,427**		6,274
Unallocated retained earnings		**414,192**		398,916
Total members' equity		**420,619**		405,190
Total liabilities and members' equity	**$**	**2,099,021**	$	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		Nine Months Ended	
For the period ended September 30,	**2025**	2024	**2025**	2024
Interest income	**$ 31,674**	$ 29,022	**$ 93,170**	$ 85,266
Interest expense	**16,633**	15,137	**47,762**	42,902
Net interest income	**15,041**	13,885	**45,408**	42,364
Provision for credit losses	**1,018**	1,835	**3,183**	1,962
Net interest income after provision for credit losses	**14,023**	12,050	**42,225**	40,402
Non-interest income				
Patronage income	**1,434**	1,760	**4,597**	5,796
Financially related services income	**11**	8	**15**	15
Fee income	**1,160**	854	**3,028**	2,403
Other non-interest income	**56**	2	**378**	1,538
Total non-interest income	**2,661**	2,624	**8,018**	9,752
Non-interest expense				
Salaries and employee benefits	**5,309**	4,948	**15,836**	14,952
Other operating expense	**3,671**	4,054	**11,584**	10,954
Other non-interest expense	**826**	84	**803**	375
Total non-interest expense	**9,806**	9,086	**28,223**	26,281
Income before income taxes	**6,878**	5,588	**22,020**	23,873
Benefit from income taxes	**(619)**	(414)	**(1,512)**	(927)
Net income	**$ 7,497**	$ 6,002	**$ 23,532**	$ 24,800

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	--	24,800	24,800
Unallocated retained earnings designated for patronage distributions	--	(7,847)	(7,847)
Capital stock and participation certificates issued	433	--	433
Capital stock and participation certificates retired	(418)	--	(418)
Balance at September 30, 2024	$ 6,247	$ 394,047	$ 400,294
Balance at December 31, 2024	$ 6,274	$ 398,916	$ 405,190
Net income	**--**	**23,532**	**23,532**
Unallocated retained earnings designated for patronage distributions	**--**	**(8,256)**	**(8,256)**
Capital stock and participation certificates issued	**537**	**--**	**537**
Capital stock and participation certificates retired	**(384)**	**--**	**(384)**
Balance at September 30, 2025	**$ 6,427**	**$ 414,192**	**$ 420,619**

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 nine months ended September 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 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 December 2023, the FASB issued Accounting Standards Update (ASU) 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 are early adopting 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.
In July 2025, the FASB issued ASU 2025-05 “Financial Instruments – Credit Losses – Measurement of Credit Losses for Accounts Receivable and Contract Assets.” This guidance is effective for all entities for annual and interim periods beginning after December 15, 2025. Early adoption is permitted.	The standard provides all entities with a practical expedient and entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and contract assets arising from transactions accounted for under Topic 606. The practical expedient allows entities to assume that current conditions as of the date of the statement of condition do not change for the remaining life of the asset. The accounting policy election allows entities to consider collection activity after the date of the statement of condition when estimating expected credit losses.	We expect to adopt the standard as of January 1, 2026. The adoption of this guidance is not expected to have a material impact on our financial statements or disclosures.
In September 2025, the FASB issued 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 periods beginning after December 15, 2027. Early adoption is permitted.	The standard requires 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 developments 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.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands) As of:	**September 30, 2025** Amortized Cost	%	December 31, 2024 Amortized Cost	%
Real estate mortgage	**$ 1,293,595**	**65.7%**	$ 1,252,040	64.6%
Production and intermediate-term	**210,026**	**10.7%**	204,871	10.6%
Agribusiness	**336,383**	**17.1%**	350,439	18.1%
Other	**127,646**	**6.5%**	129,152	6.7%
Total	**$ 1,967,650**	**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 $17.6 million at September 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 September 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	**$ 5,220**	**$ 2,773**	**$ 7,993**	**$ 1,285,602**	**$ 1,293,595**
Production and intermediate-term	**1,165**	**1,338**	**2,503**	**207,523**	**210,026**
Agribusiness	**729**	**--**	**729**	**335,654**	**336,383**
Other	**244**	**28**	**272**	**127,374**	**127,646**
Total	**$ 7,358**	**$ 4,139**	**$ 11,497**	**$ 1,956,153**	**$ 1,967,650**

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 September 30, 2025, or December 31, 2024.

Nonaccrual Loans

Nonaccrual Loans Information

	As of September 30, 2025		**For the Nine Months Ended September 30, 2025**
(in thousands)	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	**$ 5,817**	**$ 5,816**	**$ 558**
Production and intermediate-term	**4,116**	**2,993**	**277**
Agribusiness	**1,518**	**--**	**--**
Other	**44**	**44**	**1**
Total	**$ 11,495**	**$ 8,853**	**$ 836**

	As of December 31, 2024		For the Nine Months Ended September 30, 2024
	Amortized Cost	Amortized Cost Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ 7,492	$ 6,403	$ 416
Production and intermediate-term	1,176	1,046	103
Agribusiness	902	902	--
Other	20	20	1
Total	$ 9,590	$ 8,371	$ 520

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 nine months ended September 30, 2025, or 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 September 30, 2025, and activity on these loans during the nine months ended September 30, 2025, were not material. There were no loan modifications at amortized cost for the nine months ended September 30, 2024. We did not have any material commitments at September 30, 2025, to lend to borrowers whose loans were modified during the nine months ended September 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)

Nine months ended September 30,	**2025**	2024
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 2,627**	$ 4,390
Provision for credit losses on loans	**2,960**	1,878
Loan recoveries	**270**	15
Loan charge-offs	**(1,390)**	(1,181)
Balance at end of period	**$ 4,467**	$ 5,102
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 524**	$ 567
Provision for credit losses on unfunded commitments	**223**	84
Balance at end of period	**$ 747**	$ 651
Total allowance for credit losses	**$ 5,214**	$ 5,753

The change in the allowance for credit losses on loans from December 31, 2024, was primarily driven by the establishment of specific reserves for three nonaccrual relationships with multiple loans in our agribusiness, production and intermediate-term, and real estate loan portfolios. 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 September 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 September 30, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 1,541**	**$ 1,541**
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 November 6, 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.